

## A Reaganite Entrepreneur’s Flawed Philanthropy

*An engineering genius didn’t design his foundation to honor his donor intent*

By Martin Morse Wooster

**Summary:** *This co-founder of a pioneering high-tech firm was a conservative Republican who spent years supporting politicians and public intellectuals on the Right. But the eminent engineer wasn’t careful when designing his own multibillion-dollar foundation, which now follows only those threads of his donor intent that can be woven into fashionable leftism.*

Name this donor: he co-founded Silicon Valley’s first great corporation. He worked for, funded, and was a friend of every Republican president from Richard Nixon to George H.W. Bush. His decisive actions helped save the Hoover Institution in the 1950s and the American Enterprise Institute in the 1980s. In 1992, he declared that “the Democratic Party has been the party of socialism since President Roosevelt’s term” and that “the Democratic Party is indentured to union labor.” The final clue to the mystery donor: The foundation that donates money in his name—America’s seventh largest—is a pillar of the liberal philanthropic establishment.

The answer is David Packard, co-founder of Hewlett-Packard. Last year marked the centennial of his birth, making it a good time to look at Packard’s life—and how the David and Lucile Packard Foundation largely betrays Packard’s commitment to free-market principles.



**David Packard (at left) was such a strong Reaganite that President Reagan asked him to serve in his administration. Here Reagan is shown unveiling a report on Pentagon policy. Then-Defense Secretary Caspar Weinberger is shown at right in this Feb. 28, 1986 photo. (Corbis)**

David Packard was born in Pueblo, Colorado, in 1912. In 1930 he entered Stanford University, where the 6’ 5” Packard lettered in basketball, football, and track. He established his brilliance as an electrical engineer early and attracted the attention of Frederick Terman, an electrical engineering professor who recalled in his retirement how proud he was of having helped bright students who were “electronic nuts, these young men who show

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as much interest in vacuum tubes, transistors, and computers as in girls.”

In 1933 Packard took Terman’s radio engineering course, where he met William Hewlett, who shared Packard’s love of ham radio. The two became close friends. Packard was such a bright student that he sent the publishers of one of his electrical engineering textbooks a collection of the book’s errors.

After Packard was graduated in 1934, he spent a few years working for General Electric. But he and Hewlett both wanted to be entrepreneurs, and in 1939 they decided to start their own company. They flipped a coin to see whose name would come first, and Hewlett won. Under their leadership, H-P turned out scores of innovative products, including one of the first handheld calculators in 1972 and the first inkjet printer in 1984.

Hewlett served as executive vice president and was more of the chief technology officer and idea man, while Packard, the company president, ran day-to-day operations. “Bill’s

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a much better design engineer and I liked the management and production side,” Packard explained in a 1974 interview.

One critical element of Hewlett-Packard’s success was that the company remained union-free when the founders were in charge. “The most important element in our personnel policy is the degree to which we are able to get over to our people that we have faith in them and are more interested in them than someone else is,” Packard explained.

## **Packard Gives to Stanford**

Stanford University was the earliest recipient of David Packard’s philanthropy and received more money than any other, much of it given anonymously. He served as a trustee from 1954-69 and was president of the board from 1958-60.

Yet as a donor and trustee, Packard was Stanford’s loyal opposition. For example, in 1959 Packard provoked humanities professors when he addressed the local chapter of the American Association of University Professors and called on Stanford to primarily produce engineers, scientists, and linguists who could help the country fight the Cold War.

Similarly, Packard clashed with campus radicals in the ’60s. When students held a “sit-in” at the student union in May 1968 and demanded the school end all research involving the Vietnam War, Packard took action. He went into the building alone and without informing anyone at Stanford. This took considerable courage, given that *Fortune* had just made him a tempting target for militants by identifying his net worth at \$250 million.

He told the students, “If you get into these confrontations, you may lose everything you may have gained,” and added that his goal was to avoid the violent confrontations that

had rocked Columbia. Two days later, the sit-in ended without violence.

Two years later, according to former Hoover Institution president W. Glenn Campbell, militants tried to break into Hoover and seize Packard there. Stanford’s administration announced they would provide no help, but police arrived in time to keep the radicals out.

Packard did not forget these encounters. In the 1970s he resumed gifts to Stanford, but tightened the strings. Addressing the Committee for Corporate Support of American Universities, Packard listed several problems, ranging from “kicking ROTC programs off the campus” to “prohibiting businesses from recruiting on the campus.” He added that the radical left now dominates campuses. “I happen to believe,” Packard said, “that such hostile groups of scholars are, to a large degree, responsible for the anti-business bias of many of our young people today. And I do not believe it is in the corporate interest to support them—which is what we do to a greater or lesser degree with unrestricted funds.” He urged giving only to programs and departments that “contribute in some specific way to our individual companies, or to the general welfare of the free enterprise system.”

Packard’s speech produced denunciations from the *New York Times*, the American Association of University Professors, and Ford Foundation president McGeorge Bundy.

## **Packard’s Conservative and Republican Ties**

David Packard served for several decades on the boards of the Hoover Institution and the American Enterprise Institute, two of the nation’s earliest and most prominent conservative think tanks. In addition, he was a founder of the Committee on the Present Danger, a national-security nonprofit that

warned about the threats the Soviet Union posed to the world. In 1977 Packard endorsed a committee report that stated the Soviet Union would pursue “an expansionist policy” of global domination and would likely evade any restrictions imposed by arms control treaties.

Packard was a Republican all his life and a major donor to the campaigns of Richard Nixon, Gerald Ford, Ronald Reagan, and George H.W. Bush, as well as numerous California campaigns for senator and governor.

In 1969, he took a leave of absence from Hewlett-Packard to serve as Deputy Secretary of Defense. Packard spent two years in the Pentagon trying to simplify the ways the military procured weapons. His efforts quickly made him many enemies, most of them career civil servants. “Let there be no doubt about it. Deputy Defense Secretary Packard is the majordomo of Pentagon procurement policy in this administration,” Claude Witze wrote in *Air Force Magazine* in 1971. “A highly competent businessman, he is outspoken and has not hesitated to scold industry audiences. He is equally rough with the military brass, charging that too many of them ‘want to get in on the act,’ even when they can make no contribution to the effort.”

In other words, even while serving in the government, Packard did not abandon his commitment to free-market capitalism as superior to crony capitalism and bureaucratic big government. In a 1995 interview with the National Museum of American History, Packard said the Defense Department “was a very large organization, and difficult to get what you want done. I always said it was like pushing on one end of a 40-foot boat and getting the other end to go where you wanted it to go. It was also a little tough on my wife because the first six weeks she lost 16 pounds. She said it happened because

she would get up in the morning and hear someone say something nasty about my husband, and that would spoil her breakfast. Then she would hear some(thing) further and that would spoil her lunch. Then I would come home and tell her (how) terrible a time I had and that would spoil her dinner. She finally got over that when she stopped listening to the radio.”

Packard vented his frustrations in his resignation speech in December 1971, when he said he could cut the Defense Department budget by a billion dollars a year if the department had more freedom to close military bases that were no longer necessary. “There’s no question that we could make savings if we were able to take actions without any constraints,” he told the *New York Times*.

In 1971, Packard returned to H-P. He was an elector for Richard Nixon in 1972 and grew close to Gerald Ford. *U.S. News and World Report* identified Packard as part of Ford’s “kitchen cabinet,” informal advisers who met with President Ford at least once a month.

In August 1975, Packard went half-time at Hewlett-Packard to serve as finance chairman for President Ford’s 1976 re-election campaign. Packard played a smaller role in 1980. He contributed to Americans for an Effective Presidency, a political action committee headed by Dillon, Read managing partner Peter Flanigan that aimed to raise between \$3 million and \$8 million to support the Reagan campaign. Later, Packard was a major donor to the Ronald Reagan Presidential Foundation and part of a failed effort to bring the Reagan presidential library to the Stanford campus. (Liberal faculty and students fought hard against the “danger” that the library would bring conservative ideas into their midst.)

Packard’s last political activity came in 1992. By this time he had retired as Hewlett-Packard CEO but remained chairman of the board. He was disturbed that his handpicked successor to head H-P, John Young, had endorsed Bill Clinton. So Packard sent a letter to the editor to the *San Jose Mercury News*, saying that whatever the faults of the Republicans, “my friends have overlooked the fact that the Democratic Party has been the party of socialism” since the Roosevelt administration. “Roosevelt’s disastrous agreement with Stalin at Yalta was a clear signal that he fundamentally supported socialism rather than freedom,” Packard added.

## The Packard Foundation Begins

Although the David and Lucile Packard Foundation was founded in 1964, it did not begin significant giving until the early 1980s and was not fully funded until Packard donated \$2 billion in H-P stock to the foundation in 1988. Before recounting how the Packard Foundation largely abandoned David Packard’s conservative principles, we should consider his views on population control and the environment, because those two causes do still receive Packard Foundation support.

Though it’s not well known today, David Packard did favor population control. In 1986 he told the *Christian Science Monitor*, “the most important question we have to deal with is a combination of population control and the control of our environment—how to utilize the world in as effective a way as we can for the future of mankind. Anytime you look at the long-range situation, you come to the conclusion that, unless we can limit the population, the other problems are eventually going to become unmanageable.” He said the solution to global population problems was to be “more rational about birth control and abortion,” topics he said at times “get very emotional.” And he added that “the United



States should be a leader in helping with this problem” of population control.

According to George Anders, author of a history of H-P, David Packard expressed his intentions as a donor in a document in the late 1980s called “Some Random Thoughts About the Packard Foundation.” While this document has never been made public, Anders says that Packard declared that the foundation’s first concern should be population control and that an annual global population increase of 2 percent per year would mean “utter chaos for humanity.... The highest priority of our foundation must be to do what can be done to get the worldwide population growth” back to lower levels. “We must support abortion and any other policy that will help,” Packard wrote.

When the Packard Foundation received \$2 billion in 1988 from David Packard, one of its earliest activities was to increase its population control program from \$1 million in annual grantmaking to \$10 million. *New York Times* philanthropy reporter Kathleen Teltsch interviewed Packard Foundation consultant Anne Firth Murray and reported that the additional funds would “emphasize Third World assistance and cover adolescent pregnancy and assured access to abortion.” David Packard was actively involved in the foundation when this decision was made.

Ironically, while the foundation continues to fund population control programs, Packard’s daughters have tried to make global population control less of the top priority their father wanted. A decade after Packard penned his letter, Anders writes, the Foundation’s leadership believed that “the specter of a world ruined by too many hungry mouths seemed a lot less worrisome ... thanks largely to an abrupt drop in China’s birth rate.”

Perhaps the best expression of David Packard’s views on the environment is found in his

1986 *Christian Science Monitor* interview, where he stated environmental degradation was a problem because “the environment is going to determine, in the final analysis, what population can be supported.” He said “a lot can be done” in the area of environmental policy, including “trying to preserve some attractive examples of ecology—so that you can keep some of the original character of our country and (countries) around the world—on down to (questions of) food production and the preservation of farmland.”

Summarizing Packard’s thoughts, the *Monitor*’s Kidder wrote that Packard believed “the greatest danger to the environment ... arises from intensive farming: loss of topsoil through erosion, the disappearance of forests through land-clearing and harvesting firewood, and toxic pollution through the use of insecticides and fertilizers.”

Climate change was another of Packard’s concerns. “We’re changing the character of our atmosphere, which might change the character of our (planet).” The result could be “some very drastic changes in our climate.” Packard also said that “unfortunately” the best solution to America’s energy needs was nuclear power, and “we’re going to have to come to some form of nuclear power sooner or later—and I think we’re going to have to do that during the 21<sup>st</sup> century.”

In his lifetime, David Packard was an active conservationist. In 1981, the *New York Times* reported that Packard chaired the Nature Conservancy’s Critical Areas Program Committee, which was raising \$15 million by the end of 1982 to buy 22,000 acres of habitat. Four years later, Packard was one of the initial board members of the National Fish and Wildlife Foundation, set up by William P. Clark, a former Interior Secretary under Reagan, to buy and preserve habitat.

In the 1980s, Packard launched three major philanthropic projects that the Packard Foundation continues today: the Monterey Bay Aquarium, the Lucile S. Packard Children’s Hospital at Stanford, and the Packard Fellowships in Science and Engineering.

The Monterey Bay Aquarium was the largest philanthropic project David Packard funded in his lifetime. Two of Packard’s daughters, Julie Packard and Nancy Packard Burnett, are marine biologists, and as Julie Packard told the *New York Times* when the aquarium opened in Monterey, California, in 1984, “my father sort of challenged us to come up with a project that was all our own.” Julie Packard has been the Monterey Bay Aquarium’s first—and so far, only—executive director.

In his 1995 Smithsonian oral history interview, David Packard explained why his foundation became interested in funding an aquarium. He said that when the Packard Foundation began operations in 1984, “we spent the first ten years or so just responding to all the requests, just like any other foundation. About the middle 1970s I decided we should be developing some programs of our own, instead of just doing whatever people requested. I have two daughters and a son-in-law and some friends who are active in the Hopkins Marine Station down on the Monterey Peninsula. They had been interested in an old cannery” on the Monterey waterfront as the site for an aquarium.

“What we learned was that most aquariums are built on a fixed budget, and they made short cuts,” Packard explained. So instead he bought equipment that made fiberglass-reinforced cement and plastics and hired experts in building fiberglass boats to handle the construction.

George Anders says that the children’s hospital “was Lucile Packard’s project. She cared deeply about children, dating back to

the 1930s, when she was an active volunteer in a children's convalescent home." As she was dying, David Packard decided to name the hospital for his wife.

As for the Packard Fellowships in Science and Engineering, they have been awarded since 1988 and are currently five-year, \$875,000 grants. The foundation works with 50 leading universities; each nominates two professors, and panelists winnow the field down to a smaller number. In 2012, 16 fellowships were awarded. The foundation has awarded \$316 million in fellowships since 1988, and its fellows have gone on to win MacArthur "genius" grants, the Nobel Prize in Physics, and the Fields Medal, the highest honor in mathematics.

## The Packard Foundation Betrays Donor Intent

When David Packard died in 1996, control of the Packard Foundation passed to his four children. Additional Hewlett-Packard shares were willed to the foundation following Packard's death and these shares, combined with high prices for Hewlett-Packard common stock, caused the foundation's endowment to soar from \$2.4 billion in 1995 to \$13.5 billion in 1999.

When Packard died, control of his foundation went to his three liberal daughters, Nancy Packard Burnett, Susan Packard Orr, and Julie Packard, and his conservative son, David W. Packard. The charity decided to betray its benefactor's commitment to conservative causes by defining donor intent in a way that ignored Packard's conservatism.

The evidence suggests that David Packard, in his "Random Thoughts" paper that set forth his intentions, imposed no restrictions on how the foundation should spend its money. In a 1999 interview with *Foundation News and Commentary*, Colburn S. Wilbur, who served as Packard Foundation president from

1976 to 1999 and who remains on the board, explained the family's thinking: "David Packard always intended to leave discretion and flexibility to future boards. He trusted them and realized that organizations need to change over time."

"Mother and Father knew they wouldn't be here forever to know what the issues of the day would be," Susan Packard Orr told the *Chronicle of Philanthropy* in 1998. "I wouldn't say we make a lot of decisions based on exactly what they might have done. We feel their presence, but not a heavy hand."

Of course, donors who decide to create perpetual foundations and to leave "discretion and flexibility to future boards" nearly always have their own principles betrayed, and this has largely happened with the Packard Foundation. Moreover, defining donor intent in such a vague way encourages boards to do whatever they want, despite their creator's beliefs.

As for David W. Packard, the one child who shared his father's political philosophy, the Packard Foundation made a concession to its founder's donor intent in 1999 by allowing the younger Packard to secede with 11 percent (or \$1.6 billion) of the foundation's endowment, which it paid to the Packard Humanities Institute. The institute's endowment has since shrunk to \$317 million, an amount that still makes it the 90<sup>th</sup> largest foundation in America, according to the Foundation Center.

The younger David Packard has a doctorate in classics. His first love was film preservation, and his first philanthropic activity was restoring the Stanford Theatre, a classic old movie house in Palo Alto that had fallen on hard times.

*Philanthropy* magazine reported in 2000 that the Packard Humanities Institute was

exploring public policy giving through grants in support of research in school choice and such noted education scholars as Eric Hanushek of the Hoover Institution. These grants have since been halted. According to the institute's most recent available tax return, it donated \$10.6 million in 2010. Its three largest grants were \$1.6 million to the International Mozarteum Foundation to put the complete works of Mozart online, \$1.1 million to the University of California to support the University of California (Los Angeles) film archive, and \$1 million to the Mihai Eminescu Trust to preserve villages in Romania.

After Packard's death, the Packard Foundation provided one grant to the American Enterprise Institute and a three-year, \$600,000 terminal grant to Hoover. But the Packard Foundation did not entirely abandon its founder's principles. Grants to the Monterey Bay Aquarium, the Packard Fellowships, and the Lucile Packard Children's Hospital continued. And Susan Packard Orr, who became Packard Foundation chairman after her father's death, shares her father's enthusiasm for population control.

The foundation's leading effort in population control came in 2000, when the Food and Drug Administration authorized use of mifepristone, an abortion pill commonly known as "RU-486." Roussel Uclaf in France developed the drug, but the French company donated the American rights to the drug to the Population Council, which conducted

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clinical trials and hired Danco Laboratories to manufacture the pill. Danco, a start-up company, had trouble attracting investors and couldn't manufacture RU-486 until the Packard Foundation provided a \$10 million loan.

## The Packard Foundation Today

In its most recent available tax return (for 2010), the Packard Foundation stated that it gave grants totaling \$262 million from an endowment of \$5.9 billion. This figure does not include a multi-year, \$100 million grant to the Lucile Packard Children's Hospital begun in 2009. Half of that grant will add 104 beds to the hospital, and half will be used as a matching grant in which the foundation will donate a dollar for every two dollars given by other donors.

Susan Packard Orr remains the foundation's chairman and personally continues her funding of the liberal agenda. She contributed at least \$2,500 of her own money to the Obama re-election campaign and \$100,000 to Planned Parenthood Votes, a super PAC. The *New York Times* noted that this PAC's principal activity was to broadcast "advertisements seeking to undermine Mitt Romney's support among women."

The Packard Foundation is also heavily involved in state politics. In 2007 the foundation, collaborated with the California Endowment, the Walter Haas Fund, the William and Flora Hewlett Foundation, and the Irvine Foundation to create California Forward (cafwd.org), which calls for shifting congressional redistricting to an independent commission, not allowing any "secret" donors to California state campaigns, and possibly replacing the California state legislature either with a unicameral legislature or with regional legislatures. The organization's greatest victory came in 2010, when it persuaded voters to pass Proposition 14, which changed state law so that the top two

vote-getters in a Congressional primary face each other in the general election, instead of having a Republican and Democrat square off. In the 2012 general election, this meant that two of California's 53 congressional races were all Republican, and three were entirely Democratic.

In 2012, California Forward backed Proposition 31, which would have required California to produce a budget every two years instead of annually. The proposition, rejected by voters, would have allowed a city and county to join together and implement their own versions of state programs such as foster care or medical assistance for the poor while continuing to receive state funding, unless both branches of the California legislature vetoed the decision within 60 days.

As for its grantees, Packard continues to invest in population control. Its website says the goal of Packard population programs in the U.S. is to "expand the availability of abortion technologies and providers, support advocacy and litigation, and research to inform positive reproductive health policies, especially at the state level, build support for abortion funding for low-income women by positioning abortion as part of the broad spectrum of women's health care, and demonstrate innovative models and build evidence to expand comprehensive sexuality education for young people."

Among the "success stories" Packard claims is the Abortion Access Project, which provides training for doctors willing to perform abortions at the one abortion clinic currently operating in West Virginia. Packard, in collaboration with the Grove, Ford, and Hewlett foundations, has also worked with school districts in seven states to incorporate "comprehensive sex education" into their curricula.

Packard remains active in international population control activities. For example, in 2011 the *Times of India* reported that a Packard grant to Population Services International would be used to distribute condoms at gas stations and convenience stores in the state of Bihar.

Packard's spending on population control, however, is dwarfed by the massive amount it spends on environmentalism. In 2010, for example, Packard awarded \$1.3 million to the Environmental Defense Fund, \$120,000 to the Environmental Investigation Agency, and \$500,000 to the Environmental Working Group—and those are just for organizations with "environmental" in the title. Also receiving grants in 2010 was *Grist*, an environmental magazine that received \$225,000, and the notorious money launderers of the Tides Foundation, which received 10 grants totaling \$1.6 million.

Packard's statist environmental mission shows up in all sorts of grants. The largest single grantee in 2010 was the Monterey Bay Aquarium, which received \$50 million. Julie Packard has used her role as the aquarium's executive director to promote large increases in government funding to save the oceans. In 2011, the Democratic Women of Monterey County, California, gave Julie Packard and Nancy Packard Burnett their Visionary Leadership Award, declaring that "through her leadership of the Monterey Bay Aquarium, Julie Packard has redefined aquariums as a force for education, conservation, and environmental protection."

Julie Packard defended the use of propaganda as part of her exhibits. "Opinion polling shows that our knowledge and concern about climate change ends at the shore," Packard said. "I've seen the power of ocean animals to motivate and inspire the public. And I've seen the capacity of the public to

move from [not] caring about to caring for our oceans.”

Two other Packard grantees deserve mention. The foundation’s second-largest grantee is the ClimateWorks Foundation, which received \$46.7 million in 2010. ClimateWorks was founded in 2008 as a joint venture of the Packard, Hewlett, and McKnight foundations, with additional grants from the Ford, Kresge, Moore, and Rockefeller foundations, among others.

ClimateWorks was created as a result of *Design to Win*, a 2007 study that stated that “transitioning to a low-carbon economy will demand the use of a diverse set of tools. Foundations must invest in every stage of this progression—from policy development and advocacy to public and media education, to the implementation of international best practices.” The foundation funds several nonprofits around the world that lobby for restricting coal use, implementing national carbon taxes, tightening international treaties that limit carbon dioxide production, and discouraging the use of cars.

Another major beneficiary of Packard environmental money is the Resources Legacy Fund and its affiliated supporting organization, the Resources Legacy Fund Foundation, which received a combined \$11.7 million in 2010. The Fund both networks with land trusts in particular areas and also acts as a pass-through organization for nonprofits interested in buying and preserving land. One branch of the Resources Legacy Fund specializes in lobbying for tougher climate change regulations, including providing “public opinion research and administrative advocacy experts” to promote draconian climate change policies.

Packard’s massive environmental grantmaking has attracted little attention in the United States but has proven quite controversial in

Canada, thanks largely to the reporting of blogger and *National Post* contributor Vivian Krause. As Brian Seasholes noted in the October *Green Watch*, Krause calculated that the Packard Foundation has contributed at least \$28.7 million to environmental groups fighting energy production in the oil sands of Alberta.

Krause discovered the foundation has been especially opposed to salmon from farms in British Columbia. She calculated that between 2000 and 2010, at least \$85 million in Packard grants went to at least 56 organizations that worked to reduce or eliminate farmed Canadian salmon in favor either explicitly of Alaskan salmon or of “wild” salmon, 90 percent of which comes from Alaska. These groups included the Marine Stewardship Council, which received \$68 million to certify that salmon was environmentally friendly. In 2006, Wal-Mart announced it would only buy salmon from fisheries certified by the Stewardship Council, which barred Canadian salmon from the world’s largest retailer. Part of the reason Wal-Mart made this decision was a \$3.5 million Packard grant to the World Wildlife Fund to support its efforts to lobby Wal-Mart to stop buying farmed salmon.

Among other Packard-funded groups using their grants to promote American over Canadian salmon were the Georgia Strait Alliance and Tides Canada. Even the Monterey Bay Aquarium did its part, with a display that warned visitors that “farming seafood isn’t the answer to saving ocean wildlife.”

## Conclusion

David Packard’s legacy is complicated. He was a population controller, and to some degree a conservationist, although much about his views on the environment remains unknown. The Packard Foundation, to its credit, has continued and expanded the three largest philanthropic projects implemented

during the donor’s lifetime: the Monterey Bay Aquarium, the Lucile Packard Children’s Hospital, and the Packard Fellowships.

But Packard was also a conservative. By cutting off grantees like the American Enterprise Institute and the Hoover Institution, the Packard Foundation abandoned much of what motivated its founder as a philanthropist, namely, a rejection of socialism and a belief that free markets generate the wealth that makes endowing private foundations possible. In 2010, the foundation gave hundreds of millions to the Left and a single \$25,000 grant to a center-right group. This imbalance ensures that the Packard Foundation severely distorts the ideals of its founder.

The lessons David Packard provides future donors are timeless ones: Don’t assume future generations will respect your views. Do make your intentions as clear as possible. Impose significant restrictions on giving. And if possible, spend your fortune within your lifetime.

*Martin Morse Wooster is Senior Fellow at the Capital Research Center. This article is excerpted from a longer version that will be incorporated in a new edition of his CRC book, The Great Philanthropists and the Problem of ‘Donor Intent,’ which we will publish later this year.*

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# PhilanthropyNotes

At press time, President **Obama** and large philanthropies were negotiating over the administration's effort to scale back the nearly century-old tax deduction on donations that charities assert is vital for their financial well-being. The *Washington Post* reports that White House officials are pressuring nonprofit organizations to back Obama's plan for dealing with the year-end so-called fiscal cliff, a combination of dramatic spending cuts and tax increases that would automatically take effect January 1 if Congress fails to act. Charities such as the **United Way** and **American Red Cross** are concerned about the president's controversial proposal to cap charitable deductions for high-income individuals and argue it would hurt charities by discouraging contributions. "It's all castor oil," said **Diana Aviv**, president of **Independent Sector**, an umbrella group that speaks for many nonprofits. "And the members of the nonprofit sector I represent don't want any part of it. It's a medicine we're not willing to drink."

The far-left **Funding Exchange** (FEX) announced that effective December 10 it would close its doors. "Across recent years the national office of the network, based in New York, has faced a continuous decline of revenues, particularly in general operating support," the group said in a statement. Founded in 1978 to promote "Change, not Charity," the 16 local funds that were part of the FEX network will continue to operate as free-standing philanthropic organizations.

State-level charity regulators across the country may work with each other to crack down on nonprofit groups that report highly inflated values for product donations, particularly of medications, to bolster their ledger sheet, *Forbes* reports. New Mexico Assistant Attorney General **Elizabeth Korsmo**, who runs the state's Charities Bureau, is helping to lead the effort, and she and her out-of-state colleagues may be collaborating with the **Internal Revenue Service**, the magazine reports. Korsmo said states "are looking at gift-in-kind valuation issues. This is on our radar. It's a hot issue among regulators."

## Goldman Sachs WATCH

A former Goldman Sachs analyst testified December 14 that his team did an outstanding job in helping Dragon Systems Inc. sell itself to a Belgian company that failed six months later following an accounting scandal, Bloomberg News reports. Alexander Berzofsky testified in federal court in Boston, answering questions from a lawyer representing the former owners of Dragon Systems who are suing Goldman for its allegedly imprudent advice on the transaction. "You're saying Goldman did a great job for Dragon?" asked Alan K. Cotler, legal counsel for Jim and Janet Baker who founded the speech recognition software development firm three decades ago. "Yes," Berzofsky replied. "The fact that Jim and Janet Baker lost their life's work doesn't affect your opinion that Goldman did a great job for them, right?" Cotler asked. "Correct," responded Berzofsky, who checked out of Goldman Sachs in 2000 and now serves as a managing director at private equity firm Warburg Pincus LLC.