Blue-Ribbon Panel Tells How To Avoid "Charitable Crisis"

After hearing charitable foundations attacked for the past couple of years by congressmen and other critics, a national blue-ribbon commission has made recommendations to rebut some of these charges and also to clear away "the air of the illicit that has settled on foundations generally."

The Commission on Foundations and Private Philanthropy was established in late 1968 on the initiative of John D. Rockefeller, III to consider the long-range role of philanthropy and foundations in American life. It is headed by Peter G. Peterson, chairman of the board of Bell & Howell Company, Chicago, and includes several leading scientists and educators. Among those serving on the commission are Philip R. Lee, chancellor of the San Francisco Medical Center of the University of California; Edward H. Levi, president of the University of Chicago; Franklin A. Long of Cornell University; and Daniel Bell, a sociology professor at Columbia University.*

The group concluded that several new sources of funds would have to be opened for foundations by 1975 if the nation were to avoid what it termed "the charitable crisis of the 1970's." The argument of the members was that foundations were especially hard pressed since their contributions tended to be spent on rapidly rising salaries rather than on goods. In Chicago, the commission found that 54 percent of Chicago foundations and philanthropic organizations operated at a financial deficit in 1968 and that 55 percent of the Chicago foundations said they would face a "real budget crisis" by 1975 unless they could come up with new methods of funding.

A principal way that the commission believes that more funding can be achieved is to devise better tax incentives, especially so that a greater spur will be provided for donations from people less wealthy than those who have tended to contribute to foundations. Spreading the giving among more people, the commission argued, would also "democratize philanthropy more, and be less 'elitist.'" To bring about the creation of proposals to achieve such tax incentives, the commission asked the Nixon Administration to assemble a group of experts who would have their proposals ready for congressional action in 1971. It also urged the creation of a continuing, national "Advisory Board on Philanthropic Policy" which would "replace the 'haphazard' development of government policy toward philanthropy and charitable organization." Such a board would be composed of from 10 to 15 private citizens who could be appointed by the President and confirmed by the Senate. The commission disagreed with the argument, often made by critics like Representative Wright Patman (D–Texas), chairman of the House Committee on Banking and Currency, that foundations are spending too much of their money on individuals, on voter registration campaigns, or on international programs. Only 9 percent of foundation grants are given for international purposes, the commission stated, and only 1/10th of 1 percent goes to voter registration and education programs.

As for the grants to individuals, the commission said, most were for research and scholarship and "only a very tiny fraction were for travel-study grants." (The Ford Foundation was sharply criticized for giving travel-study grants to assistants of the late Senator Robert F. Kennedy immediately after his murder.)

Although the commission was composed of the "establishment" types who are usually sympathetic to the work of foundations, the group was critical of foundations on several points. First, it urged that the Internal Revenue Service should audit every foundation in the United States (the number is estimated at anywhere from 22,000 to 45,000) sometime during the next 3 years and that the results of such audits should be publicized. The group said that only 36 percent of U.S. foundations had been audited by federal or state tax officials in the last 10 years. In many states, foundations are very rarely audited by state tax authorities. The commission chastised foundations for poor management of their resources, arguing that they could increase their assets available for charitable giving if they adopted more aggressive and knowledgeable investment policies. The group noted that foundations often tended to make do with the stocks they have been given, rather than intelligently attempting to better their holdings. On the other hand, the commission opposed a tax on foundation income.

A striking criticism was the report that 47 percent of foundations paid out less than 6 percent of their asset values annually in charitable giving and that 17 percent paid out less than 1 percent of their asset values each year. These foundations "clearly are not providing an adequate payout to society in return for the tax deductions society has given their donors."

The commission argued that one of the benefits of new federal tax incentives could be the creation of new foundations in other parts of the country. It noted that foundations now tend to be centered in the northeastern part of the nation. It argued that the boards of foundations should be more diverse: "Half of the trustees of the 25 largest foundations attended Ivy League colleges, and roughly two-thirds have business, banking or legal backgrounds. . . . There were very few Catholics, Jews, Negroes, women or the young. An overwhelming majority of the trustees of the large foundations are white, Anglo-Saxon and Protestant."

Foundations, the commission stated, should undertake new functions such as the analysis of federal agencies and programs. "Who evaluates the establishment? A free press is one such mechanism but it is probably fair to say that the press is much more likely to focus its energies on incidents of abuse or scandal which can be readily publicized than on complex issues where original and refined research is needed."—BRYCE NELSON

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*The commission is located at 231 South La Salle Street, suite 1955, Chicago, Ill. 60604, where the commission's executive director, Everett L. Hollis, has his office.