

Billionaires for Big Government: What's Next for George Soros's Democracy Alliance?

By Matthew Vadum and James Dellinger

(Editor's note: This special report on the Democracy Alliance updates our December 2006 issue of *Foundation Watch*.)

Summary: Just three years ago the Democratic Party was in disarray. Despite record high-dollar donations from affluent supporters, Democrats had failed to reclaim the White House and Congress. Shell-shocked by their defeat, George Soros and other wealthy liberals formed a loose-knit group to consider how to fund a political comeback. Their answer: Create a permanent political infrastructure of nonprofits, think tanks, media outlets, leadership schools, and activist groups—a kind of “vast left-wing conspiracy” to compete with the conservative movement. The group they created—called the Democracy Alliance (DA)—is meant to be a financial clearinghouse. The Alliance got off to a rocky start, but to date it's brokered more than \$100 million in grants to liberal nonprofits. The goal is not merely to elect Democrats this November, but to permanently realign U.S. politics.



Friends in high places: Senator Hillary Clinton (above) is counting on the Democracy Alliance to lead America into a new era of liberalism. Her friend, Kelly Craighead, runs the group's day-to-day operations, and Clinton helped found two of its major grant recipients.

The Democracy Alliance (DA) is maturing. After several years of internal strife, management squabbles, a few political purges, and frustrating electoral setbacks, the group whose mission is to tilt American politics leftward has found its footing. The DA is becoming what leftist blogger Markos Moulitsas of DailyKos fame called for in 2005: “A vast, Vast Left Wing Conspiracy to rival” the conservative movement. It relies less on traditional Democratic Party “machine” politics, which typically draws upon fat cats, institutions (the party itself, labor unions), and single-issue advocacy

groups (pro-abortion rights groups, the National Education Association and other teacher unions). Although it is officially non-partisan, the DA has cultivated deep and extensive ties to the Democratic Party establishment.

Senator Hillary Clinton's good friend, Kelly Craighead, runs the Alliance's day-to-day operations. Clinton brags that she has helped create what she calls “a lot of the new pro-

January 2008

CONTENTS

Billionaires for Big Government

Page 1

Philanthropy Notes

Page 12



**Capital Research Center's
next online radio shows
air live on
January 15, 3:05 p.m.
February 12, 3:05 p.m.
March 11, 3:05 p.m.
(Eastern time)
at [http://
www.righttalk.com](http://www.righttalk.com)
Replays follow at
5 minutes
past the hour for the
following 23 hours, or
listen later at your conven-
ience at [http://
www.capitalresearch.org/
podcast/](http://www.capitalresearch.org/podcast/)**

Editor: Matthew Vadum

Publisher: Terrence Scanlon

Foundation Watch

is published by *Capital Research Center*, a non-partisan education and research organization, classified by the IRS as a 501(c)(3) public charity.

Address:

1513 16th Street, N.W.
Washington, DC 20036-1480

Phone: (202) 483-6900

Long-Distance: (800) 459-3950

E-mail Address:

mvadum@capitalresearch.org

Web Site:

<http://www.capitalresearch.org>

Reprints are available for \$2.50 prepaid to Capital Research Center.

gressive infrastructure." Last August Clinton told the YearlyKos convention of left-wing bloggers that she "helped to start and support" Media Matters for America and the Center for American Progress (CAP), two recipients of DA grants. Media Matters is headed by conservative turncoat David Brock; CAP is headed John Podesta, Bill Clinton's White House chief of staff. (Washington Times, December 3, 2007)

The Alliance's principal architect, Democratic operative Rob Stein, has promised that the Alliance will become less secretive as it starts to fund a wider array of political programs and projects. In fact, the DA has engineered to date more than \$100 million in contributions from its wealthy members to liberal groups sympathetic to the Democratic Party, and it has the blessing of Democratic National Committee (DNC) chairman Howard Dean.

But problems remain. Democrats can't be sure that they are masterminding a grand reversal of Newt Gingrich's 1994 Republican "Revolution." Democrats control Congress and the prospects for retaining Congress and capturing the White House this year look better than ever. Still, the liberal grip on power is tenuous, and anything can happen. They haven't forgotten that the resurgence of their party had seemed improbable just three years ago when the Alliance was created, a time when the Washington punditry pronounced a national Republican realignment a done deal.

DA members have concluded that the Democratic Party still lacks a coherent message despite its victories in the November 2006 elections. That midterm vote was more *against* the GOP than *for* Democrats. "What was done was to fire some people in Washington and give other people a chance," said Kansas Governor Kathleen Sebelius at a Miami meeting of the Alliance after the midterms. "But it's not an endorsement of an agenda." Said CAP's Podesta: "We still haven't cracked the *übermessage*. We still haven't gotten into people's minds a picture of what a progressive America would look like."

Former New York Governor Mario Cuomo believes the Iraq war is a political godsend filling up the Democrats' political void. At the Miami meeting Cuomo bluntly told DA mem-

bers: "Now it's 2006 and we're all rejoicing. Why? Because of Iraq. A *gift*. A gift to the Democrats. A lot of whom voted for the war anyway." The liberal icon who wowed Democrats at the party's 1984 convention with his "Tale of Two Cities" speech, added: "Where does that leave you? It leaves you in the same position you were in 2004—without an issue. Because you have no big idea." Democracy Alliance chairman Rob McKay, the Taco Bell heir, cautioned members against becoming complacent despite winning the midterms: "The wounded right-wing beast may be more dangerous than ever."

Many Democracy Alliance members think the Democratic Party's future success requires ideological re-branding. They may question whether the word *progressive* is a political winner, but they know *liberal* isn't. Asked last summer if she would call herself a "liberal," Hillary Clinton backed away from the label, noting that liberalism "describes big government." She preferred "progressive," which has a "real American meaning." The Gallup Poll suggests Clinton is on to something: A survey last fall showed that 43% of Americans called themselves Democrats while only 30% called themselves Republicans. By contrast, only 23% of voters called themselves liberals, while 39% said they were conservatives.

"The liberal brand is tarnished," said Alliance member Rob Glaser, who heads the online multimedia company RealNetworks. He wants to "change the political paradigm" and treat the word "progressive" as a thing "that's nurtured and managed just like any other brand." To test his theory, Glaser teamed up with Podesta's CAP and spent \$600,000 on TV ads in the Midwest over a three-week period. He proudly claims liberals in the test areas subsequently rechristened themselves progressives. However, CAP research shows that as much as 40% of the public has no clue what "progressive" means. (The Politico, December 6, 2007)

The Origins of the Democracy Alliance

In 2003, Democratic Party activists and supporters began to coalesce around an informal coalition they called the Phoenix Group, which was later to be renamed the Democracy Alliance. Donors gave millions of dollars to liberal candidates and 527 political committees, but there was no electoral payoff in

November 2004. Despondent, a small group of the wealthiest Democrats met in San Francisco a month after the election for sober reflection on John Kerry's failure to win the presidency. George Soros, Progressive Insurance chairman Peter B. Lewis, and S&L tycoons Herb and Marion Sandler felt let down, seduced by the siren song of pollsters and the mainstream media who had assured them that Kerry would triumph over an incumbent president in wartime. Around the same time another group of wealthy Democratic donors met in Washington, D.C. feeling the same way. "The U.S. didn't enter World War II until Japan bombed Pearl Harbor," political consultant Erica Payne told attendees. "We just had our Pearl Harbor."

In April 2005, Soros and the other major players assembled a large group for a secret planning session. Seventy millionaires and billionaires met in Phoenix, Arizona, to discuss how to develop a long-term strategy. The attendees including former Clinton White House aides Mike McCurry, Sidney Blumenthal, and LBJ staffer turned PBS talking head Bill Moyers, listened as officials from all the pro-Democratic Party 527 groups on which they had lavished millions of dollars explained why they failed to deliver the election to Kerry.

Three quarters of the members at the meeting voted that the Alliance should not "retain close ties to the Democratic Party." A survey showed most were from 45 to 65 years of age and that three quarters hailed from the East or West coasts. Some 38% described themselves as "progressive," compared to 24% who called themselves "liberal" and 7% who were content with the label "Democrats." Not surprisingly, 84% thought the conservative movement was "a fundamental threat to the American way of life."

Former Clinton official Rob Stein, a personable attorney whose voice lacks the edge and anger of Howard Dean, urged members to pay closer attention to conservatives who had spent four decades investing in ideas and institutions with staying power. Stein showed his PowerPoint presentation to political operatives and financiers willing to take an oath to keep it confidential. Called "The Conservative Message Machine's Money Matrix," Stein showed a series of graphs and charts depicting an intricate net-

work of organizations, funders, and activists that comprised what he said was the conservative movement. "This is perhaps the most potent, independent, institutionalized apparatus ever assembled in a democracy to promote one belief system," Stein said.



The war in Iraq is "a gift to Democrats," former New York Governor Mario Cuomo (pictured above at left in 2006 with Bill Moyers) told members of the Alliance.

Reminiscing about his "Money Matrix" tour, Stein recalled liberals' anguish:

"There was also a deep passion about a set of values and belief that weren't being surfaced, that weren't being heard, that we couldn't find language or messages to communicate. And there was an unbelievable frustration, particularly among the donor class on the center-left, with trying to one-off everything – with every single one of them being a single, 'silo' donor and not having the ability to communicate effectively with a network of donors. So those were really the reasons people came together." ("How Vast the Left Wing Conspiracy," held by the Hudson Institute's Bradley Center for Philanthropy and Civil Renewal, November 30, 2006; full transcript available at http://www.hudson.org/files/pdf_upload/Transcript_2006_11_30.pdf)

Stein believed the left could not compete electorally because it was hopelessly outgunned by the right's political infrastructure. By his tally, the right spent \$170 million a year on think tanks, versus the left's \$85 million. The right spent \$35 million on legal advocacy organizations, while the left anted

up a mere \$5 million. The right spent \$8 million to train young conservatives at Morton Blackwell's Leadership Institute, while the left spent almost nothing. The result, Stein reasoned, was that conservatives not only won elections, but also changed the national political debate. By contrast to well-endowed conservatives, liberal activist groups and think tanks were hard up for cash, competing with each other for the same pool of funds rather than working toward shared objectives. Stein's curious calculus flattered conservatives and shamed the left by finding a great imbalance in their revenues. But oddly, he did not count academic programs and institutes, grantmaking by the great foundations, or the resources of the mainstream media as adjuncts of the political left. The great delusion of Democracy Alliance donors is that conservatives comprise a "vast right wing conspiracy."

Stein felt Democrats had grown accustomed to thinking of themselves as the natural majority party. As a result, the party had become a top-down organization run by professional politicians who cared little about donors' concerns. He was convinced that the Democratic Party's hierarchy had to be turned upside-down: Donors should fund an ideological movement that would dictate policies to the politicians. Activists, who had infused the party with new money and new energy, were fed up with perceived Democratic dithering and were demanding more say in party affairs. Said Eli Pariser, a young activist in the group MoveOn.org: "Now it's our party: we bought it, we own it, and we're going to take it back."

Democratic donors aggravated by the GOP's electoral success latched on to Stein's vision. "The new breed of rich and frustrated leftists" saw themselves as oppressed both by "a Republican conspiracy" and "by their own party and its insipid Washington establishment," writes journalist Matt Bai, author of the new book, *The Argument: Billionaires, Bloggers, and the Battle to Remake Democratic Politics*. "This, more than anything else, was what drew them to Rob Stein's presentation," writes Bai.

Stein's presentation won converts and in 2005 the Democracy Alliance was born. It was an odd name for a loose collection of super-rich donors committed to building organizations that would propel America to the left.

Speed Bumps on the Road to Socialism

In its short time on the political scene, the Democracy Alliance has been shaken by dissent and strife, much of which is newly detailed in Matt Bai's book.

DA partners booted out Erica Payne, the political consultant who invoked the image of Pearl Harbor to rally the troops in 2004. Payne created bad blood when she led an effort to oust Rob Stein as DA chief. Stein's successor was Judy Wade, a former McKinsey & Company management consultant and graduate of Harvard's Kennedy School of Government. But Wade was considered tactless and was fired from her \$400,000-a-year job at a post-2006 election meeting of the Democracy Alliance board. Board members promised to streamline the group's Byzantine grant-making process and brought Stein back to the group's inner circle. Hillary Clinton's friend, Kelly Craighead, who was a senior aide to Clinton when she was First Lady, replaced Wade and all but one member of a "reform" slate of candidates pushed by the Service Employees International Union (SEIU) was elected to the board.

Meanwhile, Bernard L. Schwartz, former CEO of Loral Space & Communications and one of the largest donors to the Democratic National Committee in the 1990s, quit the DA because he thought it lacked direction. "They were looking for who they should be when they grow up, and whoever had the latest idea, they went off in that direction," he told Bai just before the 2006 elections. (Schwartz's wife, Irene, is the president of the Bernard and Irene Schwartz Foundation, and both spouses are close friends of the Clintons. The Schwartz Foundation has given \$450,000 to the William J. Clinton Foundation since 2000, and in 2003 it gave \$500,000 to Clinton's presidential library. Schwartz is also a big supporter of the New America Foundation, a liberal think tank that seems to steer clear of the more political calculations of the Democracy Alliance.) Schwartz is also active in the Horizon Project, a self-described group of "policy innovators." Its February 2007 report urged Congress to implement "a Marshall-type Plan for America" that would force all Americans to carry health insurance and that would eliminate federal income taxes for K-12 teachers, a key Democratic Party constituency.

In May 2006 former president Bill Clinton dropped by a DA meeting for a friendly greeting, but got into a shouting match when DA member Guy Saperstein asked why Democrats wouldn't apologize for supporting the Iraq war. Clinton went on a 10-minute tirade, yelling that if he had been in Congress, he



Former Hillary Clinton aide Kelly Craighead is managing director of the Democracy Alliance.

would have voted to authorize the war, (a position Clinton subsequently contradicted in November 2007 while campaigning for his wife in Iowa). Angry, Clinton wagged a finger at Saperstein, telling him he was "wrong, wrong, wrong." The impeached former president urged DA members to move on:

"Look, if that vote was a mistake, then it's a mistake I would have made, but you're just wrong. This is not productive! You're asking people to flagellate themselves! What you do tomorrow is all that matters. Only in this party do we eat our own. You can go on misrepresenting and bashing our own people, but I am sick and tired of it. Stop looking back and finger pointing, and ask what we should do now."

Saperstein, an Oakland, California attorney was incensed. "It was an extraordinary display of anger and imperiousness," he said. "Clinton's response was a not-so-subtle warning to partners to avoid divisive issues, like the war, that might harm his wife in the next presidential election," wrote Ari Berman of the leftist Nation magazine.

Campaign Donations Favor Democrats—Big Time

In 2008, political observers may well wonder whether the Democratic Party needs the pushy billionaires of the Democracy Alliance. No matter how the data are sliced and diced, in the current election cycle Democrats are *clobbering* Republicans in fundraising.

In the race for president, Democrats lead Republicans by \$244.4 million to \$175.3 million. In House races, Democrats are beating Republicans \$140.9 million to \$98.7 million. In Senate races, Democrats lead \$62.8 million to \$49.6 million. (Federal Election Commission data as of November 27, 2007, from <http://www.opensecrets.org/overview/stats.asp?Cycle=2008>). Of contributions by donors giving \$200 or more to candidates or parties, 57% of funds went to Democrats compared to just 43% to Republicans (\$313.8 million to Democrats versus \$236.9 million to Republicans). (FEC data released September 24, 2007, from <http://www.opensecrets.org/overview/DonorDemographics.asp?cycle=2008>)

Corporate America now leans left. A year ago, six of the ten top-giving industries gave more to the GOP, but the watchdog Center for Responsive Politics finds that all are now giving more to Democrats. (The Politico, October 15, 2007) Of more than \$577 million donated by business, 56% has gone to Democrats, 44% to Republicans. (FEC data as of October 29, 2007, from <http://www.opensecrets.org/overview/blio.asp?cycle=2008>)

In 2006, Democrat-friendly donors dominated the list of the top 21 donors to 527s, the issue-driven tax-exempt groups not regulated by the FEC. They seem likely to do so again. The Service Employees International Union, an institutional member of the DA, topped the 2006 list with almost \$33 million. Other top 527 donors associated with the Alliance include Soros Fund Management (\$3,445,000), America Votes (\$2,345,000), Peter B. Lewis/Progressive Corp. (\$1,624,375), and the Gill Foundation (\$1,181,355). Corporations and labor unions, which cannot give directly to political parties or candidates to federal office, may make unlimited contributions to 527s. The only (*wink wink*) restriction: the law forbids political parties and 527s from "coordinating" their activities. (Data

from the IRS is October 3, 2007, based on disclosure reports, found at <http://www.opensecrets.org/527s/527contribs.asp?cycle=2006>

Another big change from 2004: As federal regulators clamp down on 527 political organizations, wealthy donors are giving heavily to politically active 501(c)(4) lobby organizations. Contributions to 501(c)(4) lobby groups are not tax-deductible, unlike gifts to 501(c)(3) charities. However, unlike 527s, 501(c)(4) groups are not required to disclose the names of their donors.

Still, 527s are useful. In November, DA chairman Rob McKay and his lieutenants, SEIU's Anna Burger and CAP's John Podesta registered a new 527 group called The Fund for America. The new entity could pump "perhaps \$100 million or more into media buys and voter outreach in the run-up to the 2008 elections," Roll Call reported November 12. A "well-placed" but unidentified source said, "They intend to raise money and spend money on [unregulated] soft money operations, voter contact through existing organizations or new organizations."

Structure and Leadership

The DA filed its corporate registration in the District of Columbia in January 2005. Little money passes through Alliance bank accounts because it is a middle man that puts donors together with causes deemed worthy of support. At press time, only two grants to the DA showed up in the FoundationSearch philanthropy database, and both went to the Democracy Alliance "Innovation Fund," which Stein told a Hudson Institute panel is "a very small thing... that makes very small grants" to 501(c)(3) groups. The fund took in a \$50,000 grant in 2006 by the Enfranchisement Foundation, and a \$50,000 grant the year before by the Stephen M. Silberstein Foundation.

Rob Stein explained the group's legal structure to the Hudson panel:

"It is a taxable nonprofit. Think of it as a corporation that does not make a profit and doesn't aspire to make a profit. We're an association of individuals. We have a board of directors - 13 people elected by the partners. And we file corporate papers regularly and comply with all disclosure requirements."

The Party of the Rich?

The idea that Democrats are the party of the downtrodden is demonstrably false. "The demographic reality is that the Democratic Party is the new 'party of the rich,'" according to Michael Franc of the Heritage Foundation. Franc crunched Internal Revenue Service income data and found that most of America's most affluent congressional districts are represented by Democrats. Democrats represent about 58% of the wealthiest one-third of the 435 congressional districts, and more than half of the wealthiest households were concentrated in the 18 states in which Democrats hold both Senate seats. Franc also found that despite Democrats' rhetorical labeling of the GOP as the party of the rich, "the vast majority of unabashed conservative House members hail from profoundly middle-class districts." (Washington Times, November 23, 2007)

Although Republicans used to regularly out-fundraise Democrats, America's resurgent left is changing the political giving environment. Political contribution figures provided by the Center for Responsive Politics suggest that high-dollar donors increasingly prefer donkeys over elephants. Of donors giving \$95,000 or more to candidates, parties, or Leadership PACs in the current election cycle, 69% of the money went to Democrats, compared to the paltry 7% that went to Republicans (\$1.6 million to Democrats versus \$200,000 to Republicans and \$600,000 to PACs). In the \$10,000-plus category, 69% went to Democrats while 34% went to Republicans (\$97.9 million to Democrats, \$54.2 million to Republicans, \$13.2 million to PACs). Democrats have an edge in the lower-dollar categories as well. In the \$2,300-plus category, 55% went to Democrats while 37% went to Republicans (\$267.4 million to Democrats, \$180.0 million to Republicans, \$49.9 million to PACs). In the \$200 to \$2,299 category, 43% went to Democrats and 39% went to Republicans (\$102.4 million to Democrats, \$92.3 million to Republicans, \$43.8 million to PACs) (FEC data as of September 24, 2007, <http://www.opensecrets.org/overview/DonorDemographics.asp?cycle=2008>)

High-dollar donations from individuals in the 2006 election cycle followed the same pattern, according to data provided by the Center. In the \$95,000-plus category, Democrats got 56% of the money compared to 38% by Republicans (\$28.3 million to Democrats, \$19.3 million to Republicans, \$5.6 million to PACs) and in the \$10,000-plus category, Democrats edged out Republicans 45% to 44% (\$251.5 million to Democrats, \$246.1 million to Republicans, \$96.7 million to PACs).

—MV and JD

In other words, the DA has no interest in asking the IRS to register it as tax-exempt or to allow contributions to it to be tax-deductible. Were the DA to request tax-exemption as a 501(c)(4) lobby group or as a 527 political group, it would have to abide by a dizzying array of legal constraints. Members of the Democracy Alliance may want to impose Big Government bureaucracy and red tape on Americans, but the friends of George Soros are too rich to be bothered.

The DA's board is a microcosm of the modern left. In the top rungs are a limousine liberal, a labor activist, and a peacenik from the 1960s. DA chairman Rob McKay is also president of the McKay Family Foundation, a director of Vanguard Public Foundation, co-chairman of Mother Jones magazine, board

member of the Ms. Foundation for Women, and a blogger on the Huffington Post website. He was born in conservative Orange County, California and his parents were Republicans. The DA vice chairman is Anna Burger, sometimes known as the "Queen of Labor." She is secretary-treasurer of the militant SEIU and chairman of Change to Win, the labor federation formed after SEIU joined other unions in breaking away from the AFL-CIO. Gannett News Service called Burger arguably "the most influential woman in the U.S. labor movement." Drummond Pike, founder of the ultra-liberal Tides Foundation, is the DA's treasurer. In 2003, Pike endorsed the document, "10 Reasons Environmentalists Oppose an Attack on Iraq," which was published by Environmentalists Against War.

Finances

The Democracy Alliance does not endorse candidates for public office. Stein describes it as a “gathering place,” “learning environment,” “debating society,” and “investment club.” The DA is “a big tent, a convener for the full spectrum of center-left thought and perspective.”

This emerging vanguard of the proletariat is hardly open to the common rabble because its members must satisfy one requirement: They must be rich. Members, who are called “partners,” pay an initial \$25,000 fee and \$30,000 in yearly dues. They also must pledge to give at least \$200,000 annually to groups that the Alliance endorses. Partners meet two times a year in committees to decide on grants, which focus on four areas: media, ideas, leadership, and civic engagement. Recommendations are then made to the DA board, which passes them on to all DA partners. The Alliance discourages partners from discussing DA affairs with the media, and it requires its grant recipients to sign nondisclosure agreements.

While the Alliance’s structure makes it hard to find precise figures for its grantmaking, Matt Bai wrote in a Los Angeles Times op-ed September 23 that DA members have “thus far poured more than \$100 million into building what they call a ‘progressive infrastructure.’” (A separate L.A. Times news article November 13 pegged the total sum at closer to \$85 million.) Before she was shown the door, Judy Wade had voiced the hope that the Alliance would eventually help members give out \$500 million in grants annually.

Early DA meetings were guarded by security forces and shredding machines were on hand to dispose of documents deemed sensitive. But at the Hudson panel discussion in late 2006 Stein promised a new era of *glasnost*. Nowadays meetings, while closed to the public, sometimes include journalists. Stein promised there will “absolutely, positively” be “more transparency from the Democracy Alliance.” However, he dismissed as a “canard” the idea that the DA hid behind a veil of “super-secrecy,” noting that it had cooperated with the Washington Post and the Nation magazine on stories about it. He told the Hudson Institute audience that about 400 organizations in the DA database were eligible for funding but that “roughly 380-some-

thing of those groups” had not received any.

No grants were decided at the DA’s April 2005 organizing meeting in Phoenix. However, DA partners pledged \$39 million, about \$13 million of which came from Soros and Lewis alone, at the October 2005 meeting at the Chateau Elan Winery & Resort in Atlanta, Georgia. Some smaller, less prominent groups were reportedly miffed that they were not considered for grants.

The next meeting, held in Austin, Texas in May 2006, signaled that the Democracy



Billionaire philanthropist George Soros

Alliance was perhaps becoming less a gathering of very rich donors and more a meeting of the usual suspects, the interest groups. SEIU president Andrew Stern spoke and money-hungry grant-seekers were allowed to network with DA partners. SEIU pledged \$5 million to DA-approved groups. Stern also tried unsuccessfully to get DA partners to fund labor’s public relations campaign against Wal-Mart. He told attendees that liberals needed to be flexible in their policy prescriptions and resist the temptation to reflexively defend existing government programs. Stern said he wanted national health care, child care and better public schools but was open to dismantling some entitlement programs, trying out school choice or revamping the tax code. Even trade, normally a hot-button issue for the labor movement, is on the table. “You can’t stop globalization. You can’t stop trade. That debate is over,” he said. Following Stern’s appearance at the Austin meet-

ing, the rival AFL-CIO thought it wise to purchase membership in the DA.

With an eye on the approaching November 2006 elections, the Alliance decided to give another \$22 million to 16 groups focused on electoral politics. These groups included the Center for Community Change, USAction, ACORN, EMILY’s List, and the Sierra Club.

The Alliance reportedly met in Washington, D.C., in early November 2007, but it is unclear what business was transacted.

Selected Grant Recipients

It’s understandable that ultra-successful business people in the Alliance have little but disdain for the Democratic Party’s high-priced political consultants and conventional politicking: they think the party should be run more like a business. DA partners have divided their giving into what Rob Stein calls the “four buckets”: ideas, media, leadership training, and civic engagement.

Partners pour cash into those pails and then ladle it out to approved left-wing groups. One group denied funding is the little-known Third Way: Strategy Center for Progressives. Third Way favors free trade and publicly sided with Hillary Clinton when she urged that more troops be used in the fight against terrorism. Third Way’s board of trustees includes Lewis Cullman, Herbert Miller, and Bernard Schwartz. (Cullman and Miller are members of DA, but Schwartz left the Alliance in 2006.) A bloc of DA partners led by Guy Saperstein killed Third Way’s funding request. “The alliance, these partners said, didn’t have room for self-described centrists whose main goal was to appease Republicans,” according to Bai. Other organizations reportedly denied DA funding include the Progressive Book Club, the American Prospect magazine, the Campaign for America’s Future, the Democrat Leadership Council and the Truman National Security Project.

There is no publicly available tally of Democracy Alliance-approved grants, but here are some grant recipients and amounts reported in the media.

***Media Matters for America:** This group headed by former conservative journalist David Brock, known for his aggressive reporting on the Clintons, claims to expose

right-wing news bias. Its self-described mission involves monitoring “conservative misinformation in the U.S. media.” Brock has generated at least \$7 million for Media Matters through the DA. While Brock and Senator Clinton are reportedly not the best of friends, she has helped Media Matters and has close ties to the group. **Kelly Craighead**, one of Hillary Clinton’s closest friends (she was married by Clinton who acted as a justice of the peace), was a top paid advisor to Media Matters when it was set up (Newsday, September 7, 2006). Craighead is currently the Alliance’s managing director, and in 2007, the group’s website credited her with “aligning more than \$60 million in Alliance Partner investments.” (For more on this group, see “Media Matters for America: Soros-Funded Watchdog Attacks Conservatives,” by Rondi Adamson, *Foundation Watch*, July 2007)

***Center for American Progress:** Former Clinton White House chief of staff **John Podesta** heads the think tank that has received at least \$9 million through the DA. According to Bai, the “vast majority” of the funding came from Soros, Peter Lewis, and the Sandler. CAP aspires to be a counterpart to the Heritage Foundation, uniting disparate factions on the left. CAP spin-offs include Campus Progress and the Center for American Progress Action Fund, a 501(c)(4) lobby group. Hillary Clinton takes partial credit for creating CAP, and maintains close ties to it. Reporter Robert Dreyfuss wrote that, “It’s not completely wrong to see [CAP] as a shadow government, a kind of Clinton White House-in-exile—or a White House staff in readiness for President Hillary Clinton.” (The Nation, March 1, 2004) (For more on CAP, see “The Center for American Progress: ‘Think Tank On Steroids,’” by John Gizzi, *Organization Trends*, May 2007)

***Democracy: A Journal of Ideas:** DA partners have given \$25,000 to the start-up publication founded by former White House speechwriters **Andrei Cherny** and **Kenneth Baer**. Soros’s Open Society Institute gave the journal \$50,000.

***People for the American Way:** In 2006 the DA approved a grant to this vocal activist group, founded by Alliance member **Norman Lear**, but the amount is unknown. Its president emeritus is **Ralph Neas**. Hollywood ac-

tors **Alec Baldwin** and **Kathleen Turner**, along with socialite **Bianca Jagger**, sit on its foundation’s board of directors.

***New Democratic Network (NDN):** This activist group, which encompasses the NDN Political Fund, the New Politics Institute, and

executive director **Melanie Sloan** is a former U.S. Attorney and Democratic counsel for the House Judiciary Committee.

***Center for Progressive Leadership:** This organization wants to mirror the conservative Leadership Institute. The center’s website



David Brock of Media Matters for America

the Hispanic Strategy Center is headed by **Simon Rosenberg**. Rosenberg was previously a television news writer and producer, and political strategist for the Dukakis and Clinton presidential campaigns. The DA approved a grant to this group in 2006 but the amount is unknown.

***Progressive Majority:** This group, created in 2001, focuses on electing left-wingers at the state and local level and developing a “farm team” of progressive candidates. Its founder and president is **Gloria A. Totten**, formerly political director for NARAL (National Abortion Rights Action League) Pro-Choice America. DA grants to this group total at least \$5 million.

***Citizens for Responsibility and Ethics in Washington (CREW):** This Soros-funded group sees itself as a left-wing version of **Judicial Watch**, the conservative legal group that filed a barrage of lawsuits against the Clinton administration in the 1990s. CREW

describes the group as “a national political training institute dedicated to developing the next generation of progressive political leaders. Through intensive training programs for youth, activists, and future candidates, CPL provides individuals with the skills and resources needed to become effective political leaders.” CPL President **Peter Murray** acknowledged in July 2006 that donations from Alliance members boosted the group’s budget to \$2.3 million, up from \$1 million the year before.

***Association of Community Organizations for Reform Now (ACORN):** ACORN is a radical activist group active in housing programs and “living wage” campaigns in inner cities neighborhoods in more than 75 U.S. cities. In recent years it has been implicated in a number of fraudulent voter-registration schemes. The DA approved a grant to this group in 2006 but the amount is unknown.

***EMILY’s List:** While the political action

committee boasts that it is “the nation’s largest grassroots political network,” it is essentially a fundraising vehicle for pro-abortion rights female political candidates. EMILY, according to the group’s website, “is an acronym for ‘Early Money Is Like Yeast’ (it helps the dough rise).” The group’s president is veteran political fundraiser **Ellen Malcolm**. The DA approved a grant to this group in 2006 but the amount is unknown.

***America Votes:** Another get-out-the-vote 527 organization, it is headed by **Maggie Fox**, a former deputy executive director of the **Sierra Club**. The group received a \$6 million funding commitment from Soros.

***Air America:** Described by the New York Observer as “a reliable destroyer of the fortunes of wealthy, well-meaning liberals,” the struggling left-wing talk radio network is said to have lost an astounding \$41 million since 2004. After it reportedly received a funding commitment of at least \$8 million from the Alliance, it filed for bankruptcy protection in October 2006 listing liabilities of more than \$20 million and assets of just \$4 million. DA member **Rob Glaser** has invested at least \$10 million in the network over the years. (The Politico, December 6, 2007) Air America was purchased by the family of **Mark Green**, a perennial New York office-seeker who founded the **New Democracy Project**, a left-wing policy institute.

***Sierra Club:** The influential environmental organization—#7 on Greenwatch.org’s “Gang Green” list of the worst environmental activist groups—entered into a “strategic alliance” with the **United Steelworkers** union. (See *Labor Watch*, October 2006) Led by executive director **Carl Pope**, the Club successfully targeted property rights champion Representative **Richard Pombo** (R-California), who was defeated in 2006. The DA approved a grant to this group in 2006 but the amount is unknown.

***Center for Community Change:** This long-time group dedicated to defending welfare entitlements and leftist anti-poverty programs was founded in 1968. Activist **Deepak Bhargava** is its executive director.

***USAction:** This group works closely with organized labor. It is the successor to **Citizen Action**, the activist group discredited by its involvement in the money-laundering scan-

dal to re-elect Teamsters president **Ron Carey** in the late 1990s.

***Catalist:** Formerly called Data Warehouse, this group was created by Clinton aide **Harold Ickes** and Democratic operative **Laura Quinn**. Ickes is critical of the DNC under chairman **Howard Dean** and aims to create a sophisticated get-out-the-vote operation that rivals the Republican Party’s. Soros put \$11 million at Ickes’s disposal because he distrusts Dean, the Washington Post reported. **Albert J. Dvoskin**, a DA board member and real estate developer in Fairfax, Virginia, is chairman of Catalist.

***Employment Policy Institute:** The chairman of this liberal think tank is **Gerald W. McEntee**, who is also president of the **American Federation of State, County and Municipal Employees** (AFSCME). Other labor figures such as SEIU’s **Stern** are on the board. **Julianne Malveaux**, the black economist who condemned Supreme Court Justice Clarence Thomas as a traitor to fellow African-American, is secretary-treasurer. Of Thomas, Malveaux once said: “I hope his wife feeds him lots of eggs and butter and he dies early like many black men do, of heart disease... He is an absolutely reprehensible person.”

***Center on Budget and Policy Priorities:** This left-leaning think tank is headed by **Robert Greenstein**, who served in the Carter administration and received a MacArthur Fellowship (the so-called genius award) in the 1990s.

***American Foreign Policy.org:** A new startup headed by University of Connecticut law professor **Richard Parker** claims on its website to have received funding from three DA partners. Parker authored “a major study” for the DA “on investment gaps and needs in promoting a progressive national security and foreign policy,” the site says.

What Ideas? What It Takes to Revive the Democratic Party

Since the Clinton administration’s 1993 tax increase and the failed attempt to impose socialized medicine on the country helped Republicans takeover of Congress in 1994 following six decades of Democratic dominance that began with FDR in 1932, liberals have been consumed with their inability to win elections.

Forests were wiped off the map to produce the mountains of paper needed to print the staggering array of angry leftist books that followed George W. Bush’s election in 2000 and reelection in 2004. Bloggers **Markos Moulitsas** and **Jerome Armstrong** (MyDD.com) wrote *Crashing the Gate: Netroots, Grassroots, and the Rise of People-Powered Politics* (2006). David Corn explained everything in *The Lies of George W. Bush* (2004), while **Mark Crispin Miller** offered a medical diagnosis in *The Bush Dyslexicon: Observations on a National Disorder* (2002). Easy-to-understand interpretations were made by **Clint Willis** in *The I Hate George W. Bush Reader: Why Dubya Is Wrong About Absolutely Everything* (2004) and **Leland Gregory** in *Bush-Whacked: Chronicles of Government Stupidity* (2005). Finally, there is **Paul Levy’s** *The Madness of George W. Bush: A Reflection of Our Collective Psychosis* (2006), which maintains Americans are literally crazy for electing Bush.

However, two tracts published in 2004 have attracted more serious attention from liberals worried about their loss of influence: *What’s the Matter with Kansas: How Conservatives Won the Heart of America*, by **Thomas Frank**, and *Don’t Think of an Elephant: Know Your Values and Frame the Debate*, by **George Lakoff**.

Frank’s book foreshadows the arrival of the Democracy Alliance. Conservative thinkers “imagine countless conspiracies in which the wealthy, powerful, and well connected—the liberal media, the atheistic scientists, the obnoxious eastern elite—pull the strings and make the puppets dance,” he writes.

Among **Thomas Frank’s** circle of acquaintances, it is natural to see Democrats as “the party of workers, of the poor, of the weak and the victimized.” Frank wrote his book because he was astonished to discover that most voters in the Great Plains were fundamentally pro-Bush, even though it was “a region of struggling ranchers and dying farm towns.” Frank’s book describes Americans as masses too ignorant or confused to recognize their own economic self-interest:

“People getting their fundamental interests wrong is what American political life is all about. This species of derangement... has put the Republicans in charge of all three branches of government; it has elected presi-

The “Partners”: Who’s Who in the Democracy Alliance

The Democracy Alliance has at least 101 donor-members, both individuals and organizations. However, it has not made available an official list of its “partners.” Here are some of the known DA members:

George Soros is founder of **Quantum Asset Management** and the grant-making **Open Society Institute**. He donated close to \$24 million of his own money to 527 committees that made “independent expenditures” to defeat George W. Bush in 2004. His son **Jonathan** is also a member of the DA.

Peter B. Lewis is a billionaire insurance magnate — chairman of **Progressive Casualty Insurance Co.**, the nation’s third-largest automobile insurer. He gave \$23 million to 527 groups in 2004.

Herb and Marion Sandler are the co-founders of **Golden West Financial Corp.** They sold their S&L holding company to **Wachovia** in 2006 for \$24 billion in cash and stock. In 2004 they gave \$13 million to anti-Bush 527s.

The philanthropic interests of Silicon Valley venture capitalists **Andy and Deborah Rappaport** overlap significantly with those of the Alliance, but it is unclear if they are currently DA members. (The Nation’s Ari Berman reported in 2006 that the Rappaports were “disaffected with the Alliance.”) The Rappaports gave \$25,000 to fund the first YearlyKos convention in 2004, a donation that matched the \$25,000 MoveOn.org to the cause. The Rappaports founded **New Progressive Coalition LLC**, (“Your political giving advisor”), which is technically a for-profit corporation that allows individuals to “invest” in Political “Mutual Funds.” According to the NPC: “Political giving can be easy and strategic... Simply choose an issue you care about and invest in a portfolio of powerful and unique organizations that are work-

dents, senators, governors; it shifts the Democrats to the right and then impeaches Bill Clinton just for fun.”

Frank also resents the stereotyping of liberals as shallow, materialistic, arrogant urban elitists. This “latte libel” is one of conservatives’ “dearest rhetorical maneuvers.” It holds that “liberals are identifiable by their tastes and consumer preferences and that these tastes and preferences reveal the essential arrogance and foreignness of liberalism.” Astonishingly, Frank even dismisses the idea that America has a liberal elite, calling the notion “not intellectually robust.” The idea “has been refuted countless times, and it falls apart under any sort of systematic scrutiny.”

Frank wants American workers to rediscover Big Government liberalism. And yet the rise of the Democracy Alliance gives the lie to Frank’s analysis. If George Soros understands that his self-interest lies with the creation of a progressive infrastructure of think tanks and media groups serving the Democratic Party, then perhaps the people of Kansas are right to suspect that there’s nothing the matter with Kansas. The problem is with political groups that depend on the billionaires in the Democracy Alliance.

George Lakoff’s thoughts on the language of politics have been compared to the ideas of GOP pollster Frank Luntz (author of *Words that Work: It’s Not What You Say, It’s What People Hear*) who counsels Republicans to speak of “personalizing” Social Security instead of “privatizing” it, and who prefers “exploring for energy” to “drilling for oil.”

Similarly, Lakoff argues that Americans view politics through the metaphorical “frame” of a family. GOP-friendly phrases such as “pro-life” and “tax relief” are associated with fathers willing to protect against external threats. By contrast, Democratic rhetoric evokes images of smothering mothers.

Lakoff, a linguistic theorist and former protégé of leftist icon Noam Chomsky, contends that if Democrats allow Republicans to frame the debate, they will lose. But he cautions: “One of the major mistakes liberals make is that they think they have all the ideas they need. They think that all they lack is media access. Or maybe some magic bullet

phrases, like partial-birth abortion. When you think you just lack words, what you really lack are ideas.”

Lakoff believes the power of government should be harnessed to do good, citing the supposed accomplishments of the Progressive Era of Theodore Roosevelt, trust-busting, the establishment of labor standards, the New Deal, and civil rights. His work has garnered praise from the Democratic establishment, which finds consolation in its arguments that all the party needs to do is learn how to “frame the debate.”

Howard Dean, who wrote the book’s foreword, gushed about the book, predicting that Lakoff will be regarded as “one of the most influential political thinkers of the progressive movement when the history of this century is written.” Representative George Miller (D-California) bought copies of the book for all his fellow Democrats in the House, and Nancy Pelosi (D-California), now Speaker of the House, said Lakoff “has taken people here to a place, whether you agree or disagree with his particular frame, where they know there has to be a frame. They all agree without any question that you don’t speak on Republican terms.”

But the public’s low esteem for the Democratic majority in Congress suggests that liberal ideas are not good enough. While the Democracy Alliance invests heavily in infrastructure and marketing or “branding” new policies, it seems clear that its donors have yet to find ideas attractive to the American people.

Matthew Vadum is Editor of Foundation Watch. *James Dellinger* is Executive Director of *GreenWatch* at *Capital Research Center*.

Editor’s Note: This article has drawn heavily upon *The Argument: Billionaires, Bloggers, and the Battle to Remake Democratic Politics*, by Matt Bai (The Penguin Press, 2007), and the articles “Big \$\$ for Progressive Politics,” by Ari Berman (The Nation, October 16, 2006), and “A New Alliance Of Democrats Spreads Funding,” by Jim VandeHei and Chris Cillizza (Washington Post, July 17, 2006).

FW

FoundationWatch

ing effectively to solve our pressing political challenges.” This new kind of for-profit political funding entity sidesteps campaign finance laws allowing a donor’s identity to remain confidential. The Rappaports also gave \$70,000 to **ActBlue**, a PAC that takes in donations and then distributes the money to Democratic candidates.

Tim Gill is the software entrepreneur who created **Quark**, the design and layout publishing program. Gill, who also dabbles in state and local politics, is president of the **Gill Foundation** in Denver, a funder of gay rights organizations. Gill’s political giving grew from \$300,000 in 2000 to about \$15 million in 2006, the *Atlantic Monthly* reported in March 2007. The **Gill Action Fund**, a 501(c)(4) issue advocacy organization created in September 2006, describes itself as “dedicated to securing equal opportunity for all people regardless of sexual orientation or gender expression.” Its executive director is **Patrick Guerriero**, former president of the gay GOP group, Log Cabin Republicans. **Rodger MacFarlane**, senior adviser to the Gill Foundation, is also a DA partner.

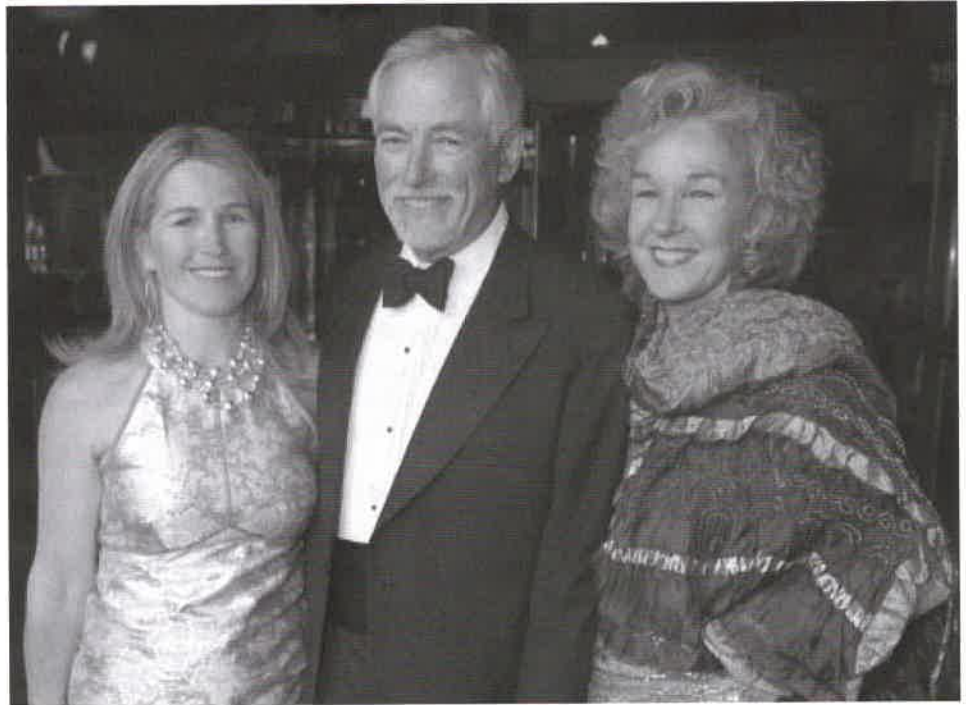
Rachel Pritzker Hunter of the Hyatt Hotel Pritzkers was a DA board member after the group was created.

Gara LaMarche became president and CEO of the **Atlantic Philanthropies** in April 2007. Previously, he was vice president and director of U.S. Programs for Soros’s Open Society Institute.

Guy Saperstein, is an Oakland, California trial lawyer. In 2007, he created the National Security/Foreign Policy New Ideas Fund (newideasfund.org), with DA funding.

Rob Reiner, a Hollywood actor-director, is chairman of **Parents Action for Children**, a 501(c)(3) advocacy group. In 2005 he promoted Proposition 82, an unsuccessful California ballot initiative that would have raised state taxes to fund preschool for all four-year-olds. (See “The Teachers Unions Fight for Universal Pre-School,” by Ivan Osorio and James Dellinger, *Labor Watch*, June 2007.)

Herb Miller is a Washington, D.C., real estate developer and Democratic Party fundraiser.



Mark Buell (center) with his wife, **Susie Tompkins Buell (right)**, and her daughter, **Summer Tompkins Walker (left)**, at the San Francisco Museum of Modern Art’s Modern Ball, May 2007

David A. Friedman, a philanthropist and self-described centrist, is treasurer of the **Friedman Family Foundation**.

Ann S. Bowers is the widow of **Intel** co-founder **Robert Noyce**, inventor of the integrated circuit and “mayor of Silicon Valley.” Bowers is board chairman of **Noyce Foundation**.

Albert C. Yates is former president of **Colorado State University**.

David Gilo is a high-tech entrepreneur and founder of **Vyyo Inc.** who made the Mother Jones 400 list of big leftist donors. His wife, **Shamaya**, created the **Winds of Change Foundation** in 1998, and is a heavy donor to Democratic candidates.

Mark Buell is a businessman. His wife, **Susie Tompkins Buell**, co-founded the clothier **Esprit** with her ex-husband, **Douglas Tompkins**, who is president of the **Foundation for Deep Ecology**.

Fred Baron, one of America’s wealthiest plaintiffs’ attorneys, was finance chairman for Senator **John Edwards**’s 2004 presidential campaign.

Service Employees International Union (SEIU) is an institutional member of the DA. SEIU President **Andrew Stern** and **MoveOn.org**’s **Eli Pariser** have created a political action committee called “They Work for Us,” to take on Democratic candidates deemed insufficiently left-wing on economic issues. The labor coalition SEIU broke away from, the **AFL-CIO**, is also an Alliance member.

Alan Patricof is co-founder of private equity firm **Apax Partners**. From 1993 to 1995, he was chairman of the **White House Conference on Small Business**.

Bren Simon is president of **MBS Associates LLC**, a property management and development firm. Her husband, **Melvin**, ranks on the *Forbes* list of the world’s richest people. He is a part owner of the **Indiana Pacers** and runs the **Simon Property Group**, developer of shopping malls. (It is not known if Mr. Simon is active in the DA.)

Software entrepreneur **Chris Gabrieli**, who ran unsuccessfully for the Democratic nomination for Massachusetts governor in 2006, co-founded and heads **Massachusetts 2020 Foundation**.



Trial lawyer Fred Baron

Anne Bartley, the daughter of Winthrop Rockefeller, is vice chairman of Rockefeller Philanthropy Advisors and a trustee of the Jennifer Altman Foundation.

Simon Rosenberg, the founder and president of the New Democrat Network (NDN), ran unsuccessfully in 2005 for the DNC chairmanship.

Lewis B. Cullman is a financier and philanthropist whose website says he and his wife, Dorothy, have given away \$223 million to date.

Rob Johnson, a DA board member, is a partner at Impact Artist Management and former portfolio manager for Soros's Quantum Fund.

Michael Kieschnick is founder of Working Assets. Every time a customer uses one of the Working Assets donation-linked services (long distance, wireless and credit card), the company donates a portion of the charges to "nonprofit groups working to build a world that is more just, humane, and environmentally sustainable," according to the company's website, which claims that over \$50 million has been raised for progressive causes.

Steven M. Gluckstern, a former chairman of the Alliance, is a founding managing director

of Azimuth Alternative Assets, an investment banking firm.

Inventor William Budinger, who founded and ran Rodel, Inc., is a DA board member.

DA board member Robert H. Dugger is a managing director of Tudor Investment Corporation, an asset management company. Previously he was chief economist at the American Bankers Association.

Manhattan psychologist Gail Furman, a DA board member, is also a member of the Council on Foreign Relations. She serves on the boards of Human Rights First and The Brennan Center for Social Justice at NYU Law School.

San Francisco attorney and political organizer Steven Phillips is president and founder of PowerPAC.org, which focuses on California politics. He is a DA board member.

Charles Rodgers, a DA board member, is president of the New Community Fund, a family foundation in Massachusetts.

DA board member Deborah Sagner is a social worker and president of the Sagner Family Foundation.

Michael Vachon, a DA board member, is Soros's spokesman and political director.

Patricia Stryker is granddaughter of Homer Stryker, who founded Stryker Corporation, a medical technology company.

Rutt Bridges is founder of Advance Geophysical. He ran for governor of Colorado in 2005 but dropped out of the race.

—MV and JD

Please remember
Capital Research Center
 in your will and estate
 planning.
 Thank you for your
 support.
Terrence Scanlon,
President

THE GREAT PHILANTHROPISTS

And the Problem of "Donor Intent"

Martin Morse Wooster

GOOD DEEDS, SQUANDERED LEGACIES

\$14.95 (PLUS SHIPPING)
TO ORDER, CALL 202-483-6900
 OR VISIT
[HTTP://WWW.MYEZSHOP.COM/CAPITAL_RESEARCH/](http://www.myezshop.com/capital_research/)
OR MAIL YOUR CHECK AND BOOK ORDER TO:
CAPITAL RESEARCH CENTER
1513 16TH STREET, NW
WASHINGTON, DC 20036

A CAUTIONARY TALE FIRST PUBLISHED IN 1994, THIS THIRD EDITION BY MARTIN MORSE WOOSTER TESTIFIES TO THE CONTINUING IMPORTANCE OF THE ISSUE OF DONOR INTENT. IT CONTAINS NEW MATERIAL FOCUSED ON THE ONGOING ROBERTSON FOUNDATION V. PRINCETON UNIVERSITY CASE AND AN UPDATE ON THE TRAGIC BATTLE OVER THE BARNES FOUNDATION. AN EXECUTIVE SUMMARY IS ALSO INCLUDED.

WOOSTER, SENIOR FELLOW AT CAPITAL RESEARCH CENTER, TELLS A CAUTIONARY TALE OF WHAT HAS GONE WRONG WITH MANY OF THIS COUNTRY'S PREEMINENT FOUNDATIONS. BUT HE ALSO SHOWS THAT OTHER FOUNDATIONS, SUCH AS THOSE ESTABLISHED BY LYNDE AND HARRY BRADLEY, JAMES DUKE, AND CONRAD HILTON, SAFEGUARD THEIR FOUNDERS' VALUES AND HONOR THEIR INTENTIONS.

PhilanthropyNotes

Nine advocacy groups and public-policy centers from across the political spectrum are urging senators to kill a plan by Senator **John Ensign** (R-Nevada) to force nonprofits that file ethics complaints against U.S. senators to disclose their major contributors. "This proposal is a clear attempt to intimidate the public from seeking enforcement of Senate ethics rules," the groups wrote in a letter to Senate leaders, the Chronicle of Philanthropy reports. The groups that signed the letter include the liberal **Alliance for Justice** and **OMB Watch** and the conservative **National Center for Public Policy Research** and **American Conservative Union**.

Federal prosecutors say Representative **William Jefferson** (D-Louisiana), who faces up to 235 years in prison if convicted on bribery and racketeering charges, used his position as chairman of the **Congressional Black Caucus Foundation** in a bribery scheme, The Hill newspaper reports. (The foundation was profiled in the July 2006 issue of *Organization Trends*.) Prosecutors claim Jefferson wrote to a NASA administrator on the foundation's letterhead to ask that it give "close consideration" to doing business with a U.S. rocket technology company that allegedly agreed to give a Jefferson family business a commission on sales and transactions in Africa relating to satellite ventures. Prosecutors say they don't intend to charge Jefferson for the newly disclosed bribery scheme but say they will use the evidence against him at trial in January in order to demonstrate a pattern of conduct.

Meanwhile, using words like "immoral," "fraud," and "sickening betrayal," members of the House Oversight and Government Reform Committee last month criticized veterans' charities that distribute tiny portions of the money they raise to veterans and their families while lavishing funds on fundraising activities, the Chronicle of Philanthropy reports. Lawmakers said such charities should be reined in, or at a minimum, be forced to disclose to donors how much they spend on raising money. Representative **Tom Davis** (R-Virginia) said tax records showed the **American Veterans Coalition** spent nothing at all on veterans in 2003 and just 1.4% in 2004. **Daniel Borochoff**, president of the **American Institute of Philanthropy**, said 75% of the veterans' groups earn Ds or Fs from his organization, compared with about 22% percent of all charities.

Accustomed to measuring results in business, affluent donors sometimes known as "strategic or venture philanthropists" are increasingly judging the effectiveness of their gifts by looking for measurable performance results, reports The Financial Times. "They're not just giving money to a good cause, they're trying to effect change for a reason," says **Stuart Danforth**, an investment consultant in Boston. "They read the newspapers and they see Enron-style scandals at nonprofits. From an investor's standpoint, that's what is driving people to be more analytical in their approach," says **Eric Kessler** of **Arabella Advisors**.

Goldman Sachs, a reliable funder of liberal groups, plans to create a new philanthropy fund that would try to raise \$1 billion from its employees over the next few years, the New York Times reports. "We know we make a lot of money, and we know that we live in this world and we have a responsibility to give something back," said company CEO **Lloyd C. Blankfein**. The announcement came after a record-breaking year of profits for the investment bank.

Billionaire philanthropist **Warren Buffett** told a Senate committee in November that a federal rule that requires private foundations to hand out at least 5% of their assets annually is causing foundations to stockpile money instead of giving it to charity, the Chronicle of Philanthropy reports. It is "astounding" that 27 of the nation's 30 largest foundations spend almost exactly 5% percent of their assets each year. "If you set it at 3%, most of them would spend 3%," he said.

The **National Taxpayers Union** and **National Taxpayers Union Foundation** have created the **John Berthoud Memorial Fund** to honor and continue the efforts of the tax reform and limited government movement leader who died suddenly at age 45 in September. **Duane Parde** succeeded Berthoud as president of NTU and NTUF. Donations can be made online at https://secure.ga1.org/05/berthoud_memorial_fund.

Mark Everson was allowed to resign as president of the **American Red Cross** after it surfaced that the married man had an affair with the head of a Red Cross chapter in Mississippi who became pregnant, the Wall Street Journal reports. The former head of the **Internal Revenue Service**, the fourth person to lead the Red Cross in the past six years, said he was resigning "for personal and family reasons." **Mary S. Elcano**, the group's general counsel, has been named interim president and CEO.