parable size elsewhere in the country have been able to duplicate. X utilizes seven wire services; other newspapers of similar size have from one to three. X publishes seven separate editions each day; Z publishes five; no comparable evening newspaper in the country publishes seven. X's normal subscription rate is $2 a month; Z's has been forced down to $2.25; those of newspapers in comparable cities range from $2.20 to $3. X recently purchased the only other evening newspaper in the city. Its advertising rates appear to remain substantially lower than those of any similar newspaper in the country.

In addition to having adverse effects upon competitors, foundation nvolvement in business may occasion other, equally objectionable esults. Opportunities for abuses of the kind with which parts II A nd B of this report deal specifically are frequently greatest where a oundation conducts or controls a business. Temptation for subtle nd varied forms of self-dealing proliferate in such a situation. Renote relatives may be employed in the business; friends may be ssisted; business acquaintances may be accommodated. However roadly drawn the restrictions upon self-dealing may be, many of the onflicts of interest arising in this area are likely to be sufficiently bscure or sufficiently beyond the realm of reasonable definition to scape the practical impact of the limitations. Making certain that one of the 800 employees of the F foundation's manufacturing usiness receive special benefits because of a relationship to one of the oundation's donors, or that none of the D foundation's $32 million il refining business involves the transfer or use of money or property o or by parties related to the creator of the foundation, would entail normous administrative burdens in itself, even if the danger of less efinable abuses were not present.

Again, the problem of deferral of charitable benefits has been articularly pronounced in the foundation business setting. We have lready noted the competitive advantage which foundation-controlled usinesses commonly derive from the willingness of their owners to orego distributions of current profits. That same unconcern with the resent realization of business earnings, manifested by many foundaions, often delays the progress of funds to charity even when accumuation has no reasonable relation to business needs. The restrictions f existing law upon accumulations of income by businesses become perative only where a corporation is "formed or availed of for the urpose of avoiding the income tax with respect to its shareholders"; here the shareholders of the business are themselves tax exempt, he limitations may not apply. Similarly, the statute which prohibits nreasonable accumulations of income by foundations applies only to ccumulations within the foundation itself; it does not prevent retenion of earnings in a separate, though controlled, entity.[21] As a onsequence, many foundations have permitted large amounts of ncome to accumulate in their business subsidiaries.

Example 15.—In 1962 the Y foundation had amassed almost $9,700,000 of undistributed earnings in one of its business subsidiaries, and more than $5,800,000 in another.

Example 16.—By the end of 1963 the O foundation had accumulated profits of $3,808,957 in its department store subsidiary.

When these funds will find their way to charity is, at best, a matter f conjecture. The moderate pressure provided by the payout re-

[21] Even if the accumulation restrictions of existing law were extended to these situations, their enforcement ould require an arduous, case-by-case examination of each separate set of facts.