

14 TREASURY DEPARTMENT REPORT ON PRIVATE FOUNDATIONS

since 1950, foundation wealth has not grown appreciably faster than other segments of the economy which have substantial investments in common stocks. The existing restrictions on charitable deductions for contributions to foundations would seem to provide a significant restraint upon abnormal growth. Hence, there would appear to be little present factual basis for the assertion that foundation lives should be limited because foundation wealth has become disproportionate.

To be sure, the powers of foundations present potential dangers. Many foundations have recognized that fact themselves. The larger foundations have acknowledged and responded to their obligations to the public. They have, in the main, established boards of independent, disinterested trustees, and have attracted skilled professional staffs. They have developed procedures which safeguard the independence of their grantees. Quite generally, they have accepted—and often encouraged—public scrutiny of their operations. Undoubtedly there have been individual instances of questionable expenditure; but, upon the whole, the record of foundation disbursements is one of solid accomplishment.

Serious abuses do exist among a minority of private foundations, and they require correction and restraint. They interfere with the application of the funds of some foundations to their proper charitable purposes. Since the Federal tax laws have played a significant part in the growth of foundations, an unavoidable responsibility rests upon the Federal Government to do what it reasonably can to insure that these organizations operate in a manner conducive to the fulfillment of their purposes. The Treasury Department does not, however, recommend that any separate Federal regulatory agency be created to supervise foundations. Rather, the Department is of the view that the effort should be made to frame the tax laws themselves to curb abuses.

Succeeding Parts of this report analyze the character of the abuses which have arisen and recommend remedies for them. The Treasury Department believes that vigorous and fully effective action can and should be taken to end these abuses. It considers such action to be preferable to measures of broader scope and more fundamental impact, such as some limitation upon the lives of all private foundations.