

12 TREASURY DEPARTMENT REPORT ON PRIVATE FOUNDATIONS

forestall such consequences, or can they be dealt with only by provisions of general scope?

A. PHILANTHROPIC VALUES AND PRIVATE FOUNDATIONS

The income tax deduction for individuals' gifts to charity was added to the law in 1917, at a time when income tax rates were being raised to meet the expense of war. The addition was justified on the ground that heavy income taxes might cause reductions in donations to charity. Similar considerations subsequently led to the enactment of gift and estate tax deductions for charitable transfers and the extension of the income tax deduction to corporations.

It is impossible accurately to assess the gain or loss in Government funds resulting from the charitable deduction. We cannot know by what amount charitable contributions would be reduced if there were no tax deductions for them. Similarly, we cannot know what increase in Government spending would be required to compensate for reduced charitable spending.

A more important imponderable exists—the distinctive value of private philanthropy. Such philanthropy plays a special and vital role in our society; Government services cannot provide a satisfactory substitute. Religious activity is perhaps unique, because Government is constitutionally barred from undertaking it. Here, private freedom of choice is the preeminent consideration. But in other fields, too, Government is best restricted to a partial and, perhaps, minor role. Research in some of the more controversial areas of the social sciences is an example. Even with respect to activities in which Government must take a major part today—such as education, social security, relief and elimination of poverty—charitable organizations may make vital and unique contributions.

Private philanthropic organizations can possess important characteristics which modern government necessarily lacks. They may be many-centered, free of administrative superstructure, subject to the readily exercised control of individuals with widely diversified views and interests. Such characteristics give these organizations great opportunity to initiate thought and action, to experiment with new and untried ventures, to dissent from prevailing attitudes, and to act quickly and flexibly. Precisely because they can be initiated and controlled by a single person or a small group, they may evoke great intensity of interest and dedication of energy. These values, in themselves, justify the tax exemptions and deductions which the law provides for philanthropic activity.

Private foundations play a significant part in the work of philanthropy. While the foundation is a relatively modern development, its predecessor, the trust, has ancient vintage. Like its antecedent, the foundation permits a donor to commit to special uses the funds which he gives to charity. Rather than being compelled to choose among the existing operating organizations, he can create a new fund, with its own areas of interest and emphasis. His foundation may encourage existing operating organizations to develop in new directions, or it may lead to the formation of new organizations. Even if it does neither, it reflects the bent, the concerns, and the experience of its creator; and it thereby increases the diversity of charitable works. In these ways, foundations have enriched and strengthened the pluralism of our social order.