tion and plant disease by agricultural operations will continue, as no easy solution is in sight.

According to a recent estimate (*27*), annual losses to world crops as a result of disease are about $25 billion, in spite of present control practices. Some of this loss results from man's activities directed at producing these crops. Modification of these activities to reduce disease would usually decrease production or at least increase the cost of production. Most of disease control in the near future, as in the past, must likely be directed at the pathogen by such treatments as exclusion, eradication, protection, immunization, and therapy. But efforts must be expanded to secure control by methods which do not contaminate the environment.

Summary

Some of the increases in plant diseases are due to intensive agricultural and industrial operations such as plant introduction and commerce, vegetative propagation, monoculture, tillage, harvesting and storage, fertilization, irrigation, use of herbicides, plant breeding, site location, and release of industrial fumes. In many cases the gain in crop production due to these operations is greater than the loss due to disease, and therefore control of such man-favored plant diseases will be difficult.

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Tax-Exempt Foundations: Their Effects on National Policy

Irving Louis Horowitz and Ruth Leonora Horowitz

The large tax-exempt foundation is a child of private enterprise. Foundations have acquired a unique role which is not readily describable in terms of "public" or "private" sector. The purpose of this article is to examine the impact of tax-exempt foundations upon public policy in the United States and to show that their "third-sector" character makes its difficult for them to secure acceptance of their activities or an economic base for charting new directions.

The term *foundations* designates organizations that have grown during the 20th century (most often in the form of corporations or trusts) and that have broadly defined charitable purposes, substantial capital assets, and income derived from gifts, bequests, and capital investments. They are granted tax-exempt status by section 501-c-3 of the Internal Revenue Code. The Code also allows income, gift, and estate tax deductions for contributions to foundations. Organizations supported by government funds are not foundations, nor are formal educational or church institutions, organizations testing and experimenting on behalf of the public interest, or certain non-tax-exempt trusts which set aside some funds for charity (*1*).

Longitudinal Profile of Foundations and Government

Big foundations became rooted in the United States at the beginning of this century and are a unique product of affluent industrialism. Organizations of such scale could hardly exist without the vast surplus of wealth which was accumulated in the United States during the 20th century. However, they did grow out of charitable organizations which flourished in earlier American history (*2*). These were endorsed, to an extent unparalleled anywhere else, by cultural influences which strongly favored "charity" as a mode of ameliorating social problems.

1) A dominant Protestantism propagated the idea that men achieved salvation by "good works" rather than religious rituals. Money could be spent to accomplish good works; individuals with sufficient funds used them in this way to assure themselves a life in the hereafter and, more especially, to give the pursuit of profit a higher status and meaning.

2) As a young nation the United States was basically a loose collection of dispersed and diverse communities relying more on ethical bonds than on a strong national government as a source of unity. Charitable donation was a means of strengthening the moral

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firmness of individuals and, indirectly, of the nation. Philanthropy was seen as encouraging the social development of the donor and improving the character of the recipient. Expenditure of money for moral ends enabled the rich and the poor to live in harmony, and thus money could be a force for social cohesion.

3) Charitable organizations were favored by a tradition of improving social conditions through voluntary associations, all the more so since this was seen as a form of "moral," as distinct from interest-group, pressure. The great Fundamentalist awakenings of the 19th century widely popularized this idea.

4) In a laissez-faire culture, where government was regarded as a special contrivance for settling social disputes and not as a dispenser of welfare, charitable organizations assumed welfare-dispensing functions almost by fiat.

5) Of equal importance, businessmen acquired political leadership along with vast fortunes. And as long as Americans identified business as the source of all good things, the populace looked to businessmen to discharge welfare responsibilities to communities. The federal government encouraged this by granting tax allowances for charitable contributions. And since the tax system is itself a product of this century, the special relationship between foundations and government received a basic economic impetus.

The advent of big foundations coincided with the era of muckraking, trust-busting, left-wing populism, and growing militance on the part of labor. This had the effect of casting deep suspicion upon business and, by association, upon business-generated charities or foundations. The charge that philanthropic money was "tainted" became widespread. Between 1914 and 1915 an Industrial Relations Commission set up by a number of U.S. senators to explore causes of social unrest extended its investigation to foundation affairs (*3*). The result was that the foundations were censured because of the size of their fortunes and the nature of their special privileges. They were perceived as dangerous extensions of business power, since not only did businessmen endow them but men with business backgrounds administered them.

Investigation and suspicion notwithstanding, foundations grew as business grew. They were organized mainly as corporations and, to a lesser extent, as trusts (*4*). The procedures for establishing a charitable trust are similar to those involving the transfer of wealth from a private donor to a corporate recipient. By defining the recipient as "the public," transfer of private wealth to the community at large is possible. The trust is a device for disposing of property in cases where legal title and managerial duties are given over to a trustee charged with overseeing the property and using it on behalf of beneficiaries specified by the donor. In the case of charitable trusts, the "beneficiary" was the public. The trust provided a ready form in which administration of a property or funds may be efficiently established according to existing statute, and thus it was applied to the establishment of foundations.

The Private Enterprise Model of Public Foundations

The corporate device is more frequently used in creating foundations because the corporate form pervades modern American business—the main source of foundation funding—and the creators of foundations are familiar with it. The corporation was widely adopted in this country because it provided the means whereby large amounts of capital could be raised from investors whose ownership would be separable from managerial responsibilities and from liability for debt of the business enterprise. The right to exist as a corporation is granted by an act of State, although state laws regarding nonprofit corporations vary so greatly that it is difficult to enumerate the rules for the formation of corporate foundations (*5*).

The executives of a foundation trust or corporation are involved in a fiduciary relationship which legally applies where one individual is duty bound to act for the benefit of another party according to the terms within which the relation was established. This duty involves three parts: loyalty to the beneficiary's interest, avoidance of excessive delegation of administrative obligations, and rendering of accounts to the beneficiary. Foundation administrators are subject to legal sanctions if it can be demonstrated that they have violated this fiduciary relationship.

Our concern here is not with the legal bases, as such, for establishing foundations. Rather, our purpose is to demonstrate how the emulation of business forms for establishing foundations as *independent* entities led them to be associated with the profit-making sphere of the economy. This caused foundations public embarrassment early in this century and established a precedent for congressional inquiry into their ethical integrity and financial affairs (*6*). It was charged that, if foundations serve a "public welfare" function while businessmen circumvent costly taxes by contributing to them, the nonprofit sector exists to serve the profit motives of businessmen and not the common weal. Thus, because of their peculiar nonprofit status, foundations, for all their privileges, lost the moral connotations of the earlier charities, hence a certain degree of legitimacy in the eyes of the public. This problem of the "real" purposes of foundations was further compounded when big government—especially in the New Deal period—made great incursions into their traditional area of activity by acquiring welfare functions and sponsoring a wide variety of civic projects, as well as research in the physical and social sciences. Although this development did not decrease foundation activities, it pressed the foundations to try to justify their existence. The ways in which they did so only rendered them more vulnerable to congressional suspicion.

The greatest amount of congressional inquiry into foundation affairs has occurred in the post-World War II period. One reason for this is the fact that the years 1940 to 1960 were the period of greatest foundation growth in American history. The data of Table 1, drawn from a Treasury Department study conducted in 1964 and published in 1965, show this growth. The foundations established since 1950 are smaller than those established before that date, but the study indicates that this is due simply to the fact that the younger foundations have not yet built up their incomes through an accumulation of gifts and investments. Not all foundations responded to the Treasury Department's questionnaire, and therefore generalizations from the data of Table 1 are tentative. But no data from other sources exist to support or refute these findings (*7*).

The Treasury report indicates that the rapid growth of foundations relative to the rest of the economy in the 1930's and 1940's can be associated in part with the "adoption of increased progressivity in estate and income taxes" during the early 1930's—this in addition to the deduction for charitable contributions allowed under each tax. Furthermore, since 1950 the total wealth of foundations has grown faster

Table 1. The period of establishment of 5050 foundations, by decades after 1900 and by latest asset classes.* [Data from "Treasury Department Report on Private Foundations," issued 2 February 1965, submitted to Committee on Ways and Means, 89th Congress, First Session, vol. 1]

Period	Number	Percentage	Latest asset class					
			$10 million or more		$1 million to $10 million		< $1 million	
			(No.)	(%)	(No.)	(%)	(No.)	(%)
Before 1900	18	†	1	1	9	1	8	†
1900 to 1909	18	†	8	5	5	1	5	†
1910 to 1919	76	2	14	8	36	4	26	1
1920 to 1929	173	3	27	15	65	8	81	2
1930 to 1939	288	6	45	26	100	12	143	3
1940 to 1949	1,638	32	54	31	299	38	1,285	32
1950 to 1959‡	2,839	56	26	15	286	36	2,527	62
Total	5,050	100	175	100	800	100	4,075	100

* The 5050 foundations tabulated by the Treasury Department are those which had at least $100,000 in assets in 1962 and were thus included in the *Foundation Directory*, hence provided information to the Foundation Library Center as to date of organization. † Less than 0.5 percent. ‡ Record incomplete; also, the fragmentary 1960 record (45 foundations) is not included here.

than the rest of the economy. This is thought to be due to the fact that the principal assets and corporate stocks of foundations have been increasing in value more rapidly than other assets, since the value of shares owned by the foundations has been quite stable. Table 2, adapted from the Treasury Department study, gives comparisons made at the end of 1961 between the book value of foundation assets and their market value and net worth. Table 3, adapted from the same study, gives aggregate foundation income.

We are accustomed to associating high industrialism with increases in government expenditure. This association is valid. The world depression of 1929, the devastation of World War II, and the demands of those who had not benefited from improved conditions and economic support, among other events and factors, led the public sector to increase taxation in order to assume these burdens. The consequences involved increases in government wealth, personnel, and power. Moreover, advanced industrial societies sustain their high economic levels by increases in research and development activities.

One of the most important stimulants to R&D activities in the United States has been the Department of Defense. This situation arose for the obvious reason that the United States assumed heavy military responsibilities as part of its postwar role as leader of the free world. The United States was engaged in an arms race with the Soviet Union and was wedded to the idea that a dangerous and expensive weapons arsenal was essential to its security. Thus, concern with defense- and security-related research and development resulted in enlargement of the operations and power of the government sector, and this in turn dramatically altered the role, if not the structure, of American foundations (*8*).

Foundation Liberalism

Despite this customary association between a well-defined public sector and an advanced industrial economy, the nonprofit sector in the United States had increased its activities at a fast pace along with economic and industrial advances. This is striking in view of a general belief that increased government spending on research and civic welfare programs diminishes the number of societal areas in which foundations can operate. No such diminishment has occurred (although the possibility contributes greatly to the unease of the foundations). For this there are many reasons. First, increases in the complexity of higher education and industry have produced a great number of trained researchers and a great demand for their skills. More people of ability are going into research. There is need for many public and private sources of support. Second, the demand for welfare and community services outran the supply made available by government, particularly because of

Table 2. Assets, liabilities, and market values at beginning of tax year 1962, and donor-related influence over investment policy. [Data from 1964 Treasury Department Survey of Private Foundations]

Subcategory	Assets, liabilities, and market values (millions of dollars) for foundations of various sizes*					Donor-related influence over investment policy (%)				
	Total (N = 14,865)	Very large (N = 175)	Large (N = 800)	Medium size (N = 4,910)	Small (N = 8,980)	50% or more (N = 11,000)	Over 33%, not over 50% (N = 810)	Over 20%, not over 33% (N = 100)	Not over 20% (N = 2,430)	Unclassified (N = 525)
Assets: ledger values, end of year										
Cash	443	110	124	166	43	268	31	21	109	14
Accounts receivable	50	12	9	25	4	32	1	†	14	4
Notes receivable	189	118	30	35	6	117	32	18	21	†
Mortgage loans	149	63	61	19	6	60	13	†	77	1
Corporation stock	6,529	4,409	1,237	783	100	2,620	488	249	3,072	103
Other assets ‡	5,119	3,174	1,095	744	106	1,728	351	266	2,737	35
Total assets	11,648	7,583	2,332	1,527	206	4,348	839	515	5,809	138
Liabilities										
Accounts payable	17	8	6	3	†	8	1	1	7	1
Grants payable	524	488	31	5	†	75	10	20	419	†
Bonds, etc., payable	137	73	32	27	5	101	4	11	22	†
Other liabilities	114	53	42	15	4	44	3	2	64	1
Net worth	10,856	6,961	2,221	1,477	197	4,120	821	481	5,297	136
Market values, end of year										
Corporation stock	10,896	8,050	1,783	955	108	3,880	860	668	5,331	159
Total assets	16,262	11,331	2,940	1,773	218	5,666	1,270	945	8,180	201
Net worth	15,470	10,709	2,829	1,723	209	5,438	1,252	911	7,668	199

* Foundations are broken down into the following categories: Very large, >$10 million; large, $1 million to $10 million; medium size, $100,000 to $1 million; small, < $100,000. † Less than 0.5 percent. ‡ Almost entirely in bonds.

the government's military expenditures. Foundations were able to expand in this area. Third, efforts to promote international contact and cooperation after World War II revealed needs and opened opportunities for travel and research in foreign countries, for the encouragement of travel and study in the United States by foreign nationals, and for expansion of the "charity" concept to include "good works" on behalf of international cooperation. Thus, the foundations expanded in this area as well.

In view of this rapid increase in the nonprofit sector, we may properly conclude that one effect the big foundations have had on public policy has been that of multiplying its sources of support. The area for research directed toward something other than the promotion of particular industries or the supplementing of defense-policy concerns is greatly enlarged. The fact that great sums are being made available for international studies, community services, and civic uses strengthens the possibility of the government's circumventing political obstacles to engage in such activities. The increased range of these activities, over time, establishes their value and enhances possibilities for their wider public acceptance. Indirectly, the foundations have a liberalizing effect upon public policy. This effect is complex and needs explanation, especially since it is one of the main grounds for criticism of the foundations, as well as a source of strength.

The liberalizing effect upon public policy is the outcome of two factors: (i) the liberal outlook of the major foundations and their promotion of liberal programs, and (ii) government reliance (especially on the part of executive agencies) upon the experiments of liberal foundations. Thus the federal government can promote liberal policies with a minimum of obstacles by virtue of the prior acceptance these policies may have gained under foundation sponsorship. As one foundation spokesman put it to some skeptics who questioned the value of cooperation between government and foundations, "foundations can be valuable to society by probing and supporting risky or highly experimental projects in fields in which a government impact sooner or later will be necessary" (*9*).

In referring to the liberal outlook of the major foundations we are not denying that liberalism is multifaceted and complicated by historical mutations. But here we need only say that foundations are mainly associated with a liberal constituency—with academic intellectuals holding attitudes that have been opposed by political groups showing markedly right- or left-wing characteristics. For example, the foundations favor U.S. involvement with foreign nations on the grounds that all parts of the world are interdependent, that wealthy nations like the United States have responsibilities to the rest of the world, and that contact between the United States and other nations provides an opportunity for benevolent exchange. The foundations disdain the nationalistic isolationism of the right, as well as left-wing suspicion of American motives and behavior abroad. Moreover, they strongly favor social science research as an approach to social problems. Such research suggests to them no echoes of "socialism," as it does to the right, and no threat of the "dehumanization" by statistics and computers feared by the left.

The major foundations favor community projects that experiment with expanded citizen participation, and they disdain substitution of a policy of moralizing for one of participation. This means that they allocate funds to implement participation and do not promote the traditional view that all

Table 3. Aggregate income of foundations and donor-related influence over investment policy. [Data from 1964 Treasury Department Survey of Private Foundations]

Subcategory	Receipts and grants (millions of dollars) for foundations of various sizes*					Donor-related influence over investment policy (%)				
	Total (N = 14,865)	Very large (N = 175)	Large (N = 800)	Medium size (N = 4,910)	Small (N = 8,980)	50% or more (N = 11,000)	Over 33%, not over 50% (N = 810)	Over 20%, not over 33% (N = 100)	Not over 20% (N = 2,430)	Unclassified† (N = 525)
				Receipts						
Gross profit from business activities ‡	8	3	3	1	1.7	1	1	1	6	§
Interest	159	104	35	18	2.1	47	12	8	91	1
Dividends	374	268	67	36	3.1	125	28	18	197	6
Rents	43	21	16	5	.7	18	1	9	14	§
Other ordinary income	57	39	5	12	1.2	30	5	3	20	1
Less expenses earning gross income	62	35	13	11	2.6	28	5	8	20	1
Net ordinary income	580	400	113	61	6.2	194	42	31	307	6
Gains from sales of assets, exclusive of inventory	484	434	33	15	1.0	45	14	3	419	2
Total net ordinary income plus gains	1,065	834	146	76	7.2	239	56	34	726	10
Contributions received	833	290	251	235	57.4	536	30	18	238	13
Total receipts	1,898	1,124	397	311	64.6	775	86	52	964	23
				Grants from income						
Net	693	478	139	68	8.1	233	40	30	381	8
Cost of distribution	64	36	16	11	.8	20	4	2	38	1
Gross	757	514	155	79	8.9	253	44	32	418	9
				Grants from principal						
Net	239	32	68	111	28.1	174	11	6	41	8
Cost of distribution	16	1	5	7	2.5	4	2	3	5	5
Gross	255	33	73	118	30.6	178	12	8	46	13
Total grants	1,012	547	228	197	39.5	431	56	40	464	21

* Foundations are broken down into the following categories: Very large, > $10 million; large, $1 million to $10 million; medium size, $100,000 to $1 million; small < $100,000. † Less than $500,000. ‡ Gross sales or receipts from related and unrelated business activities less cost of goods sold or of operations. § No data.

Table 4. Reported grants for welfare, 1960, by subcategory. [Data from *The Foundation Directory*, edition 1 (Russell Sage Foundation, New York, 1960)]

Subcategory	Number of foundations	Major support area	Amount (thousands of dollars)	Percentage of social welfare grants
Aged	24	0	1,273	6
Child welfare	37	2	3,073	14
Community funds	39	3	4,791	22
Delinquency and crime	19	0	806	4
Family service	27	1	1,584	7
Handicapped	35	1	1,654	8
Housing	9	0	163	1
Industrial relations	5	0	108	
Intercultural relations	12	1	1,006	5
Legal aid	14	0	328	2
Relief	18	1	626	3
Social research	20	1	965	4
Youth agencies	16	3	5,345	24
Other	1	0	18	
Total	67		21,740	100

citizens should be tested in the competitive process. Nor do foundations encourage citizen participation through confrontation, a mode currently favored by the left. The foundations publicly commit themselves to fostering racial equality and, in general, to encouraging the realization of democratic goals. They have kept an open attitude toward social criticism, especially in view of its present rising tide. Yet they defend their business origins and financial sources and will not join in criticism of "big organization." Big business brings more money. Big government may pose problems of seeking out spheres in which to establish foundation activities. The foundations see their own bigness as primarily a consequence of surplus wealth and of rising demands for responsible research, and they view it as wholly an advantage because it enables them to bring more resources to the investigation of problems. Moreover, foundation executives view the fact that they confer with government and business personnel as only a natural outcome of shared concerns and experiences, not as a sign, as the left generally views it, of interlocking elite structures.

The liberalism of the foundations is more than an attitude fostered by their associations or activities. It is a function of their precarious social and political location between government and business. It enables them to look upon their third-sector status as a contribution to pluralism (*10*, pp. 81–82, 84–85). It gives them a "vocabulary" for introducing innovation into their programming, and innovation is something they require in order to survive huge government incursions into their traditional areas of interest. They must survive such incursions without hostility, speaking the language of cooperation, for they can ill afford to tempt government to revoke their tax privileges. In short, the foundation's liberalism is at present linked to its survival. This is the big foundation's way of steering a difficult course toward public acceptance. Some years ago a congressional representative apprehensively noted this liberal tendency and its sources in necessity when he said that foundations were being forced "to enter these controversial fields which many people object to as being too far to the left" (*11*).

The Ford Foundation occupies a unique position in the world of foundations. Thus any generalizations about foundations and liberalism that are based exclusively, or even primarily, on data drawn from the Ford Foundation can easily provide a less-than-accurate picture of the whole. Yet Ford does uniquely illustrate a number of the major, as well as minor, points presented here (*12*).

1) Ford went into the "business" of assisting developing nations overseas at precisely that point in history when the United States recognized that it must face up to a Third World ideology as something valid and not a subtle form of pseudocommunism. This recognition followed the collapse, at home, of McCarthyism in the mid-1950's; the crystallization of nationalist tendencies in the Third World only underscored the need for a liberal option. Governmental aid to Latin America and Asia began in the early 1950's, and aid to Africa began in the late 1950's. Foundation studies of the benefits of such aid quickly followed.

2) Invariably this assistance strengthened the liberal tendencies within the Third World, just as they strengthened these same tendencies in domestic programming. The aid to agriculture, education, economic planning, and public administration invariably followed lines that made it impossible for a "neutral" American government to support the projects financially, and yet the United States was anxious to support them through private or quasi-public channels.

3) The dramatic shift to foreign support, to the internationalization of foundations, is further reflected in the fact that what began in 1958—namely, a systematic program for international grants—only 10 years later, in 1968, accounted for $480 million of the $3.37 billion granted by the Ford Foundation. These grants invariably involved pivotal nations in the East-West confrontation, a confrontation that the United States could hope to win or resolve in its favor only by putting its most liberal foot forward.

Political Policy and Foundation Liberalism

Under the impact of social upheavals in the United States over the last few years, foundations have shown a more vigorous liberalism than they could a decade ago, in Senator Joseph McCarthy's heyday. For example, the Council on Foundations states (*13*, p. 5):

> In a year marked by dissension and violence in important areas of our society, the philanthropic scene provided several constructive developments, three of which deserve special mention: cooperation among foundations to make better use of funds and staff; increased attention to investment portfolios, including consideration of program-related investments as an adjunct to grant making; *and recognition of the need to involve citizens in decisions affecting their communities* [italics ours].

The Council states, in addition (*13*, p. 7):

> The demand for more effective community participation in many areas of decision-making became an increasingly important factor in foundation programs . . . in city planning, urban renewal, economic development and public education. In the last-named field, the Ford Foundation's support of the New York City Board of Education's experimental decentralization projects was sharply criticized by the president of the United Federation of Teachers, Albert Shanker, and stoutly defended by the foundation's president McGeorge Bundy, who stated his case succinctly: "A foundation should not shrink from important issues even if they become controversial, and we do not intend to back away from this one.

The Council on Foundations also states (*13*, p. 7):

. . . the Foundation is increasingly taking the risk of providing funds and offers of expertise if asked to by community organizations within the Black Ghetto. The Foundation is disciplining itself to sit back and let Black leaders utilize the resources as they see fit . . . we see no other alternative to the Black Conditions in the Urban Crisis.

The Ford Foundation has shown a similar tendency (*14*, p. 3):

In a major departure from past policy, the Foundation this year began using part of its investment portfolio directly for social purposes. In the past, the Foundation has worked mainly through outright grants to non-profit institutions. It will now also devote to civic or research organizations part of its investment portfolio, through such devices as guarantees, profit-making as well as non-profit if necessary.

On 8 May 1969 the Ford Foundation announced grants of $2.45 million to five universities for research, teaching, and training in urban problems (*15*). In response to the "student revolution," the foundation announced the award of funds for student-directed research on poverty in the ghettos of New England and in the Appalachian South, on state and local tax reform, and on universities and local government (*16*). Many other programs that display a strongly liberal orientation have been continued or initiated (*14*, p. 3).

The Danforth Foundation, long interested in educational affairs, has recently shown a marked interest in urban affairs (*17*). It defends this change of emphasis in terms that appeal strongly to those of a liberal turn of mind (*18*):

Foundations are not properly engaged in popularity contests. At times of their tallest stature in American life they have taken stands on issues of public concern. They play the role of actor, not merely reactor. . . . To oppose special privilege in any of its forms is inevitably to run the risk of controversy. But special privilege is what the urban unrest is all about. It is not just low wages, poor plumbing and no grass. It is the denial of equal status, of a voice in civic decisions, of the fullness of human dignity. We believe that all citizens must be free to participate fully in community life and in decision-making processes. Giving up privileges is hard; giving up authority is even harder. Yet these things must happen if our cities are to survive and prosper.

This new awareness of the foundation as a liberal corporate conscience is also expressed by Dana S. Creel, president of the Rockefeller Brothers Fund, who defends even direct political involvement for foundations (*19*).

Table 5. Reported grants for welfare, 1962* and 1966, by subcategory. [Data from *The Foundation Directory*, editions 2 and 3 (Russell Sage Foundation, New York, 1964; 1967)]

Subcategory	Number of foundations		Number of grants		Amount (thousands of dollars)		Percentage of welfare grants	
	1962	1966	1962	1966	1962	1966	1962	1966
Community planning	23	44	34	62	6,163	10,800	31	13
Youth agencies	33	266	57	373	3,651	14,019	18	17
Aged	15	57	20	65	2,513	2,454	13	3
Delinquency and crime	6	13	10	14	1,734	351	9	1
Recreation	24	55	29	63	1,495	1,827	8	2
Children	18	82	28	117	1,426	3,100	7	4
Relief-social agencies	27	107	36	144	1,073	6,214	5	8
Community funds†	22	610	22	838	1,044	30,795	5	38
Handicapped	17	95	21	113	589	3,749	3	5
Interracial relations	7	40	8	94	253	5,767	1	7
Transportation and safety	3	15	3	24	55	690		1
General	n.d.‡	15	n.d.	21	n.d.	746	n.d.	1
Total	110	832	268	1,928	19,996	80,512	100	100

* The 1962 totals should be accepted with reservation since family and company-sponsored foundations are not adequately represented. † This category jumped to first place because more family foundations were included and these often make one grant to local community-chest-type organizations. ‡ n.d., No data.

Minor excursions on the part of a few foundations affecting the legislature process have added considerable fuel to Congressional ire. Foundation grants to voter registration projects are the most notable example. . . . This type of activity strikes a politically sensitive nerve and hits close to home for elected officials who are the lawmakers. These voter registration projects with their general objective of broadening the franchise—which is a commonly accepted objective in a democracy—have been viewed as upsetting traditional voter patterns and therefore not legitimate activities for foundations but rather political activities which, if not already prohibited under present law, should definitely be prohibited by more restrictive legislation. I am tempted to ask what might have been the outcry had the voter registration projects tended to reinforce the traditional voting patterns.

Foundations also see themselves as fostering development of a cooperative, yet individualist, liberal model for association between nations. They envision an association between partners rather than conflict between competitors for power or the relationship of a rich and benevolent patron and its dependent (*20*).

The image of foundation assistance that emerges is not simply that of a benevolent patron; ideally, it is that of a partner with resources and competences, but one who also makes exactions and is attentive to the performance of others.

Foundations are in a better position than government to embrace liberal ideals, for government is often rendered conservative by its constituencies and by considerations of power and frugality. Further, foundations are not constrained by the sharp tests of national loyalty that are required of recipients of federal funds (*20*).

Statements on the liberalism of foundations are borne out by the allocation of funds. The two areas in which charitable "good works" have received increased support from foundations have been civic welfare and international activities. Tables 4 and 5, containing data drawn from *The Foundation Directory*, show the increases in welfare spending, by subcategory, from 1960 to 1966. However, one should view the totals with some reservation since, in the data for 1960 and for 1962, family- and company-sponsored foundations are underrepresented.

The $20 million in grants for different kinds of civic welfare, reported for 1960 and 1962, from 67 and 110 foundations, respectively (Tables 4 and 5), probably represent less than half the total amount for grants in this field, since it is to civic welfare that frequent contributions were made by small foundations that did not report the sums to the *Directory*.

For some time, welfare, like health services, had been a declining area for foundation grants because of the expansion of social security and because of private health insurance and retirement plans and increased government involvement in similar fields. But in 1962, community-planning innovations received one-third of the total welfare funds. This suggests that the foundations were innovating civic welfare policy and striking out on new paths. This could be a major factor in the substantial increases between the welfare-grant figures for 1962, reported in edition 2 of the *Directory*, and those for 1966, reported in edition 3 (see

Table 6. Reported grants for international affairs, 1960, 1962, and 1966. [Data from *The Foundation Directory*, editions 1, 2, and 3 (Russell Sage Foundation, New York, 1960; 1964; 1967)]

Subcategory	Number of foundations			Number of grants			Amount (thousands of dollars)			Percentage of international affairs grants		
	1960	1962	1966	1960	1962	1966	1960	1962	1966	1960	1962	1966
Economic aid	4	n.d.*	n.d.	n.d.	n.d.	n.d.	1,496	n.d.	n.d.	8	n.d.	n.d.
Exchange of persons	15	9	16	n.d.	21	22	4,459	1,988	2,539	24	4	2
International studies	17	13	8	n.d.	81	47	6,632	20,308	50,800	36	39	36
Peace and international cooperation	5	10	15	n.d.	17	33	405	1,146	4,563	2	2	3
Relief and refugees	8	2	15	n.d.	2	16	385	30	661	2	†	†
Technical assistance	8	7	25	n.d.	61	131	5,303	8,778	26,535	28	17	19
Education	n.d.	13	58	n.d.	110	139	n.d.	11,520	40,513	n.d.	22	29
Health and medicine	n.d.	15	38	n.d.	108	134	n.d.	7,240	11,280	n.d.	14	8
Cultural relations	n.d.	6	32	n.d.	18	53	n.d.	1,288	3,069	n.d.	2	2
Other	1	n.d.	13	n.d.	n.d.	21	2	n.d.	1,272	†	n.d.	1
Total	29	33	152	n.d.	418	596	18,682	52,298	141,232	100	100	100

* n.d., No data. † Less than 0.5 percent.

Table 5). The amount increased from roughly $20 million to $80.5 million.

At the same time, the number of grants increased from 268 to 1928. One contributing factor is the increase in the number of foundations reporting, from 110 in 1962 to 832 in 1966. But this does not account for the entire increase, since an increased number of foundations reporting in 1964, not represented in Table 5, showed a declining rate of allocation to welfare. Thus, the 1966 figures do represent a genuine tendency toward growth in the welfare field. Moreover, the striking climb of allocations to "interracial relations," from about a quarter of a million in 1962 (edition 2 of the *Directory*) to $5.8 million (23 times as much) in 1966 (edition 3) is no mere reflection of improved coverage. As stated in edition 3 (*21*), "examination of the grants indicates many new programs on the part of foundations not previously concerned with this field."

The largest foundations have also sought to establish more liberalizing programs in the field of international activity. For example, Ford is committed to the "partnership" relation as a guide in the conduct of activity (*22*):

> The International Division is the Foundation's largest. Our commitment here is deep, long-standing, and long range. We are trying to use our relatively modest resources and our relatively extensive experience to help where a private American nonprofit organization can help best in the social and economic growth of societies in Latin America, Africa, the Middle East and Asia. Our primary method has been that of developing a flexible capacity to respond to the needs of responsible leaders as they perceive them: we try not to give unwanted help.

Bundy recently took the opportunity, in explaining Ford's international programs, to decry the insensitivity of the American Congress on foreign aid. He noted that government is obstructed by the attitude of Congress (*22*). Elsewhere (*23*) he calls the United States' foreign aid position a "national disgrace," thereby implying that the international programs of the foundations are a liberal corrective to congressional conservatism. Moreover, the concern for racial equality is not to be excluded even in the international field. On 30 April 1969, Ford announced major grants for research on racial problems outside the United States (*24*): to the institute of Race Relations, London, concerned with race problems on an international scale, $350,000; to the Minority Rights Group, London, $72,000; to the South Africa Institute of Race Relations, Johannesburg, $200,000.

The Carnegie Foundation has been oriented toward international studies, international peace, and the promotion of international contact between scholars and students for so long that it shows little interest in presenting ideological rationales for its programs. For example, in a comparison of the Carnegie Foundation's annual reports for 1964, 1966, and 1968, little shift in interest or in political vocabulary is evident. An examination of other foundation reports shows shifting emphasis upon styles and fields of research in the international field. From 1964 to 1966, interest focused on development, trade, population, and food supply problems. From 1966 to 1968 the focus was on fostering international communication between scholars, on quantitative studies in international relations, and on visiting research scholarships, "world order" studies, and technical assistance to underdeveloped countries.

The data of Table 6 indicate an overall increase in grants in the international field, the most startling increase being between 1962 and 1966. In this field an increase in the number of foundations sampled would not change the picture since the additions to the sample would all be small foundations, which have little interest in international activities. Two other points should be noted: (i) the Ford, Rockefeller, and Carnegie foundations make the largest contribution, (ii) yet much foundation funding does not go directly abroad but goes, rather, to American universities for studies of foreign areas.

Other foundations have recently been concerning themselves with the life sciences and their relation to social policy. Most notable of these is the Russell Sage Foundation (*25*, pp. 10–20). Although it is less likely that these activities are directly motivated by liberal idealism, a certain bias toward aiding "the disadvantaged" suggests itself in some programs of the Russell Sage Foundation and of other foundations interested in social policy. According to the 1967–68 report of the Russell Sage Foundation (*25*, p. 28):

> Foundation interest in the socialization of special groups in American society has gradually been gaining momentum during the last five years. This year . . . the Foundation's efforts in this area will contribute to the understanding of the problems of such sub-groups: racial minorities, women of high ability, the blind, the aging, and professionals. Last year the Foundation announced its support of a six-month exploratory study of Negro executives in the white business world.

None of the above should be construed as meaning that *all* foundations reflect a liberal bias. Some speak exclusively in the apolitical terms of specialized professionalism. The Wenner-Gren Foundation for Anthropological Research, for example, is so closely oriented to professional anthropological studies that its programs seemingly bear no relationship to the American political environment. Even if one considers professionalism to be a special kind of ideological justification, it would be difficult to relate it to the right-center-left framework that we have been employing in discussing the foundations.

Indeed, just as there are foundations with "left-liberal" orientation, so too there are large foundations which overtly promote right-wing activities (the organizations funded by H. L. Hunt) or which devote their resources to "traditional" charity and the promotion of "conservative values." The Indiana-based Lilly Endowment reflects all the remnants of traditional philanthropy. It has a strongly religious interest, sponsors anti-Communist educational projects, promotes little or no social science research, and emphasizes charitable giving to foster the development of self-reliant individuals loyal to the United States (*26*). Thus the liberal orientation of big foundations toward racial equality and increased aid to developing nations is by no means unchallenged in the foundation world.

The foundations' relationship with government, especially over the last two decades, has been a particularly important stimulant of liberal attitudes. For one thing, the foundation is often confused by the expansion of government-sponsored research. The Danforth Foundation expresses this confusion forthrightly (*27*):

> American philanthropy has never been healthier or more puzzled. This is especially true for foundations working in the field of education. On the one hand the calls for support from schools and colleges are more urgent than ever before, and the foundations are responding in ever-increasing measure. On the other hand, the complexities and uncertainties of education and the millions of new government money cause the foundations to wonder what they should do; and they seem to spend more time in pondering their role in general, and perhaps their particular grants, than was once their custom.

This concern for the continuing redefinition of foundation roles is widespread (*28*). Nevertheless, confusion has led to a formula for adaptation and cooperation. This is well expressed in a recent Danforth report (*27*):

> The Danforth Foundation has decided not to abandon those interests that tones upon the areas of Federal activity, but to adopt a policy of parallel action and, where feasible, collaboration. . . . Federal money, like foundation money, is automatically neither an ogre nor an angel. We must learn to live with it creatively and to combine it with other resources to the benefit of all education.

The result is that foundations have been driven into collaboration with government, or, as foundation spokesmen say, into a partnership. But a partnership still leaves the problem of what role foundations will play. They cannot duplicate government efforts; they can only complement them according to government need. Thus arises the innovative role of the foundation, in contrast to the more established role of government—the "cautious partner." The foundations are in a position to innovate. Public regard for foundations depends on it. Moreover, complementing government research efforts means taking risks government cannot afford politically and sometimes financially. The partnership thus involves the foundation in both practical collaboration and innovative political risk-taking. A number of statements are available indicating both the fact and the acceptance, by both partners, of this collaboration. In addition to joint ventures, there is collaboration on the personnel level (*9*, p. 7):

> Foundation staff members and governmental officials do move back and forth between each other's vineyards, sometimes for a stretch of years, sometimes on *ad hoc* assignments. To those who see hobgoblins or "establishment interlock" in such arrangements, the most elementary answer is that of the patriotic obligation. Our government should get talented people where it can find them, and members of foundation staff have no less an obligation to respond than university professors or business executives. But patriotism . . . is not the only basis for the interchange. To remain alert and informed, both foundations and government need the infusion of talented and specialized outsiders.

Also (*9*, p. 8):

> Foundations can be the source of support for disinterested evaluation of government activities. It is no reflection on the Congressional right and competence to evaluate government activity to suggest that judgments from this source are not always free of political implications. Congress itself and the Executive Branch have acknowledged the importance of independent, non-governmental appraisal of government, and where else are the evaluators of government social and economic programs to obtain non-governmental support but [from] the foundations?

Richard Magat goes on to emphasize the practical value of collaboration for foundations (*9*, p. 6):

> . . . the partnership may be conducted through joint ventures with local, state, or national governments. Participation affords government direct experience in the venture, so that it does not have to rely on second-hand or after-the-fact observations and it enhances the prospects of continuing interest and financing after the foundation's role is concluded. Collaboration sometimes is also indicated for the simple reason that the undertaking may be too costly for foundations alone.

Collaboration extends down to local government, and extends to sensitive issues (*10*, p. 430).

Collaboration and risk-taking by foundations have become so firm a trend that a Commission on Foundations and Private Philanthropy has been formed to give it systematic attention. The commission will consider, among other things, "new roles for foundations as the government invests unprecedented amounts in traditional areas of welfare and philanthropy," and "guidelines to help determine the proper role of private philanthropy to controversial public policy issues and the political process" (*29*).

Summary and Conclusions

While the subject of the responses of the federal government to foundation activities is a subject for study in itself, it is evident that recent investigations of the Patman Subcommittee (U.S. House of Representatives) and ensuing congressional activities designed to make foundations subject to new tax reform measures are directly aimed at the third-force liberalism of the foundations. According to the Hearings before the Committee on Ways and Means held in 1969 and presided over by Congressman Wright Patman, a tax surcharge of 100 percent would be levied on any foundation making an investment "which jeopardizes the carrying out of its exempt purposes." This provision seems especially aimed at discouraging foundation support for measures such as voter registration drives and Black ghetto self-help programs. The section of the Bill entitled "Taxes and Taxable Expenditures" is

emphatic in citing termination of tax-exempt status to penalize efforts "to carry out propaganda or otherwise influence legislation," or "to influence the outcome of any public election " (*30*). Aside from some vague references to travel and study, there is little in the bill to indicate real concern about manifestations of foundation liberalism in activities overseas. It is clear, then, that it is in the area of domestic politics that the real thrust and the real concerns exist.

The foundations have proved singularly inept at lobbying in support of their causes. Aside from some recent action on the part of foundation officials and aside from sporadic congressional support, there has been remarkably little defense of the foundations from those individuals and political institutions which benefit from their existence. One might argue that this refutes the idea of a monolithic Establishment acting as a mighty phalanx to delay social justice and economic change.

The main problem seems to be that the corporate model for public trusts is an unwieldy one, at least for generating mass support, or even the support of particular elite groups. Cut off from a major national constituency, foundations are buffeted by those "below," whom they seek to serve, and no less by those "above," who determine the operational framework of foundation activities and policies. This explains the rather conventional commitment to liberal ideologies and causes, and also explains a good deal of the resentment concerning foundation activities from both right-wing crusaders and left-wing critics.

While foundation responses to criticism have been both cautious and vigorously self-defensive, the foundations' peculiar position between business and government has left them vulnerable and searching for formulas for survival. A liberal orientation and collaboration with government agencies to liberalize policy have helped them. But these trends have led to more criticism from both the right and the left. A major increase in the impact of either type of critic would precipitate a crisis.

References and Notes

1. For the distinction between foundations and other public-welfare-oriented organizations, see *Treasury Department Report on Private Foundations* (Government Printing Office, Washington, D.C., 1965), vol. 1, pp. 9–10 (submitted to the Committee on Ways and Means, 89th Congress, First Session).
2. For a historical account, see R. H. Bremner, *American Philanthropy* (Univ. of Chicago Press, Chicago, 1960).
3. See the report, issued by Senator Manly, "Final Report and Testimony," *Senate Document No. 415, 64th Congress, First Session* (Government Printing Office, Washington, D.C., 1916) (submitted to Congress by the Commission on Industrial Relations).
4. M. R. Fremont-Smith, *Foundations and Government* (Russell Sage Foundation, New York, 1965). See especially chapters 1 and 2 for a discussion of the historical roots of the laws relating to charities. Other chapters in this book give an extremely clear account of the trust and corporate bases of the foundations.
5. See M. R. Fremont-Smith, *ibid.*, pp. 479–90, for a state-by-state summary.
6. Congressional investigation has not been directed at all philanthropic foundations. There are a number of types; for a good description of them, see S. Harrison and F. E. Andrews, *American Foundations for Social Welfare* (Russell Sage Foundation, New York, 1946). These authors refer to four main types: (i) the "name-only" type, usually of a nongranting, soliciting variety with no capital funds; (ii) the "marginal type" supported by fees or foundation grants, having highly restricted purposes; (iii) the "community trust type" set up to enable a number of small donors to pool their resources; and (iv) the big general philanthropic foundation—the type discussed in this article and the type most subject to congressional inquiry. Within type iv, Harrison and Andrews make a distinction between "operating" and "non-operating" foundations, the former being those that maintain their own research staffs and the latter, those that make grants to outside researchers. Also, a number of "general" philanthropic foundations are a blend of "operating" and "non-operating" varieties.
7. See F. Andrews in *The Foundation Directory, Edition 2* (Russell Sage Foundation, New York, 1964), pp. 15–16. Andrews shows, in keeping with the Treasury Department's observation, that less than 0.5 percent of the foundations listed in edition 2 of the directory were organized before 1900. During the first decade of the 20th century the growth rate was less than two per year (although two of those established in that decade now have assets of more than $25 million). For the decade 1910–1919 the rate increased to more than seven per year, for a total of 76, including three giants: Rockefeller Funds, the Carnegie Corporation of New York, and the Commonwealth Fund. This is the decade in which the community trust type of foundation became important. In the 1920's the rate of growth more than doubled, to 17 a year, 12 of those established in that decade being in the large-asset range. Though the Depression slowed the rate of growth it still increased to nearly 30 a year. In the 1940's more than 6 times as many foundations were established as in the 1930's, and in the 1950's growth reached an all-time high.
8. The importance of defense-related, rather than welfare-related, R & D to government-sector operations is illustrated by the fact that research in the areas of health, education, and welfare receives only a small portion of funds compared to defense-related R & D; the figure for defense-related R & D is in the billions. Defense R & D jumped from $1.183 billion in 1954 to $7.551 billion in 1968 (see issues of *Congressional Quarterly Almanac* for the years 1954 to 1968).
9. R. Magat, "Foundation Reporting," an address presented 19 May 1969 before the 9th Biennial Conference on Charitable Foundations, New York University.
10. "Hearings Before the Committee on Ways and Means, Tax Reform, 91st Congress, First Session, Pt. 1" (Government Printing Office, Washington, D.C., 1969).
11. "Hearings Before the Select Committee to Investigate Tax-Exempt Foundations and Comparable Organizations, House of Representatives, 82nd Congress, Second Session" (Government Printing Office, Washington, D.C., 1952), p. 52.
12. See *Ford Foundation in East and Central Africa* (Ford Foundation Office of Reports, New York, 1969).
13. *Counc. Found. Ann. Rep. 1967–1968* (1968).
14. *Ford Found. Ann. Rep. 1967–1968* (1968).
15. *News from Ford Found.* **1969**, 1 (8 May 1969).
16. *Ibid.* **1969**, 1 (19 June 1969).
17. See differences in Danforth Foundation annual reports for 1964–65 and 1967–68.
18. *Danforth Found. Ann. Rep. 1967–68* (1969), pp. 12–13.
19. D. S. Creel, address presented 20 May 1969 before the 9th Biennial Conference on Charitable Foundations, New York University.
20. F. X. Sutton, *American Foundations and U.S. Public Diplomacy* (Ford Foundation, New York, 1968), reprinted from an address delivered before the Symposium on the Future of U.S. Public Diplomacy, submitted to the House Committee on Foreign Affairs Subcommittee on International Organizations and Movements.
21. *The Foundation Directory, Edition 3* (Russell Sage Foundaion, New York, 1967), p. 50.
22. M. Bundy, in *Ford Found. Ann. Rep. 1967–68* (1968).
23. *Foundation* **1969**, 1 (2 March 1969); M. Bundy, *News from Ford Found.* **1969**, 3 (30 April 1969).
24. *News from Ford Found.* **1969**, 1 (30 April 1969).
25. See *Russell Sage Found. Ann. Rep. 1967–68* (1968).
26. *Lilly Endowment Rep. for 1964* (1964); see also reports for 1965, 1966, and 1967.
27. *Danforth Found. Ann. Rep. 1965–1966* (1967).
28. For some recent examples, see M. Bundy, *Ford Found. Ann. Rep. 1967–1968* (1968); see also D. S. Creel (president of the Rockefeller Brothers Fund), "The role of the foundations in today's society," address presented before the 9th Biennial Conference on Charitable Foundations, New York University, 20 May 1969.
29. Press release by Peter G. Peterson, chairman of the board and chief executive officer of the Bell and Howell Company, 23 April 1969.
30. J. Walsh, *Science* **165**, 678 (1969).