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# PHILANTHROPY AND THE AMERICAN REGIME: IS IT TIME FOR ANOTHER CONGRESSIONAL INVESTIGATION OF TAX-EXEMPT FOUNDATIONS?

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# I. Philanthropy and the American Regime:

## Is It Time for Another Congressional Investigation of Tax-Exempt Foundations?

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What is the proper relationship between American philanthropy and the American Regime? Fifty years ago, the U.S. House of Representatives conducted a Congressional investigation of the major tax-exempt foundations to examine this question. But, before proceeding to explore the work of the Reece Committee (circa) 1954 and its relevance to the world of the early 21<sup>st</sup> century, let us define our terms and establish a framework for analysis.

### **The Concept of “Regime”**

In this paper the concept of “regime” draws upon James W. Ceaser’s *Liberal Democracy and Political Science*, a 1990 book funded by the Bradley Foundation. Ceaser explains that the traditional political science of Aristotle, Montesquieu, and Tocqueville defines the “regime” as encompassing the entire “way of life” of a people: both its culture (habits, customs, and ways of thinking—what Tocqueville calls mores) and its form of government (or political regime, including its laws and civil institutions). Leading scholars of the 20<sup>th</sup> century including Seymour Martin Lipset, Robert Dahl, Sydney Verba, Louis Hartz, Leo Strauss, Martin Diamond, Willmoore Kendall, Samuel Huntington, Arthur Schlesinger Jr., Gunnar Myrdal and others, despite major differences on normative questions, have written similar descriptions of an “American Regime,” in the traditional sense described above.

For the most part, the American Regime is delineated by leading scholars (to be sure, with many differences of nuance and emphasis) as follows: In the political realm, it (the political regime) could be said to consist of liberal democracy, federalism, constitutionalism, and individual rights. In the non-governmental cultural (and economic) realm, this “regime” or

“way of life” could be said to tend towards an emphasis on individualism, entrepreneurship, free-market economics, local civic associations, religiosity (compared to other developed nations), and Judeo-Christian and Enlightenment beliefs and ethical values.

James Ceaser states that the crucial questions of traditional political science are issues of regime perpetuation vs. regime transformation, including the following: To what extent does cultural change within a nation strengthen or weaken the form of government (the political regime)? To what extent do government actions influence and promote major regime-altering changes within the culture? To what extent do initiatives, projects, and programs within the political or cultural realm tend to reinforce or undermine the perpetuation and transmission of the regime or way of life?

The Regime Chart at the end of the paper suggests four possible relationships of American philanthropy to the American regime during the period of the Reese Committee in the 1950s and today. Square 1, Regime Maintenance, in the bottom left hand corner of the chart suggests philanthropic support for institutions and projects that would strengthen the nation’s political and cultural institutions and help affirm and perpetuate the regime. Square 2, Regime Improvement, in the upper left hand corner of the chart suggests that philanthropy seeks to strengthen the regime through activities that promote improvement and reform. Both Square 1 and Square 2 are ultimately aimed at perpetuating the American regime and transmitting it to future generations.

Square 3, Regime Transformation, in the upper right hand corner suggests that the core institutions and structures of the American Regime are themselves flawed and, thus, the regime should not be transmitted to future generations, but transformed in an evolutionary and non-violent manner into a new form of regime. Square 4, Regime Revolution, in the lower right hand corner posits that the regime is essentially illegitimate and that the only course of action is revolution.

In the 1950s this would have meant support for the Communists. Today, it could mean support for militant Islamic jihadists, contemporary fascists and violent radicals of the

extreme right or extreme left, or another type of revolutionary force from across the political spectrum. The crucial distinction is between Square 1 and Square 2, on the one hand, and Square 3 and Square 4, on the other. Square 1 and Square 2 aim to perpetuate the American Regime and transmit it to future generations. Square 3 and Square 4 challenge the legitimacy of the American Regime and oppose its maintenance and perpetuation in favor a new and different type of regime.

### **Reece Committee Report, 1954**

Fifty years ago, using somewhat different language, these philosophical issues of the relationship of philanthropy to the regime were raised by the House Special Subcommittee to Investigate Tax Exempt Foundations and Comparable Organizations. The committee, headed by Tennessee Republican Congressman B. Carroll Reece was popularly known as the Reece Committee. Two years earlier, in 1952 Reece had been an active minority member of the Cox Committee (headed by E. E. Cox, D-GA) that had a similar mandate from the Congress to investigate foundations. But Reece was dissatisfied with what he considered the lack of thoroughness of the Cox Committee and once he had the opportunity as a member of the majority to launch his own investigation he did so in 1953-54.

Congressman Reece bluntly stated that, “I felt the work of the Cox Committee left several important unanswered questions, of which the gravest was: to what extent, if any, are the funds of the large foundations aiding and abetting Marxist tendencies in the United States and weakening the love which every American should have for his way of life? We set out to find the answers.” The Reece Committee emphasized that foundations were granted special tax-exempt privileges (privileges not available to other institutions) for a specific purpose—to serve the public welfare. Because of these tax privileges, foundations have a special responsibility to the public, not to undermine the core institutions of American democracy.

The Reece Committee’s chief counsel, Rene Wormser, articulated the guiding assumptions and presuppositions of committee’s investigation and its view of the proper relationship of

foundations to the American regime when he wrote: “Fundamental to the entire concept of tax exemption for foundations is the principle that their grants are to be primarily directed to strengthening the structure of the society which creates them. *Society does not grant tax exemption for the privilege of undermining itself.*” (emphasis in the original)

Furthermore, Wormser stated, while “reasonable license” is extended to philanthropic institutions, “grants made by foundations which tend to undermine our society....violate the underlying, essential assumption of the tax-exemption privilege, that the substantial weight of foundation effort must operate to strengthen, improve and promote the economic, political and moral pillars upon which our society rests.”

The final report of the Reece Committee issued in December 1954 was a broad-based critique of American philanthropy raising many issues that prefigured the culture wars that were to follow decades later. The investigation focused on the major foundations, or what could be called Big Philanthropy: Rockefeller, Ford, the Carnegie Corporation, and the Carnegie Endowment for International Peace. Essentially, the report charged them with “undermining” the American Regime, declaring:

“With several tragically outstanding exceptions, such as *The Institute of Pacific Relations*, foundations have not directly supported organizations which, in turn, operated to support Communism. However, some of the larger foundations have directly supported ‘subversion’ in the true meaning of that term, namely the process of undermining some of our vitally protective concepts and principles. They have actively supported attacks upon our social and governmental system and financed the promotion of socialism and collectivist ideas.”

In almost proto-culture war terms that would later be articulated by thinkers such as Irving Kristol, William Bennett, Alan Bloom, Robert Bork, Midge Decter, and others, the Reece committee charged the foundations with bias in support of “moral relativism.” For example, the final report noted that philanthropy-funded social science research “favored” the “concept that there are no absolutes, that everything is indeterminate, that no standards of conduct,

morals, ethics and government are to be deemed inviolate, that everything including basic moral law, is subject to change...”

The committee declared that in the name of an amoral social science, human subjects were mistreated as “guinea pigs” in the deeply flawed Rockefeller-funded Kinsey Report and in a Carnegie-supported Social Science Research Council project examining American soldiers. Furthermore, instead of fostering open and innovative scholarship, foundation-funded social science research has tended to promote “conformity” among academics and researchers and bias in favor of “change” for the sake of “change,” the committee insisted.

Three major targets of the committee were foundation support for “scientism,” progressive education, and globalism. “Scientism,” for the committee, meant the belief that social problems could be solved “scientifically,” just as physical problems were solved. In this sense, social scientists were analogous to medical doctors solving problems of disease. Chief Counsel Wormser cited an article by Pendleton Herring, president of the Social Research Council, as an example of this mind-set. Herring wrote: “One of the greatest needs in the social sciences is for the development of skilled practitioners who can use social data for the cure of social ills as doctors use scientific data to cure bodily ills.”

The committee also criticized decades of foundation-funded Progressive Education initiatives as promoting socialism and collectivism. The Rockefeller-funded high school history textbooks developed by Harold Rugg of Teachers College (Columbia University), who advocated the reconstruction of the American social order, were singled out for “disparaging the American Constitution...and presenting a ‘New Social Order.’” Another Rockefeller-funded textbook series, “Building America,” was criticized for presenting conditions in the Soviet Union in glowing terms (the Communists had established “democracy” for the working class and ended ethnic and religious discrimination) while ignoring the terror, repression, and purges of Stalin’s rule.

The Rockefeller, Carnegie, and Ford Foundations were chastised for promoting “globalism” that weakened American democratic sovereignty. Wormser cited a 1949 article by Ford-

funded education project director Mortimer Adler in which the renowned University of Chicago educator stated that world peace “requires the total relinquishment and abolishment of the external sovereignty of the United States.” Wormser also noted that in 1947, Soviet agent Alger Hiss, as president of the Carnegie Endowment for International Peace, advocated a project within the Endowment to promote support for the United Nations within the United States and influence U. S. policy towards the world body.

The Rockefeller Foundation, the Carnegie Corporation, and the Carnegie Endowment for International Peace gave millions over the years to Institute of Pacific Relations (IPR), described by the Senate Internal Security Subcommittee as “pro-Communist” and “pro-Soviet.” The IPR’s leaders defended Stalin’s purges and refused to allow even Trotskyist critics of the USSR to write for the Institute’s magazine. Historian Arthur Schlesinger Jr. stated that the editor of the IPR magazine, Owen Lattimore, “defends every item of Stalinist justice.” Lattimore described Stalin’s show trials as follows: “That sounds to me like democracy.” Schlesinger retorted that Lattimore’s words “sound like fellow traveling to me.” The committee asked why the Rockefeller Foundation continued to support the Institute “long after the time” that there was evidence that the IPR was heavily influenced by Communists.

At the end of the day, the Reece Committee presented an intellectual and cultural critique of Big Philanthropy, charging some of the larger foundations (Rockefeller, Ford, Carnegie) with violating their public trust as tax-exempt institutions by supporting projects undermining the American Regime. The foundations, in Rene Wormser’s words, represented an “elite” in “control of gigantic financial resources ....willing and able to shape the future of this nation and mankind in the image of its own values concept,” which, he insisted, differed from the value system of the American way of life. As noted, the committee was not primarily concerned with explicit communist activity, but “subversion” more broadly understood to mean undermining and de-legitimizing the core institutions and ideas of what traditional political science calls the “regime.”

Congressman Reece, Chief Counsel Wormser, and other committee leaders essentially argued the following: All Americans have the right to free expression including the right to support socialism, collectivism, and other radical political ideologies. However, the rules for tax-exempt foundations are different. These institutions are granted special tax privileges with the understanding that they serve the public good. Therefore, they have an obligation to serve the public. The public interest is in strengthening—not undermining—the political and cultural institutions of our liberal democratic regime. Put otherwise, the committee was saying that in terms of the Regime Chart at the end of this paper, philanthropy should be active in Square 1 and Square 2, but not in Square 3 and Square 4.

Originally the Reece Committee, after hearing from academics who were friendly witnesses, had planned to examine representatives from major American foundations. However, ranking minority member Congressman Wayne Hays (D-Ohio) essentially disrupted the hearings by continuously interrupting the committee consul's examination of the first foundation witness, Pendleton Herring of the Social Science Research Council. Chairman Reece decided to cancel the public hearings and asked the foundations to submit written statements. The foundations responded by attacking the Reece investigation in written testimony and in simultaneous press releases as an attempt to stifle free speech, freedom of thought, and academic freedom. They characterized the committee's investigation as a "circus," a "fraud," a "travesty," "the sheerest nonsense," and the like. They charged the committee with malice, bias, basic unfairness, but did not respond to the core arguments that some foundations had supported projects that tended to undermine the core institutions of the regime.

Rene Wormser reacted angrily, accusing the foundation officials of "a form of arrogance and a pretension to superiority [which] leads them to believe that critics must, per se, be wrong... [that] Foundations are sacred cows. The men who run them are above being questioned." Further, he stated that: "They [the foundations' responses to the committee's report] were, in their mass, extremely disappointing. They were characterized by evasion of the specific issues raised in the testimony and failure to face the detailed evidence. They were glib, self-

adulatory, given to glittering generality, frequently abusive; in general, they maintained that the respective foundations were beyond and above and serious criticism.”

In *Liberal Democracy and Political Science*, James Ceaser states that differences between “regime issues” and “policy issues” are “fundamental” to a traditional understanding of political science. Regime questions are those that effect “how a society is constituted.” On the other hand, policy matters (e.g., whether a government spends more or less on highways) do not alter the core form of the regime. But, Ceaser notes, “regimes can be changed without revolutions” and “strategies, sometimes delicate, can be devised to alter the actual character of the regime, usually in its civil aspect, before directly redefining the public principle of rule—or in rare cases without directly confronting it.” According to Ceaser, “to the degree that a policy has the effect of precipitating a change in regimes, it is in reality a regime question, no matter whether it is offered or even consciously perceived in that light.”

One the virtues of the Reece Committee’s work was that it recognized the “big picture” of philanthropy’s relationship to the American regime. On the other hand, the committee’s vices included: sometimes confusing “policy issues” with “regime issues”; overreaching in their characterization of what constituted subversion; assuming planned coordination among disparate foundation projects where none existed; and a general clumsiness in dealing with academics and researchers.

Nevertheless, to its credit, the Reece committee understood that it was dealing with crucial questions concerning the maintenance and transformation of the American regime, while Big Philanthropy refused to engage in any serious discussion of regime questions. At that time in the mid-1950s, the foundations were able to successfully ignore the philosophical issues raised by the Congress. Within a decade or so of the Reece Committee hearings the anti-communist and anti-subversive impulse that had been the driving force behind the investigation was generally discredited as a “McCarthyite witch-hunt.” The anti-communist tendency was replaced by the anti-anti-communist narrative of the “Red Scare” in which, even dedicated and hardened Stalinists like Julius Rosenberg were characterized as “idealists.”

Since the fall of communism, however, Soviet documents have come to light (*e.g.*, the Venona intercepts of Soviet government cables) revealing domestic Communist subversion in the United States and settling previously disputed controversies over, for example, the now undeniable guilt of Alger Hiss and Julius Rosenberg. In addition, the pro-Communist proclivities of Owen Lattimore and the Institute of Pacific Relations have been clearly established by serious historians such as Arthur M. Schlesinger Jr., Ronald Radosh, John Earl Haynes, and Harvey Klehr. In reference to Owen Lattimore, Arthur Schlesinger declared, “I have never seen any reason to admire men who, under the pretense of liberalism, continued to justify and whitewash the realities of Soviet Communism.” And, today there is another form of domestic subversion in the land as the Justice Department arrests scores of radical Islamists (some American-born militants, who are dedicated to overthrowing American constitutional democracy) from Buffalo, New York, to Portland, Oregon.

Fifty years after the release of the Reece Commission report the vital question of the proper role of American philanthropy to the American regime remains unanswered and unexplored. Surely this is a question of crucial importance that must be seriously examined if we are to fully understand the normative basis for the privileges afforded tax-exempt foundations. Let us now examine what a new Congressional investigation of Big Philanthropy—focusing on this essential question of the relationship between philanthropy and the regime—would look like in the first years of the 21<sup>st</sup> century.

### **Time for a New Congressional Investigation of Big Philanthropy?**

The new investigation could start with an examination of philanthropy’s role in the United Nations’ World Conference against Racism held in Durban, South Africa just before the attacks of September 11, 2001. Major American foundations including Ford, Rockefeller, MacArthur, and Charles Stewart Mott vigorously promoted the UN Durban conference. They funded scores of Non-Governmental Organizations (NGOs) prominent at the conference and assisted those NGOs in organizing pre-conference strategy sessions around the world from

the Rockefeller Conference Center in Bellagio, Italy, to meetings in Sanitago, Chile, and Washington, DC.

The NGO agenda developed for the Durban Conference is outlined in a series of reports, including the US NGO Coordinating Committee Report on the American Hemisphere meeting and the report of the US (NGO) Leadership Meetings, funded by the Ford Foundation and the Charles Stewart Mott Foundation. These two documents endorse the following positions (quotations are taken directly from NGO documents). The NGO reports:

- demand that the US “publicly acknowledge the breath and pervasiveness of institutional racism;” which “permeates every institution at every level.”
- declare that “racial bias corrupts every stage of the criminal justice process, from suspicion to investigation, arrest, prosecution, trial, and sentencing.”
- insist that “rhetoric emphasizing the ‘progress’ we have made in overcoming this country’s racial problems actually ignores how deeply imbedded racism...is.”
- excoriate the “persistent failure of the US government to recognize that an adequate standard of living is a right, not privilege” and deplored the “denial of economic rights in this country (USA).”
- denounce free market capitalism as “a fundamentally flawed system” and “expressed the conviction that is possible to organize a more just, equitable and socially responsible system.”

The NGO Durban Agenda is a root and branch attack on the cultural, economic, and political institutions and ideas of the American Regime. If “institutional racism permeates every institution at every level”; if “racial bias corrupts every stage of the criminal justice process”; if “rhetoric emphasizing the progress we have made...ignores how deeply imbedded racism

is”; if basic “economic rights are denied in this country”; and if “free market capitalism is a fundamentally flawed system”; then, is there any doubt that the American system is illegitimate and (as the NGOs advocate) should be replaced with a “more just, equitable and socially responsible system?” Put otherwise, if the NGO charges are true, the case for regime transformation could not be any clearer.

In fact, fifty leading American NGOs (including the ACLU, Human Rights Watch and the Mexican-American Legal Defense and Educational Fund, all of them heavy recipients of largess from Big Philanthropy through the years) sent a letter to UN Human Rights Commissioner Mary Robinson stating, in effect, that the regime was deeply flawed. [“A Call to Action to the United Nations,” [http://archive.aclu.org/library/iclr/2000/iclr2000\\_14.pdf](http://archive.aclu.org/library/iclr/2000/iclr2000_14.pdf)] They insisted that American political institutions (*i.e.*, the American political regime) were not capable of reform on their own without outside international intervention. The letter called upon the United Nations “to hold the United States accountable for the intractable and persistent problem of discrimination” that “men and women of color face at the hands of the US criminal justice system.”

The spokesman for the NGOs stated that these issues “had been repeatedly raised with federal and state officials but to little effect.” “In frustration,” he said, “we now turn to the United Nations.” The NGOs said, in effect, that they could not enact the policies that they favored through the normal processes of American constitutional democracy—through federalism, state governments, state courts, the U.S. Congress, executive branch regulations, or even the federal courts. Therefore, they found themselves compelled to appeal to authority outside of American democracy and beyond its Constitution. This is yet another call for regime transformation funded by major foundations.

The Durban conference was not an isolated example. The Hudson Institute’s William Schambra notes that the Ford, Rockefeller, Casey, Charles S. Mott, Open Society, and Tides foundations are funding projects that advance the theory that the US is beset not with simply with racial prejudice (that has existed historically in the United States and in every society in the world) but with what is described as “structural racism.” This concept of “structural

racism,” along with allied concepts such as “white privilege,” “institutional racism,” “oppressor-victim” relationships, “systemic racism and sexism,” and “marginalized peoples” are verbal weapons. They are the tools of the propagandist, not the analyst. They are part of the rhetoric of de-legitimization.

The use of such rhetoric carries a clear subtext, namely: institutional, structural, or systemic racism means that the mainstream civil, cultural, economic, and political institutions and structures of American life are themselves inherently racist; the American “system” itself, that is, the “regime” or “way of life” is “oppressive” and “racist,” and that minorities in such a system are “victims” who are “marginalized” because of their race. Therefore, the regime is illegitimate and must be replaced. This is the rhetoric of de-legitimization as noted in Square 3 of the Regime Chart. The more traditional rhetoric of reform is rarely heard because it implies a reformist (Square 2), not a transformationist (Square 3) or a revolutionary (Square 4) solution to racial problems.

A rhetoric of reform would condemn “prejudice and racial discrimination.” In the traditional language of American civil rights, it would affirm “equal rights for individuals regardless of race, creed, color, or sex.” The subtext of the rhetoric of reform is the mirror opposite of the subtext of the rhetoric of de-legitimization. This reformist subtext informs us that racial prejudice is wrong because it is inconsistent with the values and norms of the American regime. It tells us that, the civic, cultural, and political institutions of American life are relatively sound (although not perfect); and while racial prejudice exists and should be combated, the American regime, itself, is legitimate.

The problem is not simply, as some charge, that our largest foundations are supporting “liberal” projects, as opposed to “conservative” projects. Furthermore, the related argument that some foundations support “liberal” activities while other support “conservative” activities, hence, there is “no problem,” is essentially a red herring. In the final analysis, the problematic issue for foundations is not support for liberal, conservative, or middle of the road projects, it is support for activities that seek to de-legitimize the American regime itself.

Another example of reform rhetoric vs. transformation rhetoric is the Clinton administration's report on the elimination of racial discrimination, submitted to the United Nations Secretary General in 1999. Signatories of the Convention on the Elimination of All Forms of Racial Discrimination (CERD) are required to file a report regularly for consideration by the U.N.'s Committee on the Elimination of Racial Discrimination. The Administration's report accurately stated that racial discrimination did not exist in the US as a matter of law or policy (*i.e.*, in an institutional form) but as a form of individual prejudice. Shortly afterwards, the Oakland, California-based Applied Research Center, an NGO heavily funded by the Ford and C. S. Mott Foundations, sent an alternative report ("The Persistence of White Privilege and Institutional Racism in US Policy") to the UN.

Using the rhetoric of de-legitimization, the foundation-supported Applied Research Center strongly attacked the Clinton Administration's report, charging that "white privilege and institutional racism" constitute "an overarching, comprehensive framework of policies, practices, institutions, and cultural norms that under-gird every aspect of US Society." Again, the subtext of the Ford-Mott-funded report by the Applied Research Center was that the American regime is a racist, illegitimate regime. The Applied Research Center project was not a "liberal" project, or even simply a "left-wing" project, but an anti-American regime project.

When evidence first appeared that the Ford Foundation had funded Palestinian NGOs active in anti-Semitic outrages at the Durban conference, the Ford Vice-President for Communications dismissed the accusations, stating, "We have seen no indication that our grantees in Durban or elsewhere engaged in anti-Semitic speech or activities." At the same time, a representative of the Jewish women's group, Hadassah, complained that there was "no way to miss" the anti-Semitism at Durban. Despite this, a Ford representative told the Hadassah delegate that "what the conference is doing is correct." Sometime later, Ford issued a statement admitting that it had made a mistake in funding groups that committed anti-Semitic acts because it was unaware of such activities. It promised this would not happen again.

David Twersky of the *New York Sun* described the Ford Foundation statement as a “lame and belated attempt to claim innocence by means of ignorance.” He noted that “[Ford] foundation staff had known for years of concerns that it was funding groups in the extremist camp.” Interestingly, the initial response of the Ford Foundation to the Durban revelations mirrored the immediate foundation response to the Reece Committee report fifty years earlier. The same haughty disdain and instant dismissal of serious criticism was on display from leading foundation officials at the beginning of the 21<sup>st</sup> century, just as it had been in the middle of the 20<sup>th</sup> century.

Nevertheless, even if they no longer fund groups engaged in outright anti-Semitism, Ford and other giants of American philanthropy continue to fund NGOs projects that have tended to de-legitimize the democratic regime of the State of Israel. An Israeli think-tank, the Jerusalem Center for Public Affairs, noted that Human Rights Watch (generously funded by Ford and MacArthur) during a four year period (2000-2004) issued 103 reports, press releases, photo essays and the like condemning Israeli defensive responses to the Palestinian terror campaign and only 13 publications critical of the terror itself. Further, Human Rights Watch (HRW) continuously employs the rhetoric of de-legitimization against the democratic regime of Israel, accusing the Israelis of “war crimes,” “racism,” and “serious violations of international law.”

In addition, the *Jerusalem Post* reported that at Durban, the chief representative of HRW “publicly announced” that a representative of a Jewish legal group was not welcome at the NGO meeting and would not be allowed to vote on the NGO resolution condemning Israel as an apartheid state. Since she represented a Jewish group, Human Rights Watch argued that the representative could not be “objective.” (Others, including Islamic militants, American radicals, etc., presumably would be “objective.”) None of the other NGOs (funded by American philanthropy) objected to the exclusion of the representative of the Jewish legal group because she was Jewish.

Acculturating youth and immigrants into the mores and customs, ideas and institutions of American democracy is a classic task of civic education and civic assimilation. It is, of

course, a central feature of regime perpetuation. Yet, for the past eight years, thousands of American college students have attended training and freshmen orientation sessions centered on a film entitled *Skin Deep*. The film (funded by the Ford Foundation) de-legitimizes core principles of the American regime including the centrality of individual rights and responsibilities, and the belief that an individual can achieve success in the American system through merit and hard work. Instead, the film and the resulting training sessions, tell American students that the nation is not built on the concept of individual opportunity and responsibility, but on group privileges for whites as whites or on “white privilege.”

African-American, Latino and Asian-American students are told in the film that if they genuinely believe in the false “myth” of equal opportunity and the American Dream, they have simply “internalized” their own “oppression.” That is to say, they have accepted their “oppressor’s” view of reality. The distinguished University of Pennsylvania historian Alan Kors points out that this concept is essentially the old Marxist slogan of “false consciousness,” in which the workers unwittingly accept the values of “bourgeois democracy.” Indeed, the film tells minorities that what matters is not achievement within the system, but solidarity with one’s race, group, literally with one’s “blood.” At the same time, white students are told that they should assuage their “privilege” and “guilt” by becoming “allies” of the “oppressed.” It is significant that this popular, widely distributed Ford-funded film specifically characterizes core principles of the American regime as false and “oppressive.” Congressional investigators might want to ask Ford Foundation representatives how *Skin Deep* is consistent with their tax-exempt status to promote the public interest.

Besides acculturating the young, the concept of regime perpetuation in America has always emphasized the civic and patriotic assimilation of immigrants into the mainstream of American life. Indeed, America is probably the most successful immigration country in the history of the world precisely because, traditionally, the regime has emphasized assimilation. This emphasis on immigrant assimilation into the existing mores of the regime started to weaken sometime in the 1960s and 1970s. Also, about this time the Ford Foundation made a conscious decision to promote a strategic shift in the approach to civil rights and civic integration for Mexican and Latino immigrants. Traditional immigrant assimilation into the

mainstream of American culture and support for individual rights was rejected by Ford in favor of a Chicano power model that emphasized group rights, group consciousness, group advocacy, bi-lingualism, and litigation.

The head of the Ford-funded Southwest Council of La Raza stated that “without the Ford Foundation’s commitment to a strategy of national and local institution-building, the Chicano movement would have withered away in many areas...” Foundation critic Linda Chavez wrote that the “Ford Foundation virtually created the infrastructure of the contemporary Hispanic policy movement.” But, unfortunately, Chavez argues, the “Ford Foundation has created a cadre of ethnic power brokers rather than legitimate representatives of the Hispanic community,” whose policies on group rights and language rights benefit neither the majority of Hispanics nor the country as a whole.

In any case, whether one favors or opposes such policies in a normative sense, empirically there is no doubt that the policies fostered by money from some foundations (including Rockefeller as well as Ford and others) represent a direct challenge to the core values of the traditional American regime (e.g., individual rights, and the civic assimilation of immigrants to the dominant cultural mores). In Professor Ceaser’s terms they are not simply routine “policy issues” but “regime questions.” For example, Professor Robert Bach authored a major Ford Foundation report that advocated the “maintenance” of ethnic immigrant identities and attacked assimilation, suggesting that it fostered homogeneity—indeed, that it may be “the problem” in America. Whether or not the civic assimilation of immigrants into the American mainstream is a good thing or bad thing, it is not a “split-the-difference” policy question like fiscal policy or infrastructure funding, but ultimately a question of regime maintenance or regime transformation. Clearly, the Ford Foundation’s Bach report denigrating assimilation promotes regime transformation and weakens regime perpetuation.

## **Conclusion**

The Reece Committee raised core philosophical questions of the relationship of philanthropy to the American regime. As noted, it painted with too broad a brush and was often clumsy;

but it nevertheless asked questions that should have been answered. Fifty years later it is time, once again, to raise the core questions presented by the Reece Committee.

What is the purpose of tax-exempt foundations? Why are they afforded a tax exemption? Given that they enjoy these special privileges, what is their responsibility to the public? Was the Reece Committee right or wrong in stating that: “Fundamental to the entire concept of tax exemption for foundations is the principle that their grants are to be primarily directed to strengthening the structure of the society which creates them?” Or, is it in the public interest to permit tax-exempt foundations to fund anything that is not specifically prohibited by law? In this view, tax-exempt institutions have the right to fund projects promoting the explicit abolition the U.S. Constitution and Bill of Rights; the establishment of Sharia (or Islamic law) for the United States; the establishment of an American communist, fascist, or racist regime; and the suppression of ethnic and religious minorities.

Non-tax exempt institutions currently have the right to advocate all of the positions listed above under the free speech and free expression provisions of the Constitution. This is not the issue at hand. The issue is whether tax-exempt institutions have those rights as well. What should distinguish the rights of tax-exempt institutions from non-tax exempt institutions besides a prohibition on direct partisan politics? Is everything on the table for tax-exempt foundations? If not, what (if anything) should be proscribed?

There is a tendency among some to suggest that the American regime is—or, more accurately, should be, (since this is a normative rather than an empirical claim)—a completely “open society” and thus “tolerant” of all philosophies and ideologies. If this is true, the regime’s cultural and political realms are, by definition, porous and everything is, indeed, “on the table.” I would call this tendency “Weimarite,” after the German Weimar Republic of 1919-1933, which prided itself on being an absolutely “open society.” However, dominated by a rigid and technical legalism (as opposed to justice and the rule of law) the Weimar legal regime refused to suppress Nazi and Communist subversion; proved incapable of defending itself from internal enemies; and ultimately succumbed to dictatorship.

In *Liberal Democracy and Political Science*, James Ceaser is critical of some practitioners of the “new normativism” in the field (e.g., John Rawls and Robert Nozick) because they elevate one particular value (such as equality, justice, or liberty) over all other values, and ignore the serious issues of balance facing actual political regimes. This was one of the major mistakes of the Weimar elite. They exalted one value (in their case, extreme civil liberties) over all other (and equally important regime values such as public order and safety) and even, in the end, at the expense of regime survival. Despite the failure of the Weimar republic, many of its ideas live on. Certainly, one hears neo-Weimarite arguments on civil liberties in today’s debates on homeland security in a post-9/11 world.

All of this leads to the crucial issue of: what is the relationship of philanthropy to the American regime? Clearly, philanthropy has, in the past, addressed regime questions. Let us not pretend otherwise. Let us have this debate clearly and openly within the philanthropic community. At the same time, after fifty years, it is time for the Congress to take another look at the deeper issues of the role of foundations in American life. This means examining not simply the narrow financial questions of possible monetary malfeasance, but the larger questions of purpose, philosophy, and regime perpetuation vs. regime transformation. The goal of a new Congressional investigation would be to facilitate the transparency of tax-exempt foundations and to foster a debate within philanthropy, not to devise new proscriptions on activities, although reforms should not be precluded. Put otherwise, the goal of a new Congressional investigation would be to concentrate the mind of the foundations upon their responsibility to the public in working to perpetuate the American regime.

To answer the question in this paper’s title, Yes, after fifty years it is time for a fundamental philosophical re-examination by the Congress of the proper relationship of philanthropy to the American regime.

## REGIME OR WAY OF LIFE

*Political Realm*  
 political regime, form of government,  
 civil and polt institutions, constitution,  
 laws

*Cultural Realm* = **Regime**  
 values, habits, customs,  
 beliefs, mores, ethics, ways of thinking

**Regime Perpetuation**  
 (Regime Continues)

Versus

**Regime Removal**  
 (Present Regime Ends, New Regime  
 Constructed)

<p><b><u>Regime Improvement</u></b></p> <p>Uses rhetoric of reform.</p> <p>Promotes “change” to strengthen and improve regime and transmit it to future generations</p> <p>Goal-to perpetuate and transmit the regime</p> <p>2</p>	<p><b><u>Regime Transformation</u></b></p> <p>Uses rhetoric of delegitimization</p> <p>Promotes “change” for purpose of de-constructing current political regime and values in order to re-construct new regime through evolutionary means.</p> <p>Goal-to transform regime and construct new regime</p> <p>3</p>
<p><b><u>Regime Maintenance</u></b></p> <p>Uses rhetoric of affirmation</p> <p>Emphasizes continuity and renewal, affirms regime</p> <p>Goal-to perpetuate and transmit the regime (same purpose as Square 2, but emphasis is on continuity and renewal rather than change.)</p> <p>1</p>	<p><b><u>Regime Revolution</u></b></p> <p>Uses rhetoric of contempt and violence</p> <p>Goal- to overthrow political regime and value system and create new revolutionary regime</p> <p>Communists/Extreme Left                  Fascists/Extreme Right                  Jihadists/Radical Islamists</p> <p>4</p>

## II. Comments on the “Philanthropy and the American Regime” by Terry Odendahl, Ph.D.

*These edited comments were taken from the transcript of the Bradley Center panel discussion on November 30.*

In the 50 years since the Reece Committee convened, the country has come in a circle, or we might think of it as the pendulum of history. The pendulum has swung in one direction and now it has swung back in the other direction.

Dr. Fonte’s essay is timely, if nothing else, because today, conditions are very similar to the McCarthy era. Our time is marked by a politics of fear, especially if we look at indicators such as the constantly changing, color-coded threat levels, and yet we’re not told why we’re under a greater threat. Terrorism writ large has replaced the communism of the ‘50s in terms of the kind of psyche of fear that we have in the United States. Watch lists of terrorists have replaced the black lists of the ‘50s. And there’s a general intolerance for difference in this country, as evidenced by election results around gay marriage.

But I would argue that foundations are—and always have been—doing what Dr. Fonte thinks, and Congressman Reece and Counsel Wormser insisted they should have been doing: protecting the American regime. Essentially what foundations primarily do is fund the status quo, especially with regard to the class interests of the wealthy. I would argue that the current American regime, the Bush regime, also has the same inclination.

I am very interested in this regime idea and I would say that foundation funding primarily falls into the category of regime maintenance or regime reform, and only rarely falls into the category of regime transformation or revolution.

Now, while obviously I would have much to disagree with in the paper, I don’t have enough time to go over it detail by detail, so I’m just going to mention a few matters. For example, the separation of church and state. Because it is a relatively short paper, some things aren’t as elaborated as they might be, but there is an indication that the American regime endorsed by Dr. Fonte is based upon a certain kind of religiosity which is not in line with our Constitution.

I do concur, however, that foundations are elite institutions, that they are managed by a few, that they control vast financial resources. I also agree that the tax benefit means that foundations should be obligated to promote the public good. Of course, the big question here is that there are huge differences of opinion in this country about what is the public good. What does the public good constitute?

For me, the public good is what benefits the majority; that is what foundations should be funding. But others of you in the room might say, well, foundations have no obligation to fund what benefits the majority. They fund the arts, they fund all kinds of other types of activities in our culture.

Another difference of opinion I have with the paper—a major one, since it takes up such a large part of the argument—is with Dr. Fonte’s dispute with institutional or structural racism. He, I think, claims or implies or infers that we don’t suffer from this in the American context. I would add to racism, sexism, homophobia and a whole other range of interrelated types of oppression. I think that they are embedded in our society and I believe that regime transformation is essential in these areas.

In fact, I would encourage foundations to fund regime transformation to a much greater extent than I have known them to do in my 30-year career. The Enlightenment concepts on which the American regime is based are an 18th century paradigm. I would suggest that it’s time for a change. I’m not what you would call a conservative.

Now, ironically, if we look at outcomes, foundations are not a significant threat to the regime. If we want to look at what foundations have done to change the world or American society in particular, I don't think we're going to find very many promising examples. In fact, I would argue that the conservative foundations have certainly been more effective and strategic than the liberal grant makers, which Dr. Fonte refers to as the big foundations. If you look at the more conservative funders—for example, at the money that they put into the Heritage Foundation prior to the election of Reagan—you can actually see indications of regime transformation happening that way. And foundations, in general, could play a more important role today in funding independent centers of thought and action. This kind of advocacy is an American ideal, just like some of the other American ideals that have been mentioned earlier.

I'm certainly not advocating that we limit free speech or association of the conservative foundations, but apparently, and I may have misread this, it does appear that the paper was arguing—or the Reece Committee, in any event, was arguing—against extending basic rights to tax-exempt organizations, or not all tax-exempt organizations, just foundations in particular. Because they have this tax exemption, they're not supposed to be able to exercise free speech or free association?

I think that foundations can play a very important role in providing checks and balances on government by funding groups that keep a watch on government, that try to reform government or even transform government.

Now, I do agree that tax exemption does require some kind of regulation and certainly more than we've seen in the last 30 years. And I agree that foundations must be transparent; that they must be more open; that they must be accessible to grantees; and that they could be a place where many new ideas could be introduced into our society. They don't have to be as bureaucratic as sometimes the government is. It doesn't have to take as long for a new idea to be funded and so on.

But as to the central question of the paper, do we need a new Reece Committee, I would soundly say no for many of the same reasons that are documented in the paper itself. We do have the Senate Finance Committee working right now on some of these issues. I think it is the Congress's right at any time to take a look at these matters, and if they wish to add that onto the list of what you called the more substantive matters, I would wholeheartedly support that.

I would argue that some things, however, that are referred to as purely procedural are actually substantive. Payout is one of those. The idea that foundations only have to pay out five percent of their net investment assets seems to be a very low bar. When we look at the role of foundations and why they exist, some might, I think, argue that they exist in order to accumulate wealth, in order to become accumulations of wealth, because they're not spending out at the rate that they're making money. Of course, I think that they exist to make the grants. Now, as the Chair of the National Committee for Responsive Philanthropy, I do want to make the point that while we think foundations should pay out more, we are not standing for their spending down. We find that's an individual foundation decision. But in any case, foundations exist to fund the projects that will benefit the public good, whatever the boards of the foundations think the public good might be.

I think it is important to look at some of the self-dealing that foundations are involved in and matters of that sort, but I won't belabor that here.

I do think we can learn from history. I certainly don't think we should repeat its mistakes. But I think the American regime itself came out of revolution and while I'm not at all advocating any kind of violent revolution, I do think that change can be very good and is very important. I wonder: Isn't transformation something we want? Don't societies evolve all the time?

I would argue that foundations should be funding issues around what I'll call diversity. They should be funding a vibrant nonprofit sector which presents a variety of views. They should be keeping a clear, watchful eye that our freedoms are not being infringed upon. And I think that foundations can do this through a whole variety of programs.

Finally, an odd thing happens when you read a paper written from a perspective so different from your own. You don't know where to begin—well, *I* don't know where to begin. I'm an anthropologist and actually I believe in cultural relativism. A good part of my adult life has been spent on the concept of globalism and my own volunteer efforts around that. I think it's fabulous that foundations funded progressive education.

So when we ask, what is the purpose or the reason for foundations, I would think that some of them are funding some very excellent programs and others are funding programs that I would disagree with, but, in fact, that's part of the American way. Thank you.

### III. Comments on the “Philanthropy and the American Regime” by John Earl Haynes

*These edited comments were taken from the transcript of the Bradley Center panel discussion on November 30.*

Let me start with just a few remarks about the context of the Reece Committee and the early 1950s, not the Reece Committee report itself but particularly the political environment in which it operated.

The Reece Committee report itself was a responsible document, in general, but it was issued in the midst of some quite hysterical and demagogic attacks on private foundations in which a number of quite untrue and vicious remarks were made. The attacks by some prominent anti-communist right-wing politicians that major foundations were, in fact, co-conspirators in the communist conspiracy against the United States were, simply, quite false, and the rhetoric was quite exaggerated. Yet while the Reece Committee confused two different species, that is, the American Communist Party (an institution with a particular ideology and particular organizational ties to the Soviet Union and the Stalin regime) and the liberal foundations (the agendas of which were linked to this conspiracy by certain political figures), these two different species were nonetheless of the same genus. This is where I think I do share many of John Fonte’s views. Their agendas at some points did, indeed, overlap, and I think John Fonte’s discussion of the American regime and the need to transform it is where they do overlap, because there is a similarity in the view of many of the communists and some of the leaders of the major foundations of that era then and today about the nature of what Mr. Fonte refers to as the American regime.

Both communists and these others—I don’t really have a good term for them—essentially dislike the American regime. They regard it as inherently wrong, evil, disgusting, racist, unfair, unequal, and one could go on, and that it deserves to be, in the one case, in the case of the communists, overthrown by a revolution, and in the other case somehow transformed into something very, very, very different. I think that is where there is a similarity.

Now, in today’s situation, of course, the institutional component of something like the American Communist Party is long gone, and certainly in my case not lamented at all. But the desire for the destruction of the American regime and its replacement by something new remains very strong in some elements of American society.

I am particularly concerned with one of the basic political and cultural divides which is developing in American society today: the disavowal of popular democracy and the desire to replace it with something else, with a kind of guided democracy, of transferring power from direct institutions responsible to voters—effective authority as we know it—to non-elected bodies, to courts, to the bureaucracy, or transferring authority entirely out of the United States to international authorities which are not responsive to the American electorate.

I think that is part of what Mr. Fonte is getting at in his discussion of regime change being supported by some major private foundations. I, frankly, don’t regard this as a particular issue of foundations or philanthropy. It’s not that foundations and philanthropy are not important. But this is part of a much larger and, I think, increasingly sharp split in American society over the nature of American society itself, over the nature of the American regime, to use Mr. Fonte’s terminology. Most foundations and philanthropies are engaged in what John Fonte refers to as regime maintenance and regime reform, but there are some that are funding programs which I believe are aimed at and have an express purpose in undermining majoritarian democracy and transferring power to authorities which are not responsible to the general electorate.

There are a number of books in this area, but let me bring your attention to two which I think are quite good. The first, just out a few months ago, is a book by David Lebedoff called *How a New Elite Is Destroying Our*

*Democracy* (Taylor Trade Publishing, 2004). It was slammed in the *New York Times Book Review* just this past Sunday. The second is a book from the middle 1970s by Ward Elliott, *The Rise of Guardian Democracy: The Supreme Court's Role in Voting Rights Disputes, 1845-1969* (Harvard University Press, 1974).

Both of these books really discuss a similar kind of phenomena, which is the rise of a self-defined elite—Lebedoff calls it the new elite, Elliott called it the guardians—people of a class, of a group, a strata that believes that ordinary Americans really cannot be trusted to control American society and that, effectively, political democracy needs to be castrated and power transferred to responsible non-elected bodies. The institutions of elected democracy would be kept, but essentially emptied of real authority and real authority transferred to those who are fit to exercise it.

I happen to agree that Congressional oversight over the use of private foundations should be increased, and investigations and hearings would be useful. I can't, however, see any real possibility of a statutory definition of what constitutes the public interest, or—even if we could come up with a definition—that we could come up with any kind of a governmental institution which could administer such language with any kind of skill. It just strikes me as something requiring too much political and ideological judgment of which there is too much division. It is not a problem that can be dealt with on a statutory basis.\*

This really is an internal argument within American society and culture about the future of the American regime—in my view, about the future of popular elected majoritarian democracy.

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\* [When it comes to *national* interest, it is noteworthy that] there were times in the history of the American Communist Party, the movement with which I'm particularly familiar, when essentially public authorities paid no attention to it at all and it could go around doing whatever it wanted, putting out leaflets, many of them quite blood-curdling in the early 1920s, threatening death, destruction, and the overthrow of the American Constitution and the hanging of the capitalists and all of that and nobody cared because they weren't a threat. Who cared what the American Communist Party did? They truly were insignificant and no threat to the regime, or really to much of anybody else.

However, that changed in time and eventually in the late '30s and particularly in the '40s, when the Soviet Union emerged as the only world superpower who was a competitor to us and there was, indeed, an issue of national security and national survival, the threat of World War III, and all of a sudden, we noticed there was within our own country an internal ally of the external enemy.

Obviously, under those circumstances, the kind of indifference that had been typical in most of the 1920s and the early 1930s really didn't make the same amount of sense because the Constitution is not a suicide pact and a regime that cannot protect itself is going to destroy itself. Obviously, toleration of Marxist-Leninist ideology decreased under those circumstances, and I think for very sensible reasons.

# Biographies

**John Fonte** joined the Hudson Institute in March 1999 as a senior fellow and director of the Center for American Common Culture. Fonte has been a visiting scholar at the American Enterprise Institute where he directed the Committee to Review National Standards under the chairmanship of Lynne V. Cheney. He also served as a senior researcher at the U.S. Department of Education and a program administrator at the National Endowment for the Humanities (NEH). Fonte's articles and essays on citizenship, history, civic education, patriotism, assimilation, civil rights, global organizations, American sovereignty, and liberal democracy have appeared in *The National Interest*, *The Chronicle of Higher Education*, *Commentary*, *Orbis*, *National Review*, *Policy Review*, *American Enterprise*, *Transaction*, *Academic Questions*, *Chicago Tribune*, *Pittsburgh Post-Gazette*, *San Diego Union-Tribune*; as well as internationally, in *Le Figaro* (France), *Perfiles Liberales* (Mexico), *Nativ* (Israel), *Policy* (Australia), *Review* (Australia), and the *National Post* (Canada). Fonte is co-editor of *Education for America's Role in World Affairs* (University Press), a book on civic and world affairs education used in universities and teacher training institutes.

**John Earl Haynes** is 20th century political historian in the Manuscript Division of the Library of Congress. Prior to coming to the Library of Congress, he was assistant commissioner for tax policy of the Revenue Department of the State of Minnesota and earlier held staff positions with two Minnesota governors as well as a U.S. senator and U.S. representative from Minnesota. Haynes is the author of nine books: *In Denial: Historians, Communism and Espionage* (coauthor Harvey Klehr, Encounter, 2002); *Venona: Decoding Soviet Espionage in America* (coauthor Klehr, Yale U.P., 1999); *Calvin Coolidge and the Coolidge Era: Essays on the History of the 1920s* (editor, U. Press of New England, 1998); *The Soviet World of American Communism* (coauthors Klehr and K. Anderson, Yale U.P., 1998); *Red Scare or Red Menace? American Communism and Anticommunism in the Cold War Era* (Ivan Dee, 1996); *The Secret World of American Communism* (coauthors Klehr and F. Firsov, Yale U.P. 1955); *The American Communist Movement: Storming Heaven Itself* (coauthor Klehr, Twayne, 1992); *Communism and Anti-Communism in the United States: An Annotated Guide to Historical Writings* (Garland, 1987); *Dubious Alliance: The Making of Minnesota's DFL Party* (U. of Minnesota Press, 1984) as well as more than fifty published articles, essays and columns.

**Terry Odendahl** is the Waldemar A. Neilsen Chair in Philanthropy at the Georgetown University Public Policy Institute's Center for Public and Nonprofit Leadership in Washington, D.C. She is the co-founder of the Institute for Collaborative Change in Santa Fe, New Mexico. She is chair of the National Committee for Responsive Philanthropy and treasurer of the Center for Economic Justice. For the past two decades she has served as executive director of the National Network of Grantmakers. She is also a co-founder of the Institute for Women's Policy Research and serves on their Honorary Board. Odendahl is the author of *Charity Begins at Home: Generosity and Self-Interest Among the Philanthropic Elite* (Basic Books, 1990), and the co-editor and contributor with Michael O'Neill of *Women and Power in the Nonprofit Sector* (Jossey-Bass, 1994).