

What a Long Strange Trip It's Been

Foundation highlights from 1968

BY MARTIN MORSE WOOSTER

A review of the past year can be summed up in one word: Action! Action against war, against poverty. Action involving money, race, jobs, education, crime, urbanization. Never before has the status quo received such attack! And never before have the people responded so forcefully—with Interaction! It is this action and interaction that characterize the Mott Foundation projects. Initiating, cooperating, planning, coordinating, and supporting a wide range of effort—evaluating all—are its daily fare.

—Charles Stewart Mott Foundation
annual report, 1967–68

THE TURMOIL THAT MARKED AMERICA IN 1968 affected the philanthropic world only indirectly. The Council on Foundations, a national association of foundations, spent one day in its 1968 annual meeting with a “happening,” including a slide-show of five new Pittsburgh high schools and a showing of the *Titicut Follies*, a documentary that exposed squalid conditions in a Massachusetts psychiatric hospital. But most of the panels at the annual meeting—“Foundations as Suppliers of Risk Capital,” “The Arts,” “Administering the Small Foundation”—could have been held in 1958 (or 1998).

According to the Council, about 20,000 American foundations were active in 1968. These foundations, the Council reported, gave \$753 million in non-recurring grants over \$10,000, a substantial increase from the \$579 million in such grants just a year earlier. Much of this money

went to uncontroversial causes, with education leading the pack at \$308 million in grants. Following close behind were the sciences, with \$106 million in grants, and “international activities” with \$93 million.

There are many stories that could be told about the foundation world of three decades ago, but two stand out by virtue of their long-term effects: the continuing assault by Congressman Wright Patman, Democrat of Texas, on the foundation world, and the efforts of the Ford Foundation (occasionally in alliance with the Rockefeller Foundation and the Carnegie Corporation of New York) to push American society in radical new directions.

Patman’s investigations are important because they ultimately led to the Tax Reform Act of 1969, the last substantial change in the laws governing nonprofits. And Ford’s activities matter because the liberal groups they created in the late 1960s still remain an integral part of American life.

LEAPING INTO THE SIXTIES

WITH ASSETS OF NEARLY \$4 BILLION IN 1968, the Ford Foundation was by far the largest U.S. foundation, more than three times the size of the Rockefeller Foundation, the nation’s second largest foundation (see table). And Ford’s head, McGeorge Bundy, was by far the biggest star in the foundation firmament. John Kenneth Galbraith,

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interviewed by David Halberstam for a 1969 *Harper's* profile of Bundy, claimed that Bundy was no less than the head of the American Establishment, having succeeded former Carnegie Corporation president John Gardner.

When Ford hired Bundy, they were looking for someone who would leap into the turbulence of the 1960s. Bundy's predecessor, Henry Heald, was, by all accounts, a conventional foundation mandarin who preferred to spend Ford's vast wealth on projects that were worthy but boring. "With few exceptions," noted Irwin Ross in a 1968 *Fortune* profile of Bundy, "the programs under the Heald regime were 'safe'; however useful, there was nothing daring or controversial in giving \$80,200,000 to symphony orchestras." Safe apparently was not cutting it, according to Ross. "In an era of turbulent racial relations and incipient urban chaos, the largest foundation in the country, in the view of many trustees, had an obligation to be more venturesome."

Although Bundy had worked with foundations over his career, he was not a typical foundation staffer. Having just spent five years as national security adviser to presidents Kennedy and Johnson, he radiated can-do New Frontier activism and had no tolerance for fools or windbags. "You say something irrelevant and he doesn't hear you," Ford Foundation television adviser Fred W. Friendly told Ross. "A glaze comes over his eyes. But when he hears the relevant, all the lights blink. That impatience with the obvious is almost like an internal editing machine."

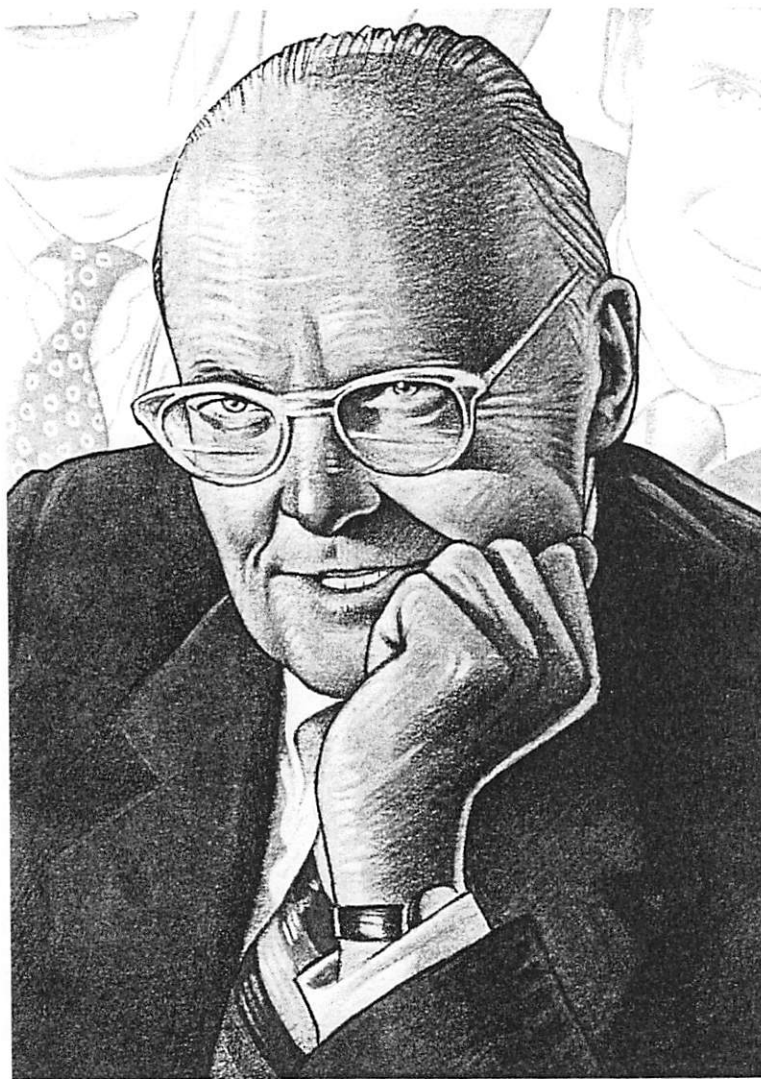
But some observers at the time thought that Bundy had another fault. Like Defense Secretary Robert McNamara, himself a Ford trustee beginning in 1968, Bundy believed that experts could solve all social problems if they studied them carefully enough.

Given its huge size, the Ford Foundation seemed as if it was trying to solve all the nation's social problems. "We do not feel big to ourselves, because at any given moment the demands on our resources are much larger than the supply," Bundy wrote in the 1968 Ford annual report. "But since our pocketbook is in fact deep enough to meet the specific needs of many of those who need help, we can easily arouse the resentment of those to whose appeals we do not respond because we think other needs have a still higher priority."

TAKING ON THE TEACHERS' UNION

ONE SUCH PRIORITY WAS FORD'S DISASTROUS effort to decentralize New York City schools.

The foundation's education policy was best explained by Ford education program officer Mario D. Fantini in a 1968 essay in the *Harvard*



Educational Review. Fantini argued that public schools were failing most Americans, particularly the poor and minorities, in part because parents had little say about how their children were being educated. "The public," Fantini wrote, "has a right to determine educational policy and to hold professionals accountable for implementing policy."

Many of Fantini's arguments prefigure today's charter school movement. For example, he admired a Massachusetts effort to allow nonprofits to operate experimental state-subsidized schools. "And if enough private schools are available," he wrote, "the pattern ushers in an entrepreneurial system in which parents can choose, cafeteria-style, from a range of styles of education—Montessori, prep school, Summerhill, and others."

But Fantini thought that privately-operated, state-funded schools would ultimately break free of government control, a prospect he found abhorrent. He therefore rejected privatization in favor of decentralizing public school central offices.

In 1967, New York Mayor John Lindsay

appointed a commission, headed by McGeorge Bundy, which called for breaking up the city school bureaucracy into 30 to 60 districts. At the same time, the Ford Foundation funded three demonstration projects in which parents and community leaders would have some say in how the public schools were run. In a sense, the project worked, but not in the manner its Ford backers had intended. For one of these councils, in the mostly black Ocean Hill-Brownsville district, would lead to the downfall of "community control."

The Ocean Hill-Brownsville board began with a fatal mistake—attacking the United Federation of Teachers (the largest local of the American Federation of Teachers) by frequently threatening to fire teachers, most of whom were white. After a one-day strike in the fall of 1967, the board attempted to fire 19 teachers, leading to another short strike. During the summer of 1968, the board fired 350 teachers.

The UFT responded by opening the 1968–69 school year with a strike. The New York City Board of Education ordered the teachers back to work and gave them police protection. Angry par-

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ents and community activists stormed the barricades, resulting in dozens of arrests. The UFT then launched a five-week strike, one of the nation's longest.

In November 1968, Mayor Lindsay ended the controversy by abolishing the community councils altogether, and in his essay in the 1968 Ford annual report, even Bundy backed away from endorsing New York City-style decentralization. After a major investment of Ford's time and prestige, he could only bring himself to say

that the foundation had "no doctrinaire commitment to any particular solution."

INVESTING IN PHILANTHROPY

FORD'S OTHER EFFORTS TO IMPROVE CONDITIONS in American cities, such as the creation of community development corporations, took place later after 1968. But Ford made one other substantial change in its poverty-fighting activities in 1968. Late in the year, it announced that many of these grants would henceforth be considered "investments" comprising the foundation's "portfolio." In October 1968, the foundation announced that it was making \$10 million in such "program-related investments" to a real estate investment trust that was operating in inner cities, a North Carolina steel fabricating firm that planned to hire blacks, and "an investment in a Negro-owned capital fund producing shopping centers," among others. Many of these investments subsequently failed, contributing in the process to the dramatic depletion of the foundation's endowment during the bear market of 1972–74.

Meanwhile, Ford money continued to support cultural programs. In April 1968, the foundation announced that it would spend \$20 million on public broadcasting, funds that enabled a group of loosely connected educational television stations to subsequently unite as the Public Broadcasting Service.

In 1968 Ford helped midwife the creation of the Children's Television Workshop (CTW), along with the Carnegie Corporation and the Department of Health, Education, and Welfare—now headed by former Carnegie president John Gardner. CTW's best-known program, "Sesame Street," began airing in September of the following year. The Workshop's organizers, the *New York Times* noted, thought that "advanced production techniques" would "woo preschoolers away from slick advertising-supported fare." (Those techniques were so successful that CTW is now a hugely successful merchandiser of soap, toys, videos, concerts, and amusement parks, among other ventures.)

Two other Ford Foundation activities during 1968 are worth noting. Ford seed money ensured the creation in 1968 of the Mexican-American Legal Defense Fund and the National Council of La Raza, the two leading left-of-center Hispanic organizations. Ford funds thus helped to create a generation of Hispanic activists. The year 1968 also marked Ford's entry into the environmental movement. In August, the foundation made a \$6 million grant to the Nature Conservancy to establish, for the first time, a line of credit enabling it to buy land and transfer it to the federal government.

Ten Largest U.S. Foundations, 1968

Rank	Foundation	Assets (1968)	Current Rank	Current Assets
1.	Ford Foundation	\$3,661,000,000	2	\$9,598,000,000
2.	Rockefeller Foundation	890,000,000	10	3,095,000,000
3.	Duke Endowment	629,000,000	15	1,980,000,000
4.	Lilly Endowment	579,000,000	1	11,460,000,000
5.	Pew Memorial Trust	437,000,000	7	4,522,000,000
6.	W. K. Kellogg Foundation	435,000,000	4	7,588,000,000
7.	Charles Stewart Mott Foundation	413,000,000	6	1,964,000,000
8.	Nemours Foundation	400,000,000	N/A	465,000,000
9.	Kresge Foundation	353,000,000	14	2,103,000,000
10.	John A. Hartford Foundation	352,000,000	93	434,000,000

Sources: Waldemar A. Nielsen, *The Big Foundations* and the Foundation Center, *Foundation Directory*, 1999 Edition

ENEMIES IN HIGH PLACES

ANIMOSITY TOWARD FOUNDATIONS WAS SURPRISINGLY strong in 1968, and it spanned the political spectrum. George Wallace received loud applause on the campaign trail with a stock line denouncing foundations. An August 1968 speech in Louisville, Kentucky, for example, was typical of Wallace's attacks: "Who is it that takes up these ideas against the working man, the auto worker, and the businessman and the farmer? It's usually some fellow from one of those multi-billion dollar tax-exempt foundations, that when the taxes are raised, they don't pay any taxes because they were tax exempt."

The Left, meanwhile, was busy with its own denunciation of foundations. In 1968, Ferdinand Lundberg's *The Rich and the Super-Rich* was published. To hear Lundberg tell it, since foundations were created and controlled by rich people, they were obviously up to no good. Quoting from anyone who ever criticized a philanthropist, beginning with Ida Tarbell's turn-of-the-century attacks on John D. Rockefeller, Lundberg concluded that foundations primarily existed to enable plutocrats to extend their power and influence. Without exception, he charged, "the foundation has benefited its sponsors more than it has benefited the world."

Lundberg's arguments were clouded by his invention of fanciful portmanteau words that made little sense. In Lundberg's view, financiers interested in politics were "finpols" who collectively were a "finpolity" and were studied by "finpologists." Nor did Lundberg's conspiratology help his case. At one point, he suggested that the American equivalent of Sovietology was to review

the membership rolls of such snooty New York establishments as The Links, the Racquet and Tennis Club, or The Knickerbocker Club. Seeing a new name on these membership lists, he wrote, "is as good as seeing a name unaccountably moved up nearer the top of a list of officials published in *Pravda* or *Izvestia*."

Much of Lundberg's material came from Rep. Wright Patman, Democrat of Texas. But unlike Lundberg, Patman, from his perch as chairman of the House Select Committee on Small Business, had clout and used it to attack foundations.

Patman best expressed his arguments in a 1967 article in *The Progressive*. Foundations, he argued, swelled their endowments to create a vast pool of untaxed capital. They also dabbled in politics, often successfully.

Patman also approved of Julius Rosenwald's attacks on perpetuities. "It is clear," Patman wrote, "that numerous foundations violate their charters by hoarding rather than giving; they also violate the principle of the era in which their founders established them."

"Since many of the foundations show little or no disposition to police themselves," Patman concluded, "the most efficient and speedy way to reform them—in the public interest—is to pass remedial federal tax legislation and enforce it diligently."

Since 1961, Patman's committee had periodically been issuing reports about the foundation world. March 1968 marked the publication of the sixth of these reports. It was the usual mix—analysis of foundation control of allied businesses and complaints that prominent Americans (such as Henry R. Luce and Walt Disney) were

somehow cheating the taxman by setting up foundations.

But what most alarmed the foundation world was Patman's preface. If foundations were so noble and civic-minded, he argued, then they ought to be supporting America's war effort. "The taxpayers of this country deserve a break," Congressman Patman wrote, "and the tax-exempt foundations and charitable trusts can give it to them by contributing their gross revenues to the Federal Government for the duration of the Vietnam War."

Patman's proposals went nowhere, but two foundation-related events taking place in 1968 ensured that Congress would implement dramatic reforms.

WHEN CHARITY BEGINS AT HOME

THE FIRST CONCERNED THE FREDERICK W. Richmond Foundation, a small family foundation based in Long Island that supported local community organizations. With assets of about \$175,000, the Richmond Foundation would be too small for most regulators to worry about. But in late 1967 and early 1968, the foundation's grants appeared to support the congressional candidacy of one Frederick W. Richmond.

The foundation made four grants totaling \$11,000 to nonprofits, all of which happened to be in New York's 14th Congressional District. Nor was candidate Richmond at all shy about alerting the voters to the generosity of philanthropist Richmond. After giving \$4,000 to the United Talmudical Academy, Richmond's campaign distributed a flyer showing him with the Academy's head, Grand Rabbi F. Lowy. Richmond, the flyer said, had "once thought of being a rabbi himself."

Another campaign flyer showed Richmond contributing \$5,000 to the Sacred Heart and St. Stephens A. C. Church for their child care center. Most of the flyer showed Richmond donating his check to the church's pastor, Rev. Francis Del Vecchio.

The incumbent congressman, John J. Rooney, was outraged. Richmond, he testified, was using his foundation to influence the district's Jewish and Catholic voters. "I am the first known member of Congress," he testified in 1969, "to be forced to campaign against the awesome financial resources of a tax-exempt foundation."

Richmond, for his part, testified that he was just being civic-minded. "As I walked the district,"

he said, "I saw poverty all around me and the foundation made a number of gifts to try and help out." Despite his philanthropy, Richmond lost his bid for Congress in 1968. (He did, however, subsequently serve as a Congressman.)

A second series of grants that aroused politicians' ire were made by the Ford Foundation in the summer of 1968 to eight former members of the campaign staff of assassinated Sen. Robert F. Kennedy, most notably Peter Edelman and Frank Mankewicz. These grants, which ranged between \$7,000 and \$20,000, involved lots of travel; Peter Edelman's investigation of "community development and social programs in various countries" required a trip to 25 countries, including Britain, Sweden, Israel, India, and Japan.

Senators were outraged. If Senator Kennedy's staff could get Ford Foundation junkets, what was to prevent other presidential campaigns from getting foundation funds? Delaware Republican Senator John Williams introduced a bill that would have banned any foundation grants for two years for any government officials who left his post. Senator Albert Gore Sr., Tennessee Democrat, argued that supporters of defeated presidential candidate Eugene McCarthy should also get grants, since "they were not only broken-hearted but broken nosed. They were disappointed and beaten up."

Edelman was still defensive about the Kennedy grant as late as a 1989 interview in *Foundation News*. The grants, Edelman said, were "very constructive and important, something the Ford people should be proud of. Instead, they put their tails between their legs and said, 'I'm very sorry.'" Ultimately, anger over the Richmond and Kennedy grants led to exhaustive hearings before the House Ways and Means Committee, which resulted in passage of the Tax Reform Act of 1969.

Ford's refusal to defend the Kennedy grants are of a piece with McGeorge Bundy's professed agnosticism on the issue of school decentralization. Both grants were ill advised, and the failure of school decentralization, by discrediting the notion of community control, probably set back the cause of public school reform by three decades.

The legacy of 1968 is mixed in other ways as well. Tax code changes meant that foundations had to generate mountains of paperwork to satisfy increasingly inquisitive IRS agents, while the litigious "public-interest" nonprofits created by Ford have become handmaidens to an expanding nanny state. Not that any of this should come as a surprise. As the Mott Foundation's annual report put it: "Never before has the status quo received such attack!"