quirement recommended in the preceding section of this report—which, after all, merely fixes a basic floor for foundation performance in distributions—affords only a partial solution to the aggravated deferral problem which exists in the foundation business context.

The problem has another facet. A number of foundations have revealed a willingness to commit charitable funds to business operations which are failing or, at least, producing consistent losses.

> *Example 17.*—The P foundation continues a printing and lithographing business which lost \$66,000 in 1959, \$36,000 in 1960, \$142,000 in 1961, \$150,000 in 1962, and an additional amount in 1963.
>
> *Example 18.*—Twenty-four of the 53 business corporations controlled by the B foundation referred to in example 2, in 1956 lost money in that year, and most of those 24 showed net earnings deficits from previous years' operations. Fifteen of the 45 corporations which the foundation controlled in 1963 either had net losses in that year or had net operating loss carryovers to that year.
>
> *Example 19.*—A construction subsidiary of the F foundation referred to in example 6, lost \$22,920 in 1960, \$17,133 in 1961, \$41,023 in 1962, and \$49,408 in 1963. At the end of 1962 the corporation's earned surplus account showed a net deficit of \$199,818.

In all of these situations, charity bears the loss.

Participation by foundations in active business endeavors may also give rise to a problem of a different character. As the Introduction to this Report has pointed out, the private foundation is uniquely qualified to provide a basis for individual experimentation and the exercise of creative imagination. The framework of institutionalized charities can, in the nature of things, afford only limited scope for the development of individual insights, the testing of new approaches, the exploration of uncharted areas. But the private foundation—easily established, inherently flexible, and available even to those with relatively restricted means—can be utilized for precisely these ends. Indeed, many would argue that the private foundation derives the principal justification for the favorable tax treatment accorded it from its particular suitability for use by those who are concerned with, and devoted to the development of, new areas for social improvement. This special virtue of the foundation assumes that the individual or group in control will, in fact, be devoted to the development of these new areas; that the primary concern will be with social aims. But where a foundation becomes heavily involved in business activities, the charitable pursuits which constitute the real reason for its existence may be submerged by the pressures and demands of the commercial enterprise. The directors of a foundation which owns 26 widely diverse businesses must of necessity devote a very considerable portion of their time and energies to the supervision of business affairs; and charity's claim upon their attention may well suffer. Business may become the end of the organization; charity, an insufficiently considered and mechanically accomplished afterthought. Little may remain to distinguish the directors of such a foundation from the self-perpetuating management of a publicly owned business corporation, without the balance supplied by watchful shareholders. Unrestricted involvement in business may, then, undermine the very ability of the private foundation to make its unique contribution to our society.