CRC
CAPITAL RESEARCH CENTER
Foundation Watch

Patterns In Corporate Philanthropy

Corporate America Gets Failing Grade for Funding Liberal Activism

by Christopher Morris

Summary: For 14 years, Capital Research Center has monitored the philanthropic activities of America's leading corporations. CRC finds that, with a few key exceptions, Corporate America contributes overwhelmingly to liberal advocacy groups. Unfortunately,CRC's new 14th edition of Patterns in Corporate Philanthropy, *available online in September at www.capitalresearch.org, shows that this liberal funding trend continues.*

The recent scandals involving Enron, Worldcom and other major corporations underscore the importance of accountability in business finance. Top management must accurately report corporate earnings and shareholders must be kept informed about how managers are handling their investments.

This is no less true in the area of corporate philanthropy. Business giving to nonprofits is a management responsibility and it deserves more public attention. Corporate CEOs, board members and individual shareholders need to know more about this key component of modern American philanthropy.

The most recent *Giving USA* report estimates that corporations and corporate foundations gave over $9 billion to nonprofits in 2001. This amount needs to be measured against the estimated $212 billion given by all Americans as individuals ($160 billion), through private foundations ($26 billion) and in bequests ($16 billion). But while corporate philanthropy

Of the $212 billion given by all Americans to charities in 2001, corporations donated more than $9 billion.

is less important overall, it makes a critical difference to many of its grant recipients. And it should be important to shareholders whose investments have generated so much of the wealth that is fundamental to America's philanthropy.

Business profits are the source of corporate giving. How odd it would be if corporate philanthropy were to support charitable and nonprofit organizations that work against the economic system that makes such philanthropy possible. Yet this is the key finding of Capital Research Center's annual publication *Patterns of Corporate Philanthropy*. Now in its fourteenth edition, *Patterns of Corporate Philanthropy: The Trend Continues* finds that too many major American corporations fund nonprofit political advocacy groups

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whose missions are hostile to the free market, the system that enables businesses to earn—and share—their profits. This month's *Foundation Watch* provides a preview and summary of the findings contained in *Patterns XIV*, which will be available online at www.capitalresearch.org in September.

For fourteen years, *Patterns* has been tracking philanthropic giving by the largest publicly-held corporations in America. The survey focuses on a particular type of giving: corporate grantmaking to nonprofit advocacy organizations. These nonprofits include public affairs think tanks, environmental groups, interest groups claiming to represent minorities, women, seniors and consumers, and other "public interest" organizations seeking to influence politics and public policy.

Specifically, *Patterns* examines corporate giving by the 250 largest publicly-held companies (as ranked by *Forbes* magazine according to sales) to more than 500 public-affairs and advocacy organizations. We devised a numerical 1-to-8 rating scale to measure how nonprofit advocacy groups regard government spending taxes and regulation along a Left-to-Right political spectrum. We then assessed company-giving policies by using a quantitative method that measures the 1-to-8 political ideology of the nonprofit advocacy group in relation to the dollar amount of the grants it receives from the corporation. For instance, a corporation that made two grants to advocacy groups—one for $25,000 to the market-oriented Heritage Foundation (rating: 8) and one for $75,000 to the Children's Defense Fund (2), an unreconstructed defender of the welfare state—would receive a score of 4.25 which we rate Center-Left [i.e. (8x25)+(2x75) divided by 25+75]**.** Using this method, we have rated ExxonMobil (6.02) as the best corporate giver and the federally-chartered mortgage lending company Freddie Mac (2.48) as the worst corporate giver. (See chart of ExxonMobil grants on page 6.)

The year 1998, the most recent for which we have comprehensive corporate giving data, was a good year for corporate profits and for corporate philanthropy. We tracked $57.5 million in corporate grants to public interest and advocacy organizations. (Slow corporate reporting and lack of cooperation contribute to the time lag. Fortunately, information technology is speeding the process of data collection and organization).

Corporate America: Good Friend of Big Government

Many Americans assume that when their favorite corporation makes a philanthropic contribution, it always gives to charities that help the needy and are friendly to American ideals, including free markets and limited government.

That assumption is dead wrong.

The reality is that many large publicly-traded corporations set up and fund their own grantmaking foundations that, in turn, make contributions to political advocacy groups promoting increased government spending, taxes and regulation.

As in past years, this edition of *Patterns* finds that corporations in 1998 gave far more money to advocacy organizations seeking bigger government than to those seeking less regulation, lower spending, and reduced taxes. In fact, corporate funding to big government advocacy organizations is at an all-time high. CRC found that over $45 million of the $57.5 million that corporations gave to nonprofit advocacy groups went to groups promoting big government public policies.

Let's look at the top ten nonprofits receiving the largest amounts of corporate money. None is rated conservative or market-oriented. Yet major corporations gave $3.2 million to the top-ranked Urban League, which supports the Community Reinvestment Act governing bank lending policies**.** And they gave $2.7 million to the American Lung Association, which fights for more government environmental regulation and opposed recent changes to the Clean Air Act. The closest free market-oriented organization, the American Enterprise Institute, only ranked 11th in amount of corporate support. (See chart on page 3.)

ExxonMobil topped the *Patterns* list for "best" corporate donor. (See chart on page 4) Cigna, number one during the previous two years, dropped to second but remains a responsible and creative corporate donor. Exxon supported free-market think tanks like the Reason Foundation, the Washington, D.C.-based Competitive Enterprise Institute, Chicago's Heartland Institute and many more. Cigna grants went to the Manhattan Institute, Cato Institute and Citizens for a Sound Economy. These corporations appreciate what public policy advocacy groups can do to support a free society. Unfortunately, the remaining companies on *Patterns*' top ten list are "best" in only a comparative sense.

By contrast, companies like Freddie Mac, JP Morgan (now owned by Chase Manhattan), and congressionally-chartered Fannie Mae supported advocacy groups that work to expand big government programs. Fannie Mae and JP Morgan continued funding the Acorn Housing Foundation. Acorn is notorious for its tactics bullying banks into making billions of dollars in high-risk loans. Both Fannie Mae and the Freddie Mac Foundation have made corporate contributions to the Center for Policy Alternatives (CPA), a radical organization that trains grassroots activists to

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Top 40 Nonprofit Public Affairs Organizations Receiving Corporate Contributions

1. Urban League	$3,240,629
2. American Lung Association	2,744,196
3. American Cancer Society	2,522,357
4. Anti-Defamation League	2,281,850
5. Conservation International	2,224,000
6. Enterprise Foundation	2,105,000
7. Brookings Institution	1,610,000
8. Carnegie Endowment for International Peace	1,500,000
9. Alliance for Children and Families, Inc.	1,492,224
10. Nature Conservancy	1,427,215
11. American Enterprise Institute	1,206,500
12. Environmental Defense Fund	1,047,900
13. Chesapeake Bay Foundation	1,012,500
14. Ethics Resource Center	1,011,850
15. Chamber of Commerce	982,520
16. Center for Strategic & International Studies	952,500
17. NAACP	838,383
18. Accion International	752,800
19. World Wildlife Fund	713,150
20. Council on Foreign Relations	700,500
21. Citizens for a Sound Economy	585,000
22. Committee for Economic Development	568,500
23. Manhattan Institute For Policy Research	562,000
24. ACORN	522,500
25. Urban Coalition	505,417
26. Conservation Fund	489,000
27. Hoover Institution On War, Revolution, and Peace	460,000
28. Heritage Foundation	449,500
29. Cato Institute	435,700
30. Western Governors Association	430,000
31. American Heart Association	424,764
32. Institute for International Economics	394,500
33. Mexican American Legal Defense & Education Fund	390,500
34. Greenlining Institute	380,000
35. National Council on the Aging	372,000
36. Council for Basic Education	365,000
37. National Council of La Raza	340,000
38. Economic Strategy Institute	325,000
39. Council of State Governments	317,900
40. American Forests	305,000

Best and Worst Corporate Givers to Nonprofit Public Affairs

(includes only corporations that gave $250,000 or more
to nonprofit public affairs groups)

Ten Best Corporate Givers

1998

No.	Company	Rating	Grade
1.	ExxonMobil	6.02	B
2.	Cigna	5.86	B
3.	Bristol-Myers Squibb	5.39	C
4.	Rockwell International	4.91	C
5.	General Electric	4.85	C
6.	Eli Lilly	4.71	C
7.	American Express	4.45	D
8.	Chevron	4.40	D
9.	American International Group	4.32	D
10.	Weyerhaeuser	4.14	D

Ten Worst Corporate Misgivers

1998

No.	Company	Rating	Grade
1.	Freddie Mac	2.48	F
2.	J.P. Morgan & Company	2.68	F
3.	Fannie Mae	2.87	F
4.	May Department Stores	2.93	F
5.	Merrill Lynch	2.98	F
6.	Winn-Dixie Stores(tie)	3.00	D
7.	Baxter International(tie)	3.00	D
8.	Deere and Company(tie)	3.00	D
9.	Ford Motor(tie)	3.00	D
10.	Humana(tie)	3.00	D

fight against welfare reform and for pharmaceutical drug regulation. JP Morgan contributed to Environmental Defense and the Natural Resources Defense Council, two green groups that have made trial lawyers busy—and rich—filing lawsuits against corporations. (See above chart.)

More—and Better—Charity

At his commencement address to Notre Dame University graduates on May 20, 2001 President George W. Bush called upon corporations "to give more—and to give better." The President applauded the work of religious and volunteer-based charities that serve the needy, and he observed that their activities could end poverty and welfare state dependency. But the President criticized corporations for ignoring the good work of faith-based charities.

President Bush cited research from *Patterns of Corporate Philanthropy, XIII* which last year disclosed that six of the ten largest U.S. companies explicitly ban or restrict contributions to faith-based groups. For instance, AT&T says it will only fund groups that are "nonsectarian and nondenominational." Citigroup will only fund religious organizations when they are engaged in activities to "benefit the entire community." Ford Motor Company states that it does not support "religious or sectarian programs for religious purposes." Even when companies have no policy restrictions, most give little to faith-based community organizations.

One company foundation—the Ford Motor Company Fund—offers a representative example of corporate misgiving. Last year, the Ford Fund (not to be confused with the independent Ford Foundation) gave $111.2 million in cash and product grants. But a report of the foundation's 1998 giving lists just $1.2 million in funding to faith-based organizations for community-based initiatives. Ford bans giving to churches and religious organizations, but company policy does not prevent the fund from giving to environmental groups that champion business regulation and increased government spending. Ford gave $1.25 million to Conservation International and $50,000 to the Environmental Law Institute.

Not all shareholder-owned corporations are as supportive of political advocacy groups as Ford or as hostile to faith-based charity as AT&T or Citigroup. For instance, most of Wal-Mart Stores' giving goes to traditional charities that benefit real families. The retailer reported product and cash donations of $150.4 million—the largest amount of any U.S. corporate foundation—in 2000. Unlike other corporations, a politically correct spin machine operating out of corporate headquarters does not control Wal-Mart's giving. Instead, individual managers at the nearly 3,500 local Wal-Mart stores make 97 percent of all giving decisions. The result: Individual stores focus their charity on helping out local community organizations. They also support nationally known charities like the YMCA and the Children's United Way. Wal-Mart Foundation director Betsy Reithmeyer told CRC's *Foundation Watch* newsletter: "We try to serve community needs. Oftentimes it has been the faith-based organizations that have stepped up to meet that need."

Appeasing the Left

Why do corporate managers contribute to advocacy groups that push costly—and often radical—public policy initiatives? The answers are many and complicated, but one motive is to quiet criticism from shakedown artists like Jesse Jackson. In 1997, Jackson's Rainbow Push Coalition seems to have netted $2 million in contributions from Viacom and other communications companies by alleging racial discrimination and threatening to petition the Federal Communications Commission to block telecommunications mergers and deny broadcast licenses. The Rainforest Action Network uses similar bully tactics. In 1999, it threatened to boycott Home Depot unless the company discontinued the sale of "old growth timber" products and contributed to environmental causes. Typically, advocacy groups that attempt to intimidate companies demand a "memorandum of understanding" binding the company to a "code of conduct" that is often contrary to its own interest.

Another reason why corporations contribute to advocacy groups and accept their demands is to weaken their competitors. Large corporations know they can afford to comply with stringent government regulations, while smaller or family-run companies cannot. Corporations may also give to liberal advocacy groups for some pragmatic, short-term benefit, including social prestige. In the long run, however, such grantmaking only hurts investors, consumers, the economy, and the public's trust in philanthropy. Companies that give to radical activists will find themselves at their mercy when they inevitably come back demanding more. And thanks to corporate-sponsored political advocacy groups, the economy will be saddled with more regulations and government spending. Too often genuine charities—community and faith-based organizations—are left out in the cold when corporate managers focus on giving for "social change."

Environmental Groups Reap Windfall Corporate Donations

Large corporations have been especially generous to the environmental movement. But corporate managers that shower contributions on a movement hostile to individual and property rights only harm business enterprise.

Consider global warming. Leading auto and oil companies have foolishly bankrolled environmental groups that worked closely with the Clinton administration to regulate the auto and oil industries. In June 2000, President Clinton's National Science and Technology Council—which included representatives of several corporate-backed liberal environmental groups—released a report on the National Assessment on Climate Change that predicted alarming consequences if climate changes were not checked by aggressive government action.

Three advocacy groups that participated in the Clinton-backed study received funding from corporate coffers. In 1996 and 1997, the World Wildlife Fund received $200,000 from Ford, $20,000 from Daimler Chrysler, and $35,000 from General Motors. From 1996 to 1998, the World Resources Institute received $149,621 from Ford and $40,000 from BP Amoco. The Progressive Policy Institute received $30,000 from BP Amoco from 1996 to 1998. Did these corporations understand the connection between their grants to these nonprofits and the public policies they would impose on the auto and energy industries?

Enron Philanthropy: Funding Environmental Activism

The media is now looking high and low for any shred of evidence linking Enron to the energy policy of the Bush administration. But it's not reporting the story of how Enron built ties to environmental activist groups during the Clinton administration. And it's not describing how Enron pushed hard for President Clinton's global warming and climate control policies – the same policies President Bush firmly rejects.

Enron executives worked closely with the Clinton administration to secure sup-

ExxonMobil Grant Recipients

(Political Ideology
Rated from 1to 8, Left-Right)

FREE (8)
$10,000
Education & Research Institute (8)
$6,000
Foreign Policy Association (3)
$50,000
Foundation for American Communications (5)
$8,000
Heartland Institute (8)
$30,000
Heritage Foundation (8)
$90,000
Hoover Institution (8)
$135,000
Independence Institute (8)
$10,000
Competitive Enterprise Institute (8)
$85,000
Institute for Civil Justice
$75,000
National Conference of State Legislatures (4)
$3,000
Urban Institute (2)
$10,000
Southeastern Legal Foundation (8)
$63,000
Reason Foundation (8)
$72,000
Urban League (3)
$12,500
Public Affairs Research Council of Louisiana (6)
$2,500
Public Affairs Research Council of Louisiana (6)
$16,500
Political Economy Research Center (8)
$20,000
Pacific Research Institute for Public Policy (8)
$15,000
Pacific Legal Foundation (8)
$15,000
Atlantic Legal Foundation (8)
$5,000
New England Legal Foundation (8)
$5,000
National Legal Center for the Public Interest (8)
$15,000
Council of State Governments (4)
$10,500
National Environmental Policy Institute (5)
$25,000
Center for Women Policy Studies (3)
$5,000
National Conference of State Legislatures (4)
$5,000
National Center for State Courts (5)
$10,000
National Center for Policy Analysis (8)
$65,900
National Center for Public Policy Research (8)
$10,000
Media Institute (8)
$20,000
Manhattan Institute For Policy Research (8)
$50,000
Manhattan Institute For Policy Research (8)
$15,000
American Council on Education (4)
$20,000
Institute for Educational Leadership (3)
$5,000
Institute for Educational Leadership (3)
$20,000
Council for Basic Education (4)
$5,000
National Governors Association (4)
$12,500
American Enterprise Institute (7)
$200,000
Acton Institute (8)
$10,000
Committee for Economic Development (3)
$75,000
Committee for a Responsible Federal Budget (4)
$5,000
Committee for a Constructive Tomorrow (8)
$5,000
Citizens for a Sound Economy (8)
$75,000
Center for the Study of American Business (8)
$70,000
Center for the New West (6)
$5,000
Center for Strategic & International Studies (6)
$160,000
Cato Institute (8)
$15,000
Brookings Institution (4)
$60,000
Atlas Economic Research Foundation (8)
$65,000
Atlantic Council of the United States (5)
$10,000
Washington Legal Foundation (8)
$5,000
American Legislative Exchange Council (8)
$15,000
Western Governors Foundation (5)
$15,000
American Council for Capital Formation (6)
$80,000
Institute for Policy Innovation (8)
$5,000
American Assembly, Columbia University (3)
$80,000
Urban League—Dallas, TX (2)
$15,000
Trout Unlimited (3)
$48,000
Conservation Fund—TX (3)
$3,000
Conservation Fund—TX (3)
$25,000.00
Trust for Public Land (3)
$25,000.00
Conservation International (3)
$25,000.00
American Heart Association—Dallas, TX (3)
$5,000.00
National Legal Aid & Defender Association (3)
$5,000
Anti-Defamation League (3)
$5,000
Consumer Alert (8)
$10,000

port for the Kyoto Protocol because the company believed the treaty could generate a financial windfall. An internal Enron memo circulated immediately after the 1997 Kyoto meeting (and first reported by the *Washington Post*) shows the company believed the treaty "would do more to promote Enron's business than will almost any other regulatory initiative outside of restructuring the energy and natural gas industries in Europe and the United States."

So Enron philanthropy lavished almost $1.5 million on environmental groups that support international energy controls to reduce so-called global warming. From 1994 to 1996, the Enron Foundation contributed nearly $1 million dollars ($990,000) to the Nature Conservancy, whose "Climate Change" project promotes global warming theories.

The company did more than simply provide financial backing for groups supporting ratification of the Kyoto treaty:

- In 1997 Enron CEO Kenneth Lay was named a member of President Clinton's "Council on Sustainable Development," joining Secretary of the Interior Bruce Babbitt, EPA administrator Carol Browner, and Fred Krupp, executive director of Environmental Defense Fund (EDF). The task force also included representatives from the Sierra Club, National Wildlife Federation, and the Natural Resources Defense Council.

- The National Environmental Trust, a public relations organization heavily funded by the Pew Charitable Trusts to promote environmental policies, worked with Ken Lay to place pro-Kyoto editorials under his signature in the *Houston Chronicle*, the *Austin-American Statesman*, and the *Salt Lake City Tribune*.

- Enron built ties to the Environmental Defense Fund (EDF). EDF lauded Enron's "Enron Earth Smart Power," a 39-megawatt wind farm in Southern California that was intended to offer consumers "environment-friendly" electricity. Daniel Kirshner, an EDF senior economic analyst, commended Enron's achievement, saying, "The Environmental Defense Fund hopes that buying environmentally-friendly electricity will soon be as popular as recycling is now."

- Representatives from Enron participated in a panel discussion sponsored by the Progressive Policy Institute to "discuss the reduction of greenhouse gas emissions and politically viable strategies for tackling the larger threat of climate change." Other panelists included Sen. Joseph Lieberman (D-Conn.) and members of the Natural Resources Defense Council and EDF.

Enron's activities were not limited to advancing the environmental agenda; the company also used its environmental friends to advance its business agenda. Enron solicited support from green groups for its own business ventures, such as the 1997 purchase of Portland General Electric. Enron urged Natural Resources Defense Council and a coalition of Oregon environmental groups to sign a memorandum of agreement endorsing the purchase, despite objections by the state Public Utility Commission. Portland's *Willamette Week* newspaper reported that the groups subsequently received Enron grants totaling nearly $500,000. Among the beneficiaries: Northwest Environmental Advocates ($30,000), Salmon Watch ($15,000), and American Rivers ($5,000).

Enron finances are a twisted mess that will likely take years to sort through. But it is clear that Enron and the Bush administration have not seen eye-to-eye on energy and environmental policy, and many of the company's green friends are no friends of President Bush, who refused to sign the Kyoto treaty, saying it "is, in many ways, unrealistic" and "not sound public policy." The Bush administration pulled out of last fall's meeting in Marrakech, Morocco to discuss the treaty's implementation.

Certainly Enron Corporation tried to influence administration policies on energy and the environment. But the administration was Bill Clinton's and the policies were not market-friendly.

Time for Change

Last year, the House of Representatives approved President Bush's plan to increase funding for faith-based organizations. Known as H.R. 7, the resolution would allow groups with religious affiliations to apply for $47 billion in government grants for services ranging from job training to elderly services. The bill also allows corporations to write-off up to 15 percent of their taxable income for charitable contributions. Corporate America needs to take this cue from the Bush administration, rethink its bans on giving to faith-based community groups and its support for big government advocacy groups.

The continuing trend of corporate misgiving—grant making to advocacy groups hostile to the free market and business enterprise—is becoming even more troublesome as the U.S. faces difficult economic times. Corporate foundation bureaucrats must not remain unresponsive to the values of Americans who work for and invest in their companies. More corporations should start to include their employees in corporate giving decisions. They should identify the company's grant recipients to their shareholders. They might even seek their shareholders' consent before making grants of corporate (i.e. investors') funds.

The managers, employees and stockholders of America's great corporations will have to become more aware of corporate philanthropy if corporate grantmaking behavior is to change. Before they invest their savings in the company's stock or purchase its products they might start by asking some questions about their corporation's philanthropy. Their watchwords: "Follow the Money."

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PhilanthropyNotes

General Electric Company (GE) has selected three investment firms with close ties to **Jesse Jackson** to co-manage its $6 billion bond offering. Last March Jackson criticized GE for not considering minority-owned firms in a bond deal and urged GE to consider "members" of his **Wall Street Project** in future financial transactions. The Wall Street Project aims to promote minority participation in Corporate America. GE called Jackson's complaints "legitimate" and met with him in April. The firms GE selected are Utendahl Capital Partners, Loop Capital Markets and Williams Capital Group. Says Jackson critic Kenneth Timmerman, "It's unfortunate when a major corporation gives in to the outrageous demands of a race hustler like Jesse Jackson. This sends a message to GE shareholders that the management of the company does not have their best interest at heart."

Charitable giving rose modestly in 2001 despite a slow economy and the war on terrorism, reports "Giving USA," the annual directory published by the American Association of Fund-Raising Counsel Trust for Philanthropy. **Americans contributed $212 billion to charity,** a 0.5 percent increase over the $210 billion donated in 2000, but a 2.3 percent decrease when adjusted for inflation. Still, charitable giving represented 2.1 percent of the gross domestic product. Before 1999, it averaged 1.8 percent. Individual giving accounted for the largest component of giving—$160 billion, or about three-quarters of all charitable contributions. Corporate giving, which accounts for 4.3 percent of contributions, plummeted 14.5 percent due to an average 18 percent drop in corporate profits. Foundation giving rose 2.5 percent to 25.9 billion. However, experts expect foundation giving to drop this year because foundations set their budgets a year in advance.

"Giving USA" found that the **Salvation Army** and the **American Heart Association—**which rank first and 15th in total donations—took in more money in 2001. Officials feared the recession and September 11 would reduce donations. For instance, **St. Jude Children's Hospital**, which ranks 30th in contributions, saw its budget fall by $12 to $15 million, a five percent drop. Hospital officials note that schoolchildren and others donated to September 11 relief efforts instead of St. Jude. One charity doing exceptionally well is **Easter Seals,** whose fundraising is 10 percent ahead of last year's level. Easter Seals attributes some of its success to a direct mail campaign that targets high-dollar donors—those giving $1,000 or more. Says Easters Seals official Chris Cleghorn, "We're putting a lot of focus on person-to-person fund raising."

New York Governor George Pataki and state legislative leaders reached an agreement to allow New York City to raise the **cigarette tax to $1.50** per pack as long the city gives half its revenue to the state. Nassau County also wants to broker a deal with the state to hike its tax $1.50, as do other counties. The New York City tax will put the cost of a carton of cigarettes at $70. But experts believe this will drive consumers to the internet, neighboring states or the black market. A study by the **Manhattan Institute** notes, "Extrapolating from figures in the state and city budgets, adoption of the mayor's proposal could eliminate up to $212 million in state cigarette tax revenues – 85 percent of the gain Pataki is budgeting in this category."