

The Ford Foundation

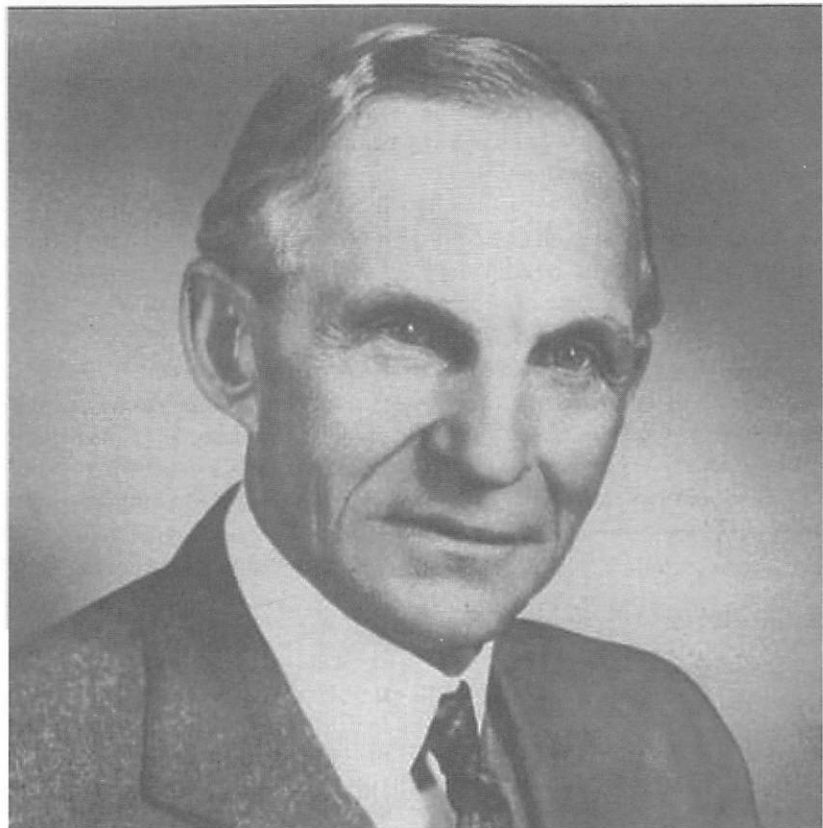
It Keeps a Low Profile, But Funds Government Entitlements, Racial Preferences, Legal Activists

by Martin Morse Wooster

Summary: The Ford Foundation is a key philanthropic supporter of the liberal policy agenda. Since the 1960s, Ford has funded many radical social experiments and it remains a major donor to liberal causes, especially the defense of racial preference programs. The foundation gave large grants to the University of Michigan to successfully defend its race quota admissions system against legal challenge. Ford also funds activist groups, such as the Leadership Conference on Civil Rights, that keep the pressure on the U.S. Senate to block confirmation of many of President Bush's nominees to the federal bench.

The Ford Foundation's history in the past 40 years can be divided into three phases. From 1960-72, Ford was an empire-builder. It strode the world like a colossus, and tried to remake America in the image of president McGeorge Bundy's can-do New Frontier liberalism.

In 1972, Ford began a retreat. Struggling to maintain funding levels during the 1972-74 recession, Ford executives spent down its endowment, which fell from \$3 billion to \$2 billion. Programs stagnated and then were slashed. When Franklin Thomas succeeded Bundy as Ford president in 1979, his first task was to eliminate many of Bundy's favorite programs. Ford philanthropy became more obsessed by race and class issues. But the foundation's reaction to conservative advances was muted, and liberals who expected it to lead the opposition to the Reagan Administration were sorely disappointed.



Henry Ford believed his wealth could help make the poor self-reliant. But the Ford Foundation violates this core principle.

In 1996 Susan Berresford became Ford president. She has done little to raise Ford's profile in the foundation world, and the recent recession caused Ford's endowment to take another billion-dollar hit, falling from \$10.5 billion in 2001 to \$9 billion in 2002. But even with this precipitous drop, Ford remains the third-largest foundation in America. Only the Bill and Melinda Gates Foundation (\$24 billion) and Lilly Endowment (\$12 billion) are larger.

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Under Berresford's leadership, Ford acts like a large foundation pretending to be a small one. For an organization as big as it is, it makes little news. Contrast Ford's behavior with that of the Pew Charitable Trusts. Pew is about a third the size of Ford, but Pew seems to court the press. It creates or takes over organizations and renames them Pew this and Pew that. But Ford lies low; in fact, it takes digging to find out how Ford's money is used. As we'll see, its largest single grant in the 21st century went to an organization that subsequently transferred the naming rights to its program to another donor!

The Ford Foundation is a bundle of contradictions. For example, many of its grantees use Ford money to denounce the ravages of capitalism. But Ford's chairman is former Xerox chairman Paul Allaire, who has retained his position even though this June the Securities and Exchange Commission banned him from serving on a corporate board for five years and ordered him to pay a \$1 million fine and forfeit a \$7.6 million bonus. The SEC charges that Allaire and other leading company executives caused Xerox to overstate its profits by \$1.4 billion over a five-year period. (Under the terms of the settlement, Allaire and his

colleagues neither admitted nor denied any wrongdoing.)

World Wildlife Fund president Kathryn S. Fuller, a member of the Ford executive committee who let Allaire chair the foundation board even though he's banned from corporate boards, told the *New York Times* that "we were committed to doing what we considered and consider the right thing, and that is what is best for the foundation, which is to stay with a man who has been an exemplary leader." Ford spokesman Alec Wilde added that Allaire's settlement with the SEC "does not relate to his service with private organizations."

It's impossible to cover everything Ford does in one article. Here are snapshots of recent activities of the quiet giant of the philanthropic establishment: It is defending affirmative action, funding a new generation of liberal activists, and trying to remake philanthropy in its own image.

Ford Fights Poverty

If there is one constant to Ford's approach to poverty and social policy over the past 40 years, it is its interest in decentralizing power and authority. Ford program officers and higher officials often say their grants are to be used to empower the poor.

One notorious Ford attempt to decentralize still makes news after over 30 years. In 1967, Ford funds were used to create three "planning councils" in the Ocean Hill-Brownsville area of New York City. The plan was meant to give minority parents more say in running the local public schools, inspiring them to make sure their children did well in school. "The original vision of community control," Brookings education historian Diane Ravitch told the *New York Times* in 2002, "was not an idea that liberalism normally embraced. It was an S.D.S. kind of idea, destroying the bureaucracy, destroying the professions." Or, as a Ford Foundation education program officer noted at the time, students should not be blamed for doing poorly in school; educational problems were "not with the learner" but "with the institution."

These councils, composed of mostly black and Hispanic parents and activists, promptly tried to fire teachers, most of whom were white. The result was a series of brutal teachers' strikes whose legacy lasts to this day.

The strikes had several consequences. Local teacher union activist Albert Shanker became a national figure, and went on to serve as president (1974-1997) of the American Federation of Teachers. New York intellectuals who were champions of public education, such as *Commentary* editor Norman Podhoretz, began moving towards a neo-conservative skepticism of school bureaucracies and employee unions. And a new generation of black militants (including, by some accounts, a teenage Al Sharpton) saw Ocean Hill-Brownsville as their first battle in a lifetime war.

New York City, however, did not abandon the idea of decentralization. The city created a series of community school boards, which had some say in how elementary and intermediate schools were run, some say in hiring and firing principals and support staff (but not unionized teachers), and some say in school budgets. But the boards did not control the schools and, with rare exceptions, they became sinkholes of patronage and corruption.

Mayor Rudolph Giuliani failed to abolish the community school boards, but his successor, Michael Bloomberg, succeeded in June 2003. After 34 years, Ford's poisonous legacy of the 1960s ended. Eliminating the boards, notes *New York Times Magazine* writer James Traub, "is widely considered the greatest legislative achievement of Bloomberg's first year in office."

Ford continues to be interested in empowering the poor by practicing what it calls "social justice philanthropy." But now instead of creating new social or political organizations, it focuses on what are called "asset-building programs," also known as Individual Development Accounts, or IDAs.

IDA's were invented by Washington University (St. Louis) professor Michael Sherraden in 1988. Sherraden realized that

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one reason poor people can't climb out of poverty is that they have no assets. In the same way that IRAs allow income to accumulate for retirement, IDAs allow poor people to save money tax-free and withdraw funds to start a business, make a house down-payment, or purchase some other useful asset. Often a government or a nonprofit organization will match the IDA funds saved by poor people. President Clinton authorized the first pilot IDA programs in 1998, which the Bush Administration continues to test, and about 40 states have IDAs. An article in the Summer 2003 *Ford Foundation Report* says about 50,000 poor people currently have some sort of IDA. The Charity, Aid, Recovery, and Empowerment (or CARE) Act passed by the Senate (but not the House) in April authorizes the creation of another

Individual Development Accounts could, if designed properly, be a useful idea that both left and right can agree on. If nonprofits were able to donate half the funds to a poor person's IDA for a specific purpose, then IDAs could become voucher-like programs similar to private scholarship programs.

However, Ford wants IDAs to evolve in a statist direction. Instead of using IDAs to build private wealth, Ford sees the IDA as an opening wedge to establish a European-style child allowance. Ford's chief poverty-fighter, vice-president Melvin Oliver, proposes a scheme where every child in America begins life with \$1,000 deposited into a "Children's Savings Account." (Oliver does not say whether this initial contribution comes from the state or

Given rising budget deficits, it's unlikely that such a budget-busting welfare program will be introduced in the U.S. in the future. But something similar to an IDA was introduced in Britain this April. The Child Trust Fund will give every child born in Britain since September 2002 a one-time state subsidy of L 250, with low-income children given a subsidy of L 500.

British welfare reform adviser Carey Oppenheim told the *Ford Foundation Report* that Ford-funded experiments in IDAs were important in shaping the new program. "The fact that you have these pilots was very important for us to be able to keep to a national policy," Oppenheim said.

IDAs in the United States could become a good program to encourage thrift among the poor. They could also be used to vastly expand the welfare state. Whatever happens, the Ford Foundation has ensured that IDAs are a part of the welfare reform debate.

Ford and the Courts

In June, the Ford Foundation issued a press release taking credit for three judicial decisions: the Supreme Court decisions upholding affirmative action in higher education, the Supreme Court decision on sodomy, and a New York State Court of Appeals school finance case that could cost the state billions. The evidence suggests that Ford had a major role bankrolling the supporters of affirmative action, a minor but important role in the sodomy decision, and a major role in the New York case.

Of all the principles in which liberals believe, affirmative action is the one where Ford has made its greatest commitment and spent the most money. In the 1999 Ford Foundation annual report, Berresford writes that affirmative action is "a practical expression of our nation's best values and ideals. It gives excluded groups a foothold in educational, employment, and other settings where talent and hard work can pay off. It opens informal networks of power and influence."

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300,000 accounts, with \$500 tax credits going to low-income families who put money into one and tax credits for financial institutions who match their contributions.

This June, Susan Berresford told a Woodrow Wilson Center audience that IDAs are the focus of Ford's poverty-fighting programs: The effort "illustrates Ford's research and development funding role. By helping to give the {IDA} idea traction and supporting research to determine its efficacy, social justice philanthropy has had an impact on public policy in the United States." Since 2000, Ford has given \$5 million to the Center for Social Development at Washington University.

is a mandatory parental contribution.) He then proposes that the state match contributions made by low-income families. The child could withdraw the amount at age 18 for college or at age 25 to start a business or make a down-payment on a home.

"Compared with the level of expenditures for direct subsidies to children in the United States," Oliver writes, "the United States shortchanges its kids." He argues that the lowest European child allowance is 0.1 percent of gross domestic product, or \$8 billion annually. "If Children's Savings Accounts were funded at that level," he writes, "\$2,000 would be deposited into the account of every child in America born each year!"

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- Ford gave \$600,000 in 2001 to the **Regents of the University of Michigan** (the defendants in the two affirmative action cases decided in June) “for research and public education on affirmative action.” Another \$75,000 grant to the university in 2003 was to be used “for a meeting of university presidents and corporate and civil rights leaders and activists immediately following the Supreme Court decisions on affirmative action, and for public education and outreach.”

- Ford has had a close relationship with the **Mexican American Legal Defense and Education Fund (MALDEF)** ever since it created the group in 1968. Ford helped set up a number of public interest law groups during the era of the Great Society, including the Natural Resources Defense Council, the Native American Rights Fund, and the NOW Legal Defense and Education Fund. One 2000 Ford grant, for \$6,780,000, went to MALDEF “to preserve and improve affirmative action, defend immigrants’ rights, and protect voting rights.” Another grant also in 2000, this time for \$1.8 million, was to be used for “support for connecting strategies by a coalition of civil rights and women’s rights organizations to build public support for affirmative action.”

- The boundaries between leftist groups that get Ford money are paper-thin. A third Ford grant in 2003 to MALDEF, this time for \$300,000, is for “core support for the Americans for a Fair Chance coalition, a coalition of civil rights and women’s rights groups to build support for affirmative action.” But check the Americans for a Fair Chance website (fairchance.civilrights.org) and you’ll find that it’s a branch of the website named civilrights.org, which is maintained by yet another Ford grantee, the **Leadership Conference on Civil Rights Education Fund**, which in 2003 received a \$1 million grant “for a strategic communications campaign to educate the public on and garner support for affirmative action.”

- Ford paid other legal bills for champions of affirmative action thanks to a \$6,425,000 grant to the **NAACP Legal Defense and Education Fund** in 2003 “for

litigation and advocacy to combat racial discrimination in employment, education and economic access, and for litigation to preserve and improve affirmative action.” Ford modeled MALDEF after the NAACP Legal Defense and Education Fund (which has been independent of the NAACP since 1957). Like MALDEF, it has received massive amounts of Ford money since the 1960s.

Even with their big victory in Michigan, Ford grantees are not resting. According to the civilrights.org website, the current goals of the Ford-funded coalition include defeating Bush judicial nominees Carolyn Kuhl, Priscilla Owen and William Pryor. In a major victory for the coalition, another targeted nominee, Miguel Estrada, recently withdrew his name from consideration for an appeals court position. The coalition suggests these nominees are “extreme right-wing ideologues who are prepared to carry out an agenda that could roll back the gains of the last forty years.”

The coalition is also poised to attack an effort begun in July 2003 by the American Civil Rights Coalition (headed by Ward Connerly) to pass a Michigan ballot initiative ending state affirmative action programs. The coalition claims the initiative would “undo the Supreme Court decisions at the ballot box” and “will destroy the contributions affirmative action has made toward a diverse and inclusive society.”

Ford is also trying to influence scholarship on affirmative action programs. It made a five-year grant to a team of researchers led by Princeton sociologist Marta Tienda, who is studying the consequences of “top ten percent” policies, which were introduced in Texas and neighboring states after a 1996 Fifth Circuit Court decision (known as the *Hopwood* case) outlawed affirmative action programs in that region. These programs replace racial preference awards with grants to high school students whose grades place them in the top ten percent of their class. Tienda’s research won’t be completed until 2007, but she has already concluded that the plan “will not and has not restored the pre-*Hopwood* diversity.” (www.princeton.edu/pr/news/03/q1/0123-tienda.htm) Ford, no

doubt, sees Tienda’s research as bolstering affirmative action, in much the same way that William Bowen and Derek Bok’s *The Shape of the River* (funded by the Mellon Foundation) did in the 1990s.

As for the other two court cases, Ford’s funding of gay and lesbian groups appears to be smaller than its grants in defense of affirmative action. Ford did give a \$300,000 grant to the **National Gay and Lesbian Task Force** for “advocacy of underserved gay, lesbian, bisexual, and transgendered populations.” In addition, Ford granted \$300,000 to the **American Civil Liberties Union’s Lesbian and Gay Rights Project**. But Ford gave the ACLU (whose executive director, Anthony Romero, came to the ACLU from Ford in 2001) \$7.5 million since 2000, and most of this money is *not* for gay and lesbian issues. (The most surprising Ford grant to the ACLU: \$100,000 for studying “access to high-speed ‘broadband’ Internet systems.”)

While the school finance case only affects New York state, it could have national implications. The suit, which has been in the New York state courts for over a decade, was brought by the **Campaign for Fiscal Equity**, which has gotten two grants totaling \$560,000 from Ford. (A far larger donor, however, is the white-shoe law firm of Simpson, Thacher, and Bartlett, whose attorneys donated \$17 million in pro bono work to the case.)

In the decision, the State Court of Appeals ruled that the state of New York had to provide enough funds to New York City public schools to provide students with “a meaningful high school education.” Chief Judge Judith Kaye ruled that “New York City schools have the most student need in the state and the highest local costs, yet receive some of the lowest per-student funding and some of the worst results.”

The Court of Appeals ordered the state of New York to provide research to the court about how many billions more New York City needs from the state to implement “the actual cost of a sound, basic education” in its schools. But con-

sultant James Guthrie, hired by the Campaign for Fiscal Equity to do the study, told *Newsday* that “what’s difficult is the magnitude involved,” since New York City’s school system is larger than that of 45 states.

Also writing in *Newsday*, Raymond J. Keating, chief economist of the Small Business Survival Committee, notes that the New York City school budget is already \$12.4 billion, or \$11,300 per student. Would billions more from the state improve matters, or simply pay for more bureaucracy? “Government should not protect a grossly under-performing, though lavishly funded public school establishment,” Keating writes, “but should instead create a system whereby educa-

But New York City school officials are not going to let their foes set their state education budget for them; they’re threatening to produce their own study, and have the courts determine which study will be used. So it’s likely that the Ford grants won’t help kids, but will be eaten up in endless litigation. Guthrie, the education finance consultant, told *Newsday* that he has colleagues who make their fortunes on school finance cases. There are some education consultants, he said, “who have whole wings on their houses based on sustained litigation. I know someone who has something called ‘the Wyoming wing.’”

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tional opportunities flourish. That means providing parents and students with choice in education—including public, private, and parochial schools—whether through vouchers, or property or income tax credits.”

Even though the New York school finance decision is relatively new, it has inspired litigants in other states, particularly Massachusetts. The *Boston Globe* reports that lead lawyer Michael D. Weisman said the New York ruling “could help his case because it attempted to define the quality of education students need today.”

Ford and Fellowships

One consequence of the MacArthur Fellows program is that rival foundations are now creating ways to give prizes to individuals. Ford recently created three fellowship programs, including one enormous multi-year grant. In 2001, Ford announced a 10-year, \$330 million grant to the **Institute for International Education** to provide scholarships for deserving foreign students to attend graduate school. It’s still too early to tell what influence this program will have on international education.

Ford’s largest single grant in this century has been \$50 million in 2001 to

Harvard’s Kennedy School to create the Institute for Government Innovation. This large sum, however, apparently does not secure the naming rights for Ford; this May, the institute was renamed the Roy and Lila Ash Institute for Democratic Governance and Innovation in honor of entrepreneur Roy D. Ash, who served as director of the Office of Management and Budget in the Nixon and Ford administrations.

The institute is best known for its “Innovations in American Government” awards, which provide recipients with a \$100,000 prize. “For too long, our culture has focused excessively on the failures of government, which has helped create a distrust in government,” Kennedy School dean Joseph Nye said when the institute was created in 2001. “We hope the institute will help inspire a renewed passion among young people to work in the public sector.”

It’s hard to see anyone getting too excited over these awards. Still, much of the research produced by the Institute for Government Innovation is not reflexively in favor of more government. One paper, by Kennedy School researchers Peter Frumkin and Mark T. Kim, examined a decade’s worth of IRS Form 990s from nonprofits to see what effect government funding has had on nonprofits. Frumkin and Kim found that small grants (such as fees for services) produce little bureaucracy; but the more government funds go to nonprofits, the more administrators nonprofits have to hire.

Another interesting paper by Manhattan Institute fellow William D. Eggers shows how the Web and other electronic media will shrink government and save tax dollars. For example, Eggers shows how David Barram, head of the General Services Administration during the Clinton Administration, saved taxpayers \$176 million by eliminating six giant warehouses and allowing government purchasing agents to order goods online. Barram achieved his success despite lawsuits by the American Federation of Government Employees and complaints by the National Institute for the Blind that 1,400 blind and disabled workers would lose their warehouse jobs. (They did not.)

Foundation Watch

While the Institute for Government Innovation sometimes supports worthwhile projects, Ford's other fellowship program, Leadership for a Changing World, gives funds to radicals. It is sponsored by the leftist **Advocacy Institute**, which received \$12.5 million from Ford to administer the grants program. Winners get \$100,000 and an additional \$15,000 to network with other winners. As with the MacArthur Foundation Fellows, awards go to individuals. But so far all the award winners head nonprofits.

Among the groups whose leaders won 2002 Leadership for a Changing World awards:

Colorado Coalition for the Homeless (coloradocoalition.org). This group deals with homeless people in the Denver area. Its literature claims that homelessness is caused solely by lack of income: "The fundamental cause of homelessness is poverty." The federal minimum wage, the group charges, "is inadequate and puts many workers at risk of homelessness." The group offers no evidence that anyone becomes homeless because of drugs, drink, or mental illness.

The Colorado Coalition recently made news when it opposed the Downtown Denver Partnership, which had printed 25,000 pamphlets urging people not to give to beggars, but to donate to poverty-fighting nonprofits instead. In July, Colorado Coalition president John Parvensky told the *Denver Rocky Mountain News* that the brochures "stereotype the homeless as people who can't be trusted with money."

But columnist and radio talk-show host Mike Rosen responds that the suspicion that the homeless will misuse your spare change "is a valid generalization." He says, "The drunks, drug addicts, mentally ill, and scammers can't be trusted with money. It's one of the reasons why they're on the street."

Northwest Federation of Community Organizations (nwfco.org) is a Seattle-based coalition of four state-based activist organizations, three of which are former state chapters of Citizen Action, a now-

defunct leftist group which disbanded after its leaders were convicted of laundering union funds.

The Northwest Federation mainly tries to expand the welfare state in Idaho, Montana, Oregon, and Washington. It takes credit for blocking what it says is Idaho's attempt to end state-funded health insurance for uninsured children. It also says it persuaded the Idaho state legislature to enact a minimum wage for farm workers, stopped Washington state from restructuring its Medicaid law, and helped add 2,000 Oregon residents to the state Food Stamps program.

Teamsters for a Democratic Union (tdu.org). This organization was founded in the early 1980s in reaction against the corrupt Teamsters leadership. TDU combines anti-Teamster information with militant old-style union activism. It is especially active in trying to enforce wage and hour laws, claiming that large employers such as United Parcel Service and Iowa Beef Processors (IBP) force union members to work during work breaks and before and after the eight-hour day.

According to TDU co-chair Maria Martinez, budget cuts and deregulation have "weakened the efficacy of government agencies in combating workplace injuries or food safety violations." TDU won one class-action lawsuit against IBP in 1999, which gave 800 IBP workers \$3 million. A second lawsuit is currently before the Ninth Circuit Court. TDU also takes credit for a case in which 4,000 UPS drivers in Illinois won \$7.25 million in back pay.

A third TDU lawsuit in progress is against the Teamsters' Central States Pension Fund. The fund, which had \$18.5 billion in assets in 2001, was so corrupt that it is under the control of court-appointed monitors under a 1988 consent decree still in force. The TDU lawsuit seeks to overturn a fund rule that ends the pension of any retired Teamster who tries to re-enter the labor force.

Metropolitan Organizing Strategy Enabling Strength (MOSES) (mosesmi.org). This Detroit-based non-

profit is a coalition of 70 churches and temples in the Detroit area that lobby state legislators and Detroit city officials for more money for mass transit, particularly to link Detroit's bus system to suburban transit lines. The group has persuaded Michigan's Democratic Governor, Jennifer Granholm, to cut new highway construction until older highways are repaired. Under the leadership of the Gamaliel Foundation, another liberal group, MOSES is currently organizing satellite chapters in Kalamazoo and Grand Rapids.

Ford's Future

What will Ford do in the future? The foundation has one immediate short-term goal, but its long-term goals are murky.

Ford's immediate task is to defeat a bill introduced by Rep. Roy Blunt (R-MO) and Rep. Harold Ford Jr. (D-TN) to bar foundations from counting their administrative expenses (rent, bills for accountants, and salaries) in the five percent annual pay-out of foundation assets required by law. The law mandating a five percent payout rate has not been changed since 1974. Eighteen foundations have joined the Ford-led coalition (known as the Foundation Executives Group), including the Gates, Hewlett, and Mellon Foundations, and the Carnegie Corporation. But according to the *New York Times*' Stephanie Strom, Ford is "one of the most vocal opponents of the proposed changes in the tax law." In May, the Foundation Executives Group hired Bill Paxon, a former New York Republican congressman, as its principal lobbyist.

"If we are consistently required to pay out more than we already do, it will eat into capital and the country will lose these resources, these public assets for the common good," Susan Berresford told the *New York Times*.

There is a case to be made for preserving current law. For example, many foundations that directly fund private scholarships have to spend a lot to administer their scholarship programs. But would Henry Ford approve of his foundation defending its right to include high salaries and lavish office space costs as part of its

philanthropy to aid the poor?

As noted, the Ford Foundation is less visibly liberal than some other foundations. One seldom hears pleas from Ford executives for massive income redistribution schemes or punitive taxes on the rich. Nor is Ford as cozy with the Democratic Party as it was in McGeorge Bundy's day. And sometimes, as with its support for the Institute for Government Innovation, Ford actually supports scholars who work to shrink the state.

But most of the time Ford gives grants to organizations and individuals that believe more government is the answer to every question. It would even transform the Individual Development Account, which could be structured to help the poor practice thrift, into yet another government "entitlement."

Henry Ford was one of America's greatest entrepreneurs. He believed in using his wealth to help poor people become self-reliant and prosperous. If the Ford Foundation wanted to pursue Henry Ford's ideas, it could fund private scholarship plans and other programs that reward poor parents who make financial sacrifices for their children. It could fund groups like the Institute for Justice, whose lawyers strive to eliminate bureaucratic barriers preventing poor people from being productive. It could aid faith-based groups whose leaders fight poverty by teaching virtue.

A traditional and reflexive liberalism makes it unlikely that the Ford Foundation will fund these sensible groups. Interviewed in the spring issue of the *Stanford Social Innovation Review*, Ford president Susan Berresford claimed the Foundation

practices "strategic philanthropy." "If a foundation is going to be strategic in its philanthropy," she observed, "it will over time support a changing cast of organizations." But groups such as MALDEF have been dependent on Ford grants for over 30 years.

Ford does not seem innovative enough to support nonprofit groups and individuals that advocate independence and entrepreneurship. Regrettably, its program officers seem trapped by an inflexible liberalism that's become increasingly irrelevant to our current needs.

Martin Morse Wooster is a visiting fellow at the Capital Research Center.

Get Capital Research Center's Donors' Guide

For more information on philanthropies and their politics, get Capital Research Center's *Donors' Guide on Philanthropy Advisory Services*. Authored by Robert Huberty, the *Donors' Guide* provides a resource for donors, the media and policymakers who want to find out more information on the often perplexing array of groups advising donors on charitable giving. The *Guide* has two specific purposes: It shows that philanthropy has become yet another policy battlefield where "progressive philanthropies" advocate expanded government to achieve "social change." It also identifies organizations promoting the traditional charities that engage in the kind of giving we all once took for granted.

For more information, see <http://www.capitalresearch.org>. The *Donors' Guide* is \$10. To order, contact Capital Research Center at (800)459-3950 or crc@capitalresearch.org.

PhilanthropyNotes

In a September 8 *Washington Post* op-ed **David Stern**, president of the Stern Family Fund, explains why he supports the **Charitable Giving Act of 2003** currently before Congress. The bill, co-sponsored by Rep. Roy Blunt (R-MO) and Rep. Harold Ford, Jr. (D-TN), reduces the tax on foundations from 2 percent to 1 percent. It would require foundations to discontinue the practice of including their administrative and operating costs when they calculate the amount they must distribute to satisfy the federal rule requiring a 5 percent annual payout of assets. Stern says this change could funnel \$2 billion to \$4 billion more to the nation's charities. The largest foundations strongly oppose the legislation, arguing that it will erode their endowments. But Stern responds that a 1999 study shows even a 6.5 percent payout rate from 1950 to 1998 would have allowed foundation assets to grow by 24 percent. He argues that wealthy foundations are more interested in perpetuating themselves than giving to charitable causes. Says Stern, "Foundation executives often talk as if these foundation assets belong to them personally and that preservation of wealth is more important than helping humankind." Stern's grandfather, Sears pioneer Julius Rosenwald, opposed perpetual foundation endowments.

The **John D. and Catherine T. MacArthur Foundation** has pledged more than \$50 million over the next six years to a Global Security Initiative, aimed at reducing the threat posed by weapons of mass destruction. The grant responds to the retirement and death of a generation of scientists involved in developing U.S. nuclear weapons. It will help create additional tenured university faculty positions in international security. The first grant recipients include the **Federation of American Scientists** and the **Education Foundation of American Science**.

In August, President Bush ordered the **Treasury Department** to freeze the assets of **five charities** that administration officials identify as supporters of the militant Palestinian group **Hamas**. Because the charities have few U.S. assets, the freeze needs support from European nations where four of the five groups are headquartered (the fifth is in Lebanon). The European Union has taken no action against the charities, but says it will review its policy if terrorist attacks against Israel continue. U.S. officials agree that most of the charity goes for Palestinian relief and social services, but argue that the assistance helps terrorists finance their activities. The federal government already has frozen the assets of U.S.-based charities tied to Hamas, including the Holy Land Foundation for Relief and Development, which had raised as much as \$13 million a year in the U.S.

In August, the **W.K. Kellogg Foundation** donated \$950,000 to the **Tides Center** to study ways to better meet the needs of grassroots and environmental groups. Tides is one of the nation's leading environmental activist groups. The grant will let Tides work with other philanthropic sponsors for 12-15 months to learn how to improve support for activist groups. "It has never been easy to start and sustain a nonprofit social change organization," said Kellogg program director Tom Reis. "In today's climate, it is tougher than ever. The Tides Center has a proven method of partnering closely with small and medium-sized projects."

Ave Maria University, the nation's first new Roman Catholic university in four decades, opened on September 2 with a Mass attended by the 101 students at its temporary campus. The university, based in Naples, Florida, was established by Domino's Pizza founder **Thomas Monaghan**, who has devoted himself to Roman Catholic causes since selling the pizza chain in 1998. The \$220-million permanent campus – funded wholly by Monaghan – is projected to be completed by the fall of 2006.