

Article

Secularizing Philanthropy in the Twentieth Century: The Pew Family as Trustees of Divine Endowment

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Abstract: Planning for the Pew family trusts (founders of Sun Oil) dates to at least 1932 when estate work began for the four Pew children. Fear of inheritance “super-taxes” proposed by Franklin Delano Roosevelt to finance his New Deal was in the air in the 1930s and drove a number of wealthy families to find novel ways to shield their assets from Roosevelt’s various revenue acts. These trusts were meant only to come into effect after the death of each family member, and it was not until 1948 when the four Pews sat down to invest into existence the Pew Memorial Foundation (their father’s posthumous memorial) that they made headlines in terms of secular philanthropy. The Pews saw Roosevelt’s taxes as not only the first blow in a new type of class warfare, but also as a pointed attack against the free market ideologies that allowed individual choice in the ultimate investment of one’s money. This article follows the Pews’ attempts to navigate their responsibilities to family wealth. By examining the logic and theological contours of the Pews’ insistence upon a separation between public and private, profit and loss, and secular market, political lobbying, and religious interest, we learn not only about conservative Protestant influence on American law, but also about the context for the creation of an independent philanthropic “third sector” tied to the evolving role of organized religion in twentieth-century American society.

Keywords: philanthropy; religion; capitalism

“As each of you has received a gift (a particular spiritual talent, a gracious divine endowment), employ it for one another as befits good trustees of God’s many-sided grace.”

1 Peter 4: 10

In 1957, the Glenmede Trust Company—trustee and manager of all Pew family philanthropies—was brought into existence at the offices of Sun Oil scion J. Howard Pew. Sun, founded in 1888 by Joseph Newton Pew, had grown substantially over the decades from a small, regional real estate speculation firm into one of the world’s largest oil extraction and shipping companies. Throughout the twentieth century, Sun provided the main competition for the Rockefeller family and their more publically visible Standard Oil. The Pews (Presbyterians) and the Rockefellers (Baptists), families of similarly staggering wealth, appear occasionally in the historical record to be two sides to the same coin. Each time the Rockefellers created headlines with legal battles in New York and Washington, transparent attempts at charitable incorporation, and highly publicized philanthropic endeavors, the Pews sat discreetly in the gallery, quietly calculating, insuring, incorporating, and endowing a number of similar operations from their homes in the tony Main Line suburbs of Philadelphia—gracious estates occupied by the Pew children with names like Knollbrook, Skylands, Rocky Crest, and Glenmede.

Both families, the Pews and the Rockefellers, cited the teachings of their respective denominations when describing the sources of their charitable impulses. However, what set the Pews apart was their serious consideration and near constant invocation of the biblical command to operate “so that

your giving may be in secret. Then, your Father, who sees what is done in secret, will reward you.”¹ This injunction against ostentation and easily attributable financial gifts shaped much of their giving throughout the nineteenth and twentieth centuries. Moreover, while philanthropic endowment was only one aspect of the Pew family’s quiet deployment of material power, a study of the family’s foundation activity does tell us something about the ways in which those of similar means were able to blur the boundaries between high finance and charitable line item in an attempt to realize their particular visions of God’s kingdom on earth.

Only after the deaths of most of Joseph Pew’s children in the 1970s did the Pew Charitable Trusts allow their name to be attached to gifts publicly. While this article aims to provide a brief history of the Pew Charitable Trusts and the multiple endowments created and managed by Pew children, this studied anonymity increases the difficulty in tracing the cause and effect of charitable donation. In an attempt to shine light on the complicated nature of family philanthropy, this piece examines the concept of endowment, what the power of properly managed endowment meant to the Pews, and how they attempted to popularize the ideals most important to them through a number of philanthropic vehicles. Though the foundation and estates that eventually combined to become the Pew Charitable Trusts were not always the primary charitable concern for J. Howard Pew and his siblings, the family did attempt a sustained approach to endowments writ large and their personal responsibilities regarding their stewardship. I examine these views here through three discrete historical case studies. In part one, I examine exactly *what* and *who* deserve the privilege of endowment through a study of family letters and committee meeting minutes from the various Pew and Presbyterian trusts on which Pews sat. The second section looks more closely at a move by Howard Pew to both democratize the process of endowment while also subverting state and federal tax legislation. He did this through an ingeniously devised investment vehicle to be used by both the Presbyterian Church and the Pew Memorial Foundation. Finally, a third section examines another tax issue regarding religious ownership of unrelated, for-profit businesses and the difference between “church” and “charity,” hammered out in the depths of the American internal revenue code. Throughout these three studies spanning the early- and mid-twentieth century, the ways in which the Pews combined religious, political, and economic beliefs into a single coherent world view offers a deeper understanding not only of the particular powers and logics exercised by the Pews, but of how we ended up with the tax codes that shape the modern non-profit foundation.

Pews had been a part of the social fabric of Philadelphia since the eighteenth century and were considered one of the city’s leading Reformed Presbyterian families. While each member of the family had a slightly different idea of exactly what this Calvinist heritage signified, it seemed that most were bound by a strong sense of obligation to channel dividends on family wealth toward a number of religious and charitable causes that spoke directly to priorities set by their faith, their relationship to an omnipotent God, and their related obligations to local community, to the nation, and to their fellow Americans. The creation of Glenmede in the 1950s as the sole trustee of Pew family philanthropies was meant both to streamline and to simplify the family’s charitable vehicles. However, attempts to understand the place of the Trust company within a Pew family institutional chart start to feel, at a certain point, like making sense of a never-ending series of nesting dolls—the trusts, named after each family member, were built of Sun Oil stock, proceeds of which built up the institutions held dearest by the family. However, the trusts *themselves* fell under the influence of Glenmede—the bank named after the family compound in Bryn Mawr—which was itself exclusively directed by members of the Pew family, who seemed to follow every instruction sent them by the family’s favored law firm, Pepper and Hamilton, which was also kept on retainer by the for-profit wing of family finance, Sun Oil. Furthermore, embedded firmly within this convoluted map of chutes and ladders is the serpentine logic of Glenmede itself: a public bank with federal insurance which served, essentially, as a

¹ Matthew 6: 4–6. See also (John Howard Pew 1975).

private family holding company for corporate stock in an oil company, the dividends of which largely supported the churches, bible colleges, and political organizations believed by the Pew family to be the most efficient vehicles for popularizing what they believed to be the central tenets of American federalism and freedom.

Planning for the Pew trusts dates to at least 1932 when estate work began for the four Pew children. Fear of inheritance “super-taxes” proposed by Franklin Delano Roosevelt (FDR) to finance his New Deal was in the air in the 1930s and drove a number of wealthy families to find novel ways to shield their assets from Roosevelt’s various revenue acts.² These trusts were meant only to come into effect after the death of each family member, and it was not until 1948 when the four Pews sat down to invest into existence the Pew Memorial Foundation (their father’s posthumous memorial) that they made headlines in terms of secular philanthropy. The Pews saw Roosevelt’s taxes as not only the first blow in a new type of class warfare, but also as a pointed attack against the free market ideologies that allowed individual choice in the ultimate investment of one’s money. In the 1950s, family lawyers began to draw plans for a separate, publicly insured clearinghouse, the Glenmede Trust Company. If the government could take private money from families to place into federal reserve through taxation, the logic went, why could the Pews not use government protections to create a family bank?

By 1979, Glenmede’s stockholders—all immediate members of the Pew family—would become trustees for seven Pew family trusts including Mary Ethel Pew’s Medical Trust, the Mabel Pew Myrin Trust, the Knollbrook Trust, the J.N. Pew, Jr. Charitable Trust, the Pew Memorial Trust (itself the successor to the original Pew Memorial Foundation), and two more, drawn up and endowed in the same year of Glenmede’s founding—the Mary Anderson Pew Trust and the J. Howard Pew Freedom Trust. Glenmede held both trust indentures (descriptive documents) and endowments (money, usually built of corporate stock) for its foundations. The endowed power of the Glenmede trusts would have been understood by the Pews on its board on two levels. On one, endowment represented material wealth, a source of both power and income into perpetuity. On another, it was a spiritual asset, a gift from god to be guided, nurtured, and shared. This article follows the Pews’ attempts to navigate their responsibilities to family wealth. By examining the logic and theological contours of the Pews’ insistence upon a separation between public and private, profit and loss, and secular market, political lobbying, and religious interest, we learn not only about conservative Protestant influence on American law, but also about the context for the creation of an independent philanthropic “third sector” tied to the evolving role of organized religion in twentieth-century American society.

1. Who is Worthy of Endowment?

Within this scheme, only certain types of enterprises were able to prove themselves worthy of receiving the operational freedom inherent in endowment. By examining which institutions and individuals proved themselves worthy and the ways in which they represented themselves, we also learn about the values and character attributes prized as virtues by the Pews. To grant funds to help build an endowment, rather than simply supporting operational costs through yearly gifts, also shows a supreme level of trust in the recipient—with an endowment of his own, he is no longer tied to the purse strings of the donor. Funds were occasionally granted for endowments by Sun, by the Pew Trusts, by the Presbyterian Church, and by individual Pew family members—both alone and through these organizations. However, the overarching policy for the family—and its boilerplate defense against denied requests—was that endowments make organizations lazy. They created a sense of entitlement and robbed institutions of their “vigor,” “initiative,” and the scrappy dynamism believed to define American virtue and industriousness.

² See (C.L. Seiler 1932).

The Pews received requests made on a number of different registers, and personal entreaties required a particular type of response—especially when they came from within the family. For example, in the fall of 1936, J. Howard Pew received a letter from one Mrs. N.J. James. “My dear Mr. Pew,” her letter opens. “This letter may not be a surprise to you for no doubt you receive requests for favors along many lines, making it impossible for you even to sympathize or help those who write you. I am hoping you, at least, will give this a careful reading, as it has taken a great amount of courage for me to write.”³ In the letter, Mrs. James reveals herself as the mother of the woman married to Mr. Pew’s nephew and namesake. The young J. Howard had lost his job with the family firm due to years of excessive drinking and shirking his corporate responsibilities. He was given no severance, no access to family trust payments, and no lingering unemployment with which to support his young family, and his mother-in-law was worried. Her own husband had died and her daughter and son-in-law were in such dire financial straits that they had asked her to take care of their daughter. Was there not anything that the elder Mr. Pew could do, she asked him—a lesser job with Sun Oil, perhaps, or even access to any family resources to help them through this difficult time?

What the widow Mrs. James received from J. Howard Pew in return was a brief refusal of assistance and assurance that the course of action taken was an appropriate corrective attempt at molding the younger Howard’s character. After veering slightly off topic to describe the difficulties in running a business and paying workers in the contemporary tax climate, the president of Sun Oil assured this elderly mother that “if he behaves himself and makes good” in another job at another company, there might one day be a position for him at Sun again. “It was most humiliating for me to see a namesake of mine forced out of the Company because of bad behavior,” Pew relayed.⁴ The lines between family and corporation for Pew are porous. Being a good worker reflected well on the family. Personal prudence made him a good worker. This prudence was derived from their faith. This is as much a relationship as a family as that of Weber’s Puritans to the accumulation of wealth.

Appropriate behavior in both the pursuit and maintenance of material wealth was telling of interior states to the Pews and their ilk. It is not just what one promised to do with money—it is how he displays his character in the process. Pew family members were held to incredibly high moral standards. Even personal loans among them were calculated with interest down to the cent. This proud scrupulousness, maintained both because and in spite of the level of wealth they had attained, proved to themselves individually, to their families, and to their community that the Pews took not a penny for granted.⁵

In believing that only the particularly worthy, so proven by their past stewardship of large sums of money, could handle the responsibilities attendant on great wealth, “wealth” and “worthiness” became a sort of neoliberal Ouroboros—the presence of one always necessary for proving the presence of the other. In one way, this is a classic conservative perspective, resistant to acknowledging the structures in place that encourage particular successes and failures among particular populations. J. Howard Pew was prolific in his public addresses and published editorials throughout his life. They cite his thoughts and the contemporary theorists most responsible for popularizing the ideas. With titles like “Cartels Threaten Economic Progress” and “The Preservation of Our American Way of Life,” they boil down to Max Weber by way of Friedrich Hayek and Ludwig von Mises. What makes America great is not its resources or the physical superiority of its workers and thinkers, Pew believed, but its initiative. Furthermore, initiative, to Pew, was a gift from God, “an attribute of the spirit.”⁶ While initiative can only be born where choice is allowed to thrive, choice is not truly an end in itself. Choice, rather, is the arena in which one receives the opportunity to prove that he is capable of making the

³ See (N.J. James 1936).

⁴ See (J. Howard Pew 1936).

⁵ For example, see Edgar Pew’s correspondence and financial record keeping with his nephew, Donald. Correspondence between 1935 and 1938, Pew Family Collection.

⁶ “The Preservation of Our American Way of Life in Wartime,” April 14, 1943.

right choice. Hence, religious freedom in the United States of America (USA), for example, was not to be so highly valued because it allows people the opportunity to convert to Roman Catholicism or to join a new homegrown sect. Rather, the element of choice inherent in American religious freedom was so valuable because it allowed the opportunity for one to display his election by making the proper choice for Christ. Choice did not only extend to religion. Complete freedom in enterprise would help workers find the job they most desired—and to perform those jobs well—while freedom from government interference would allow industry to compete more fairly, produce more and better products, and ultimately, serve the American people more efficiently.⁷

In the spirit of fostering a “purer,” market-driven sense of competition, the Pew family foundation did not, as a rule, contribute to or create exterior endowments. For one example, the Pews received repeated requests for donations to the endowment fund of the Chapel of the Four Chaplains, an interfaith memorial in center city Philadelphia devoted to a progressive, tri-faith model of inter-religious engagement. The Chapel of the Four Chaplains not only told the story of Dutch Reformed and Methodist ministers, a Roman Catholic priest, and a Jewish rabbi who gave their lives when the United States Army Transport (USAT) *Dorchester*, an active duty naval ship in the second world war, sank at sea. The Chapel was a center for inter-faith community work in Philadelphia. While seemingly harmless enough and compatible with a popular brand of mid-century ecumenism, this type of liberal religion was anathema to the Pews brand of strict Presbyterian Calvinism and an exclusivist sensibility. After years of requests, Pew wrote to the resident chaplain of the center personally. “It is with regret I must tell you that it is the policy of our group never to contribute to endowment funds. It is our belief that just as security destroys the efficacy of an individual, so does endowment affect an institution. Sorry.”⁸

However, the Pews did contribute to endowment funds. From the mid 1930s when Pew philanthropy began to pick up steam throughout the 1960s and 1970s, Pew Foundations and Trusts helped fund the Ardmore Presbyterian Church, the project to design, construct, and properly establish a National Presbyterian Church in Washington, D.C., and numerous projects at small bible colleges, like institutes at Wheaton, the joining of Gordon College and the Conwell School of Theology, and numerous projects at Grove City College, J. Howard Pew’s alma mater. In fact, one such endowment project at Grove City sheds light on the types of projects that the Pew Memorial Foundation did like to support.

Pew believed strongly in Grove City’s mission, in its strict adherence to the Calvinist faith, and in its refusal to bow to the will of the federal government. He gave regularly and sat on its board. He influenced the types of professors they hired, their building projects, and the financial structures that governed the school. “At a meeting of the Board of The Glenmede Trust Company, Trustee of the Pew Memorial Trust, the Board approved a contribution of \$500,000.00, to be set up as a trust for pension fund purposes, as per agreement herewith enclosed; and an additional \$50,000.00, to be used toward operating expenses for the school year 1958–59, reimbursing cost of Federal Insurance Contribution back payments for employees of Grove City College,” Pew wrote to the College’s president.⁹ The line items in Glenmede’s records of grants, donations, and contributions for that year describe the gifts as both reimbursement for the college having had “spent this amount of money to buy up Social Security liability for three previous years” and for establishing an endowment “held in an irrevocable Trust for the funding of Grove City College Pension Plan,” the terms of which must be approved by Pew and his legal council. The year before, the federal and state governments had hounded Grove City to establish pension plans and to pay social security tax. Pew saved them by giving them the money to fund this into perpetuity. It helped them obey the letter of a law, the spirit

⁷ “Cartels Threaten Economic Progress,” March 19, 1945.

⁸ See (J. Howard Pew 1969).

⁹ See (J. Howard Pew 1959a).

of which neither Grove City nor the Pews thought very well of. In the process, the College was not required to use any of its own operational funds.¹⁰

Endowment grants a particular type of freedom to an institution. In the eyes of the Pews and other foundations like their own throughout the early and mid-twentieth century, a worthy institution or individual must have both already been proven so by the marketplace and capable of making the right decisions within the constrictions of that marketplace. This “freedom” was never really the opportunity for completely free action, nor was it a chance to choose whatever it was one wanted. Rather, freedom in this sense provided the freedom to prove one’s own election.

2. Charitable Bequest and the Presbyterian Life Income Plan

Endowments afforded individuals the ability to live on past death and to grant material power to individual or corporate bodies into perpetuity. In that act of endowment, certain virtues—either genetic or moral—are necessarily rewarded and encouraged. For the Pews, the act of endowment was always less about securing the future of their heirs and more focused on supporting the causes they held most dear while dodging the specter of government interference. With this set of interests in mind, Joseph Pew’s son, J. Howard Pew, created a financial device that would do just that: avoid any significant bequest benefits to blood relations, while empowering the churches, charities, and philanthropic foundations closest to him through an innovative avoidance of state and federal taxation. The resultant Life Income Plan, originally marketed to members of the Presbyterian Church, further exemplifies the slipperiness of the secular. Through it, a non-profit foundation owned by (but not itself) a church, marketed a novel financial instrument for the tax-savvy investor to shield his assets from government intrusion through the morally suspect Tax on Charitable Bequests.

As one of the wealthiest men in America, Howard Pew had more reasons than many to wage a full-scale assault on the state and federal inheritance tax. However, the perpetual wealth of his family was never a primary concern for Pew. While Rockefellers, Fords, and Luces before them worked to ensure the easy transfer of wealth and corporate control across generations, the Pews believed firmly in the importance of the “self-made man” and cared less about securing the finances of future Pews. This outlook suggests that the legislative fight they chose over taxing charitable bequests was more purely an ideological issue. The Pews believed above all else in individual liberty, and central to exercising this liberty was choosing the manner and the time in which one’s money was spent.

On Pew’s mind here was the health of two corporate bodies: the Pew family trusts, designed to collect family assets after each member’s death, and his own Presbyterian Church. The Presbyterian Church and its eponymous foundation were both the recipients of significant charitable bequests throughout the twentieth century. The Foundation had been created in the 1950s in order to hold and manage separately the diverse assets of the church. A foundation structure both protected the church from particular operational taxes and allowed more lay involvement in asset management. In his attempt to fight for the most money possible to go to the church, the Pews did not fight inheritance tax as a concept. Rather, they took issue with a particular code exercising tax on both individual citizens and corporate persons in the state of Pennsylvania receiving monetary gifts after the death of the donor, or the Pennsylvania Inheritance Tax on Charitable Bequests. Ultimately, this line in the sand regarding charitable bequest taxation labored over by the Pews points to a belief in a particular kind of religious freedom and an attempt to limit the powers of the state in dictating the terms of religious and charitable gifts.

Believing this arrangement to be unjust, the Pews set about with a multi-stage approach to change the law. Firstly, Pew attempted to build ground-level support among the Presbyterian lay. Henry Barraclough, the secretary of the Presbyterian Foundation, sent a series of form letters on Pew’s

¹⁰ Minutes for Committee on Grants, Donations, and Contributions of the Glenmede Trust Company, April 16, 1959. Robert Dunlop Papers.

instruction to Presbyterians across the state with personalized lists of senators and representatives to contact in the hopes of influencing future legislation and popularizing the Presbyterian hierarchy's own draft of a bill. The letter introduced the legislation the Foundation had been key in helping to create and relayed that "the Trustees of the Foundation greatly desire that you should write letters urging early enactment of these Bills to your Senator and your Representative, and urge all the pastors in your Presbytery to do the same."¹¹ At the same time, Edward Barker, one of Pew's most trusted family lawyers at the Fidelity-Philadelphia Trust Company, contacted every charity and religious body in the state to secure their individual allegiances to this cause. Costly and time-consuming, Howard Pew spent his own money to secure and document this manifold support across the state, and it was an idea with broad appeal. Through Barker's work and Pew's financial support, Fidelity had convinced every registered church and charity in the state to sign onto their effort.

George McKeag, another of Pew's lawyers for the Foundation at Fidelity-Philadelphia, then solicited the help of Clarence Bell, a noted Pennsylvania state congressman, in order to sponsor the bill in the state House of Representatives. Bell was also an enthusiastic supporter of the Presbyterian Church. Because the Presbyterian Church was incorporated in Pennsylvania (all national churches to this point had to choose a single state in which to base their corporate charters), all bequests granted to it were subject to that state's taxes and laws on inheritance and bequest, and the Pennsylvania Revenue Act of 1919 imposed a 15% inheritance tax on charitable gifts made at the time of death. By the 1950s, only New Jersey and Ohio had similar taxes on charitable bequests, but both rates were lower and offered numerous exemptions.¹² On behalf of Pew and the Presbyterians, Bell waged a campaign across the state against the 1919 provision. He warned repeatedly that "one of our great religious bodies is considering moving its corporate situs from Pennsylvania because some out-of-state testamentary bequests to it are taxed."¹³ For Bell and many other Pennsylvania state Republicans, this was not simply a debate about rates of revenue. Rather, in editorials, addresses, and letters, they explicitly stated that housing corporate charters for the Presbyterian Church in Philadelphia, the cradle city of American democracy, should remain a point of great pride for many Pennsylvanians.

While years of work had already been performed, Pew claimed that Bell's legislative maneuvers did not go far enough. "The only trouble with his analysis of the situation," Pew noted of Bell, "is that he forgets that the Federal Government levies a tax on what virtually is a State tax. In other words, on an estate of \$1,000,000, the State would take \$150,000 and the [federal] Government might take as much more."¹⁴ While Bell and his associates were well on their way to making a change in the state legislature, this action would do nothing to put an end to the federal problem. With this in mind, Pew and the lawyers he shared with the Presbyterian Foundation discussed moving the resources of the church into an out-of-state corporation to avoid Pennsylvania's steep charitable inheritance taxes. However, at the last moment, they decided instead to redouble their efforts toward changing the legislation.¹⁵ Pew believed strongly in the centrality of the Presbyterian Church to the founding of the nation and the national sensibility that had proven most successful for it. He insisted that the church remain in Pennsylvania, and in Philadelphia particularly.

While things continued apace for Presbyterian organizing in Pennsylvania, Howard Pew, as chairman of the Finance Committee for the Presbyterian Church and Foundation, began his own work on the federal problem. In an attempt to outmaneuver both state and federal taxes on charitable bequests, Pew and his colleagues developed a unique financial instrument to be offered by the Presbyterian Church—the Life Income Plan. As a type of informal annuity, the Life Income Plan would accept "monetary gifts" from members of the Presbyterian lay. While donors were living, they

¹¹ See (Henry Barraclough 1955).

¹² PPA. STAT. ANN tit. 72 SS 2302 (1949).

¹³ See (Dickinson Law Review 1955).

¹⁴ See (J. Howard Pew 1955a).

¹⁵ See (J. Howard Pew 1955b; George McKeag 1955).

would be afforded the same financial benefits as if they had been investing the money themselves. The Church would pay donors quarterly dividends for the rest of their lives, or for the entirety of a close family member's life; however, upon death, payments would stop and the original gifts would be folded into the church treasury. Because these gifts were technically made while the donor was alive, the church would also avoid the charitable gift tax through this system. State and federal bequest taxes would not apply, and even capital gains could be realized tax-free because the assets were held by a tax-exempt religious body. It was an ingenious plan, but it was not all smooth sailing. In fact, the plan presented a number of significant legal and theological problems to work through for the church and its lawyers.

The creation of the Life Income Plan provides another avenue through which we can learn more about the operational latitude that foundations fought for and borrowed from church structures. Through Presbyterian negotiation with and examination of their corporate charters to ensure their ability to offer this investment, we learn a great deal about the auspices under which foundations were allowed to form and the reasons they gave for doing so. The Pews themselves were fans of creating broad corporate charters with minimal specificity to allow them considerable operational latitude. Furthermore, the Pew lawyers who created the Life Income Plan focused particular on opening up the provisions of the Pennsylvania Non-Profit Corporation Law of 1933. Section 201 of this law stated that non-profit corporations could be formed "for any purpose or purposes which are lawful and non injurious to the community."¹⁶ This alone provided a loose enough set of parameters to give the church the conceptual freedom necessary to offer the Plan. Combined with the Presbyterian Foundation's charter, which stated that it could accept "money and property of any kind in which the Church or the Foundation is intended to have any interest," Pew believed they would be in business.¹⁷ In addition to this, the Foundation was also permitted to accept property under conditional contract, where a series of rules and stipulations could be created by both the donor and the recipient and not just through outright gift. These contractual gifts provided an opportunity for the Presbyterians to accept financial donations in one form, to use them in another, and to make the arrangement financially beneficial to both parties.

While the Life Income Plan would help all parties to avoid a number of income and estate taxes, it depended upon the ability of the church to offer individual annuities, or regular payments in exchange for a single lump sum payment. The Foundation's lawyers defended their right to accept money as annuity on two sets of grounds. The first drew mainly from a serpentine tautology—the Foundation, they claimed, was allowed to issue annuity-like products free of any state regulation because properly *regulated* annuities were granted only by registered life insurance companies. However, because the Foundation was *not* a life insurance company, it should never be expected to follow the rules and regulations associated with insurance companies and their sale of annuities. "Section 410B of the Insurance Company Law should be noticed. It provides that no annuity or pure endowment contract shall be delivered in Pennsylvania unless it contains in substance certain stipulated provisions. But, as stated above, the Act does not apply to non-profit corporations; it applies to insurance companies. Therefore, this section is believed not relevant to the question."¹⁸ Atop this questionable legal defense, the Presbyterian Church also used a number of state and federal statutes that allowed churches to enter into the business realm to raise revenue without having to play by every regulatory rule. Whether in terms of taxation, regulation, or transparency, throughout much of the twentieth century, many churches were allowed to operate for-profit businesses, at least in part, in order to grow their endowments.

The second level on which the Foundation's lawyers made the case for their ability to offer this investment strategy was through a carefully studied distinction on economic and theological

¹⁶ Pennsylvania Non-Profit Corporation Law of 1933, Section 201.

¹⁷ Charter of the Presbyterian Foundation, Presbyterian Historical Society.

¹⁸ See (George McKeag 1955).

grounds regarding the differences between life insurance and annuity. Of course, Howard Pew offered his opinions here alongside a number of studies commissioned by the Foundation and its lawyers at Fidelity-Philadelphia. Insurance, all parties concurred, involved the payment of agreed upon premiums over time, and “there is an immediate hazard of loss thrown upon the insurer, with the required performance by the insured of certain obligations at designated intervals. An annuity contract,” on the other hand, “is almost diametrically opposed to this.” Those engaged in annuities pay in fixed sums to be received back regularly over time. While they were prohibited from speaking openly of offering proper annuities, foundation officials still believed themselves free of dabbling in insurance and the morally questionable position of profiting from risk. “The hazard of loss is no longer upon the company but upon the recipient who may die before any benefits are received. Instead of creating an immediate estate for the benefit of others, he has reduced his estate in favor of future contingent income . . . Annuity contracts must, therefore, be recognized as *investments* rather than as insurance.”¹⁹ Both of these operations fit under the laws of endowment, the Presbyterian legal team claimed. They were investments, both spiritual and material, and all risk was isolated on the side of the donor.

In 1955, only one individual precedent for an estate granting such conditional gifts existed. Albright College had received a similar contractual gift, but never before had a church or its associated foundation actively marketed such a plan as a financial vehicle with potential for profit in this way. Eventually, the annuity was offered, and even though it checked every box for a corporate annuity, simply by nature of its status as a religious body, when the Presbyterian Church granted an annuity, it dealt in “gift.” “The fact that the words ‘annuity’ and ‘annuity bond’ were used in the instruments executed by the church authorities should not be construed as classifying the transaction as ‘dealing in annuities.’”²⁰ While their corporate charters may have been similar and, occasionally, the products they offered appeared to be identical, in the eyes of the state, churches and non-profit foundations are governed by different rules than their for-profit counterparts.

In avoiding regulation, the Presbyterian Foundation also avoided the need to provide any particular guarantees of return. In their promotional material, the actual rates of financial return seem relatively unimportant. The materials underscore over and again that one’s finances would be tied to those of the Church—both in that donors would receive the same interest and dividends church-owned accounts received and that donors’ money rested in church line-item accounts. In terms of allocation, participants were told only that their assets would be invested in a balanced, diversified fund of common and preferred stocks, and government and corporate bonds which together produce a high rate of income consistent with safety. The Combined Trust Fund was held in custody by the Fidelity-Philadelphia Trust Company. It was administered by the Foundation under the direction of a committee of Trustees who were chosen by the General Assembly of the Church and who had wide experience in banking, investment, and finance. “On being received into the Combined Trust Fund, your Life Income gift is assigned a share in the whole fund . . . As the Fund earns dividends and interest, your proportionate share is paid to you quarterly as long as you live.”²¹ Through this investment, it should be enough simply to know that one’s money was invested in the same manner as the church’s. Additionally, to relinquish management of these assets to the church was marketed as a type of devotional exercise of its own.

What is more, the promotional material also worked to sell the massive and complex tax savings made possible through it. The Foundation explained these benefits through a hypothetical \$10,000 investment. Firstly, if cash were invested, the donor could deduct nearly \$3000 from his annual income taxes for a charitable gift made while living. He then might collect an estimated 4% interest on that \$10,000, or effectively 5.6% interest based on the \$7000 actually spent considering the original tax

¹⁹ See (George McKeag 1955). Italics my own.

²⁰ See (George McKeag 1955).

²¹ Promotional Material, Life Income Plan.

savings. Through an almost alchemical slight of hand, the Foundation also strongly encouraged gifts of equity, or the direct transfer of common and preferred stock to the Foundation. If the Foundation held a sum in the ballpark of \$2500 in trust, it explained, and that stock eventually grew to be worth \$10,000, the dividends and splits could be realized free of capital gains taxes, the full \$10,000 could be written off as charitable contribution with a real cost of only \$2500, and quarterly payments from the fund would still be made. The greatest aspect of all from the perspective of the Presbyterian Church was that, through contract, these “donations” were taxed as charitable gifts even though the gift was not fully realized until after the death of the individual and, technically, could have still qualified as a bequest.²² “Whether the Church as a whole or a particular part of it benefits from your Life Income gift, you will have the satisfaction of knowing that you will receive income for the rest of your life and that your Christian influence will be perpetuated through the years in the continuing work of your Church.”²³ Through the Life Income Plan, the Presbyterian Foundation—and the church that controlled it—escaped the threat of both state and federal bequest taxation.

Within a year of its initial planning, the Life Income Plan with the Foundation of the Presbyterian Church in the USA was realized. It allowed individuals the chance to make money, to minimize taxes while living, to avoid charitable bequest fees after death, and to make a spiritual exercise out of tax-wise investment. “Your gift to the Foundation under the Life Income Plan accomplishes two worthwhile purposes: it provides income to you for the rest of your life and assures income to your Church forever after. It is the ideal solution for men and women who would like to make large gifts to the Church, but who need the income from their accumulated capital.”²⁴

Furthermore, in the same year, considering his own accumulated capital, Howard Pew wrote on behalf of the Pew Memorial Foundation to discuss a novel strategy for moving funds from living family members to the Pew Memorial Trusts. “Suppose a wealthy individual,” Pew wrote to an off-site financial and legal advisor in Tennessee, “were to deposit equities into a Foundation and without drawing down upon principal, continued to receive dividends on said equities for the remainder of his life.”²⁵ Pew went on to describe the exact mechanics of the Life Income Plan he had just proposed for the Presbyterian Foundation. Ultimately, Pew and his advisors realized that these would not be the most efficient ways to transfer assets to the Pew Memorial Foundation. However, the letters do show the benefits to the Pews and families like them of sharing lawyers, investment professionals, and material resources with the denominations to which they belonged. Both the size of churches and the goodwill associated with them and their linked non-profit foundations made them an attractive proving ground for a great deal of non-profit law that could later be applied to other types of organizations. Moreover, when Bell eventually did win out in the Pennsylvania state legislature, striking down the state’s tax on charitable bequests on behalf of the Presbyterian Church, Pew and his colleagues had worked to avoid federal taxation. In the end, giving to and dedicating endowments, even if the pot is sweetened with quarterly dividends, could become both an act of political protest and an example of spiritual devotion.

3. The Content of Endowment and Unrelated Businesses

In this study of the nature of endowment in the context of Pew family philanthropy, it is also important to examine the most common prescriptions for what, exactly, should make up an endowment. When the *ends* of a fund or trust are religious, charitable, or educational, does it matter what the *means* of investment are in order to support them? If it does matter, to whom is this important? As should be expected, Howard Pew had strong opinions on this matter, which he realized on a grand scale through a number of trusts and indentures. Rule number one for Pew was that money should be made through endowment income, not realized through a draw on principal. Secondly, but no less

²² Promotional Material, Life Income Plan.

²³ Promotional Material, Life Income Plan.

²⁴ Promotional Material, Life Income Plan.

²⁵ See (J. Howard Pew 1959b).

important, endowments should be composed of equities, or stock, to best fight the inflation brought about by liberal government spending. The one caveat here for Pew was that this direct investment in American businesses should never reach to the point of direct ownership of individual corporations. While Pew insisted that an independent “third sector” philanthropy must exist apart from the business world which flooded its treasuries, the separation was not always so clear. By examining how Pew built up the colossal endowments that financed his foundation in fine grain and the legal struggles involved in this process, we learn about these inherent connections and the murky boundaries between for- and non-profit that betray an often false binary.

In the fall of 1955, Howard Pew received a letter from one of his personal financial advisors at the Fidelity-Philadelphia Trust Company. In it, he was alerted to a chain of twelve filling stations in California offered for sale to the national offices of the Baptist Church. While the Baptists ultimately turned these stations down, deciding the leases held by the gasoline providers made the deal inadvisable, they were eventually snapped up by the similarly tax-exempt Trustees of Columbia University. This letter had come to Pew on the heels of news that the Roman Catholic Church had recently secured the rights to a brick factory and building materials distributor in Arizona, as well as a reminder from Episcopal Church that its local parishes and national governing body owned acres upon acres of rentable land in the hearts of some of America’s most expensive cities. This news, of course, upset Pew. On the one hand, he found this sort of religious control of profit-making businesses distasteful and believed the Presbyterians could enjoy a moral superiority by not engaging in such practices. However, on the other hand, the endowments of the Presbyterian Church and its foundation were falling well behind those of other denominations. Rather than join in the game, he ultimately decided to fight the tax exemption in state and federal legislatures, and in the coming years, Pew singlehandedly organized a trans-denominational battle against church and charity ownership of unrelated businesses that created a series of networks, practices, and ideological positions that came to define a particular brand of American evangelicalism and its relationship to systems of power and governance.

In recent years, a number of excellent studies by historians such as Darren Grem, Kevin Kruse, and Darren Dochuk focused deserved attention on the role of Protestant businessmen like Pew in the evolution of a twentieth century evangelical political coalition. While these studies do well to focus on the networks through which a political evangelicalism spread and the funding sources that made them possible, the particular priorities of these studies miss another type of lobbying, one located squarely in the halls of power. Throughout the 1930s, 1940s, 1950s, and 1960s, J. Howard Pew used all the resources at his command to change the ways in which charitable and religious bodies secured and saved their resources. In the process, he built a broad coalition of mainline Protestants, evangelical Christians, and Roman Catholic clergy, bolstered by conservative social issues and organized around a fight to create a more “just” tax code that promoted free market ideologies and empowered religious and charitable organizations over and above the state. Through studying the recommended contents of endowment and this legal battle to change the ways in which church investments in unrelated business ventures were taxed, this story illuminates a number of themes regarding the nature of American secularism, the conscious construction of evangelical alliances in the decades before their political prominence on the national stage, and the ability of finance—the seat of incredible material power—to help us make sense of the development of religious thought and practice in the United States. By examining the logics and theological contours of Pew’s insistence upon a separation between public and private, profit and loss, and secular market, political lobbying, and religious interest, we learn not only about evangelical influence on American law, but also about the context for the creation of an independent philanthropic “third sector” tied to the evolving role of organized religion in twentieth-century American society.

In his advice to every charity, foundation, niece, nephew, and church throughout his life, Howard Pew emphasized his two rules for constructing endowments, and his advice to the Presbyterian Foundation was no different. As stated above, the bulk of investments were always to be put directly into equities, as this was the best way to fight the ravages of inflation brought on by governments

involved in Keynesian debt spending and the rapid creation of new money. In this sense, Pew reflected the hopes of many on the Presbyterian Foundation governing board that the funds of the Presbyterian Church would “make a larger use of common stock without lowering the return in operation of [the] accounts in general.”²⁶ The Presbyterian Church was required to keep only a fixed percentage of common stock in its portfolio based on market price (current value), not on cost (dollars originally spent) which, over the years, began to skew its portfolios toward lower-performing bonds. “As the market prices of our stocks increase, the percentage of the fund invested in common stocks based on book value will progressively be reduced,” Pew insisted repeatedly to the myriad internal boards on which he served. Additionally, “if we have the same amount of inflation in the next forty years that we have had over the last forty (I personally believe we will have far more), our bonds will be practically worthless and our investment in equities will have been reduced to a point where they will be of relatively little value.”²⁷ This was not only a dig against the decades of misguided market activism by Democratic administrations to purer market forces, it also spoke to a plan for the long-term vitality and material power of his church.

Secondly, for Pew, these investments had to provide income in some way, and the most efficient manner of doing so to him was through the generation of stock dividend. This regular payment through dividend shepherded money in as passive income, a move symptomatic of the shrewd, measured investor. In the charter of the Presbyterian Foundation and in the eight Pew family trusts which Howard helped draft over the course of his lifetime, he included some version of the insistence that the Trustee, or Glenmede in most instances, “hold, invest, and reinvest” the original indenture of common stock and distribute solely those funds garnered from dividend.²⁸ Throughout his life, Pew’s favored financial instrument for deeds of gift was the transfer of common stock certificates in Sun Oil. In gifts to everyone from nieces and nephews to Billy Graham and building funds, granting stock, Pew believed, freed the recipients from future worries should they be prudent enough not to dip into their principal, to show restraint, and to benefit from income into perpetuity.

Pew served on the General Assembly of the Presbyterian Church, the governing body of Presbyterian lay, for much of his life. As one of the most successful businessmen in the country, much of that time was spent as chair of the Assembly’s Finance Committee. Through this work, Pew exercised the same mixture of economic and moral discretion that he always had. For example, in 1927, the Presbyterian Church received a large tract of land in Arizona through the estate of one of its members. Whenever this happened in a state with potential oil extraction or other natural resource interests, Pew would send the details along to a family member at the helm of one of Sun’s satellite offices to check the land’s worth. In this instance, J. Howard sent the deed to his cousin, J. Edgar, who ran Sun’s offices in Dallas. “If you will tell me from your maps,” he asked, “whether such land has value from the standpoint of oil, I think this is really all that would be necessary.”²⁹ Edgar seemed dismissive of the area as one he did not “look on favorably as prospective oil territory.” He refused to send prospectors out on Sun’s account and the two went back and forth negotiating the price of a scouting expedition for weeks. Eventually it was paid by Howard personally, and the surveyors came back with nothing.³⁰ While almost always a wash, Pew routinely sent his speculators to assess church lands to be sure of their exact value and potential natural wealth before cataloging them in the church’s ledgers.

For a long time, these deeds of land provided modest but stable income for the church and its general endowment. The church rented lands that were not immediately profitable for sale, and, when the occasion arose, it would sell them at a gain. However, as inflation did grow in the years after World

²⁶ See (Cheesman Herrick 1940).

²⁷ See (J. Howard Pew 1955c).

²⁸ See (J. Howard Pew 1957).

²⁹ See (J. Howard Pew 1927).

³⁰ See (J. Howard Pew 1927; J. Edgar Pew 1927).

War II, modest rates of return on investments frightened those at the helms of some of the nation's largest endowments. Non-profits were largely exempt from federal and state taxes, so many began to collect small for-profit businesses in order to increase their revenues. Just as the letters to Howard Pew noted earlier, the Episcopalians really were renting out skyscrapers in New York, the Baptists were perusing chains of filling stations, and the Catholics did in fact run a very well-respected Arizona brick factory. Often, the religious ownership of these businesses was illegible to their patrons and to the communities in which they were based. However, regardless of what these businesses looked like on the surface, their profits, as assets of religious associations, evaded steep mid-century corporate income taxes and directly funded many of the United States' largest religious denominations.

While these direct corporate holdings made a great deal of money for some, they were certainly not universally accepted and sparked much serious debate. Despite some initial vacillation, Pew decided by the late 1950s to fight against the tax exemption for religious bodies in ownership of unrelated businesses tooth and nail for three main reasons. Firstly, he believed the current legislative loophole to be unfair to *non*-religious charitable organizations which received no such exceptions. The Red Cross, for example, or family philanthropic foundations like his own might operate with the same Christian spirit, but in the eyes of the state they were put at a significant economic and operational disadvantage. Secondly, direct involvement in the market corrupted religious bodies, he believed, by placing them in the business of active profit making. Thirdly, these investments corrupted the economy too by robbing the American market of the perfect competition and free enterprise he believed to exist before the myriad market accretions spurred by FDR's countless Revenue Acts. One common problem that runs through these concerns points clearly to the contested economic boundaries between sacred and secular. Up until 1954, any not-for-profit organization could operate "unrelated business" for raising revenue. Until this time, foundations that operated in the same *spirit*, promoting Christian virtues through less overt means and with no formal affiliations to an organized church, could do the same. However, as the Presbyterian Church warned many in its form letters, "Section 511 of the Internal Revenue Code of 1954 changed this so that an income tax is imposed on unrelated business income of all charitable organizations except a church, a convention, or association of churches."³¹ Within the context of a burgeoning secular charitable sector in American society, Pew and his associates began nurturing a powerful evangelical organizing sensibility—at once pragmatic, open to negotiating "worldly" vehicles of transmission and power, and not hemmed in by denominational lines.

In 1959, the head of the Presbyterian Foundation wrote to Pew that he might "be interested to know that I am slowly making some progress with regard to the exemption of churches and church organizations to the unrelated business income tax. I wish I had a month or two to devote myself to this problem. In general, our position is fully supported by Protestant church leadership."³² With this support, Pew decided that full time resources should be devoted to the cause. He quickly wrote a check to begin organization against the tax exemption issue, and with his material support for the Foundation's research, began a movement within the Presbyterian Church to influence federal tax legislation.

In his response to the Foundation, Pew claimed that the tax exemption received by churches was far from virtuous but betrayed some mixed feelings. "In regard to the income tax exemption which churches receive when they are engaged in industrial activities," he stated, "I have the feeling that this is one of the worst of all the many evils emanating from Washington today. As long as this condition obtains, I am becoming more and more convinced that we should take full advantage of it."³³ In the face of federal seizure of private assets, he believed, individuals should maximize self interest. Although these means may have been corrupt—even evil—in his eyes, they were still to be considered by churches in the hopes of not falling behind in this economic game.

³¹ See (Form letter 1960).

³² See (Eugene C. Blake 1959).

³³ See (J. Howard Pew 1959c).

In the following months, both Pew and his team of Fidelity lawyers researched the unrelated business issue and how to organize against it most effectively. In response to one of their queries, they received the following letter detailing Presbyterian advances on the issue. “I suspect you have found some hints to help you find answers to the question of locating specific instances in which there is a tax benefit as the result of unrelated church business activities,” their scout wrote. “I do not know whether the file would contain the chief benefit that has come to my attention . . . The Presbytery of Muskingum owns a concrete block business in Phoenix, Arizona. This is an example of the kind of benefit that a gift of a business to a church can accrue to a church. I believe those who have been operating it on behalf of the presbytery have been most careful not to take any illegitimate advantage of their situation. But the fact is, as reported to me, that this company does a very high percentage of all the concrete block business in Phoenix and, therefore, subjects the church owners to the charge of monopoly, and even of price cutting due to their tax advantage.”³⁴ Market domination and horizontal integration were one thing to Pew and his fellow business leaders. However, monopoly through special tax advantage was another, and, with these reports, Pew grew increasingly skeptical of the effect of unrelated business to American enterprise.

Another evil brought about by this exemption involved the potential invention of new churches in order for existing businesses to avoid the taxes they already owed. “I remember a letter or two from California, indicating a tendency in that state for persons actually to develop religious bodies allegedly for the purpose of enabling them to operate a business without having to pay the normal corporate income tax,” the same scout wrote. “One such instance, even though it could not possibly be proven in terms of motivations, I think would bring a great many Roman Catholics to the side of those who are trying to close the loophole in the law.”³⁵ While monopoly was an affront, the creation of false religious associations—whether it ever occurred or not—was a step too far for Pew and his colleagues.

With his opinion changing and facing the difficulties of finding an easily managed business large enough to increase revenue for the national Presbyterian Church efficiently, Pew started mobilizing the same forces he began with on the fight to repeal the tax on charitable bequests. Firstly, Pew solicited his main lawyer on retainer at Fidelity, Edward Barker, who then reached out to Glenn Archer of Protestants and Other Americans United. Archer and his group served as a sort of political action network for conservative Protestants. They helped spread the right news and find influential people to move along the appropriate legislation. Barker relayed to the group that “Some years ago I coordinated a movement to repeal the Pennsylvania Inheritance Tax on Charitable Bequests . . . One of the people who helped finance this movement was Mr. J. Howard Pew, a member of the board of the United Presbyterian Foundation. Mr. Pew has now asked me to look into the advisability of organizing a similar movement for the purpose of attempting to remove the Federal income tax exemption on unrelated church activities.”³⁶ Barker then asked to be Archer’s guest in Washington, and upon his arrival, Barker briefed him on a labyrinthine system of contacts to be made and support to be garnered. While by no means simple, it seemed that Barker and Pew would be able to form the right connections by aligning themselves with Archer and his group.

However, lawyers like Barker must still be paid, even when working on behalf of a church. The financing of their operation was far from straightforward and involved a number of negotiations among different tax structures. While this really was the issue of the Presbyterian Church, Pew himself had something to gain from it. By eliminating the tax exemption for unrelated business, Pew would also eliminate the competitive disadvantage of both his own non-religious charitable foundation and his non-church-owned oil company. What is more, he was also concerned about the coffers of his church being drawn on in waging this national fight. Nonetheless, when individuals saw who financed and sponsored this legislative action, Pew was aware that a church would raise fewer

³⁴ See (Eugene C. Blake 1960).

³⁵ See (Eugene C. Blake 1960).

³⁶ See (Edward Barker 1960).

eyebrows than one of the world's wealthiest oil men. Pew agreed to pay for the legal services related to the Presbyterian Foundation's fight against tax exemption for unrelated business income. However, instead of paying Fidelity and the legal team directly, he deposited his cash into the account of the Presbyterian Foundation with express instruction through line item for the Foundation to use this money to pay Edward Barker, head of Fidelity's legal services.³⁷ This savvy maneuver on Pew's part betrays a conscious evasion of the synthetic barriers created between the different corporate structures he inhabited.

These projects were certainly not without cost. In early 1961, Edward Barker sent Pew a terse note in response to his questioning of a bill and threatening to stop payment for services. "I am acknowledging receipt of your letter of January 25 with regard to the cost of the work which I am doing in an effort to effect a revision of the Internal Revenue Code . . ." Barker wrote. "Inasmuch as I had worked for you before on a similar matter, I felt that you were aware of the cost involved . . . Perhaps a brief review would be in order at this time." Barker detailed every expense involved over 1955 and 1956 in the successful effort to repeal the Pennsylvania Inheritance Tax on charitable bequests. The full resources of two law firms, travel, research, stenographers, stationary, postage, and the labor involved in contacting "every charitable organization of every kind and description within the Commonwealth of Pennsylvania."³⁸ While this letter certainly reveals Pew's attempt to exercise a businessman's negotiating skills with a too-steep bill, it also offers perspective on the type of horizontal coalition building attempted by Pew's team throughout their work.

Blake and his colleagues repeatedly stressed this need for broad-based support in order to enact legislative change. "We need the support and approval of the church Officialdom, particularly in the larger denominations who enjoy a substantial representation in the Congress . . . But, a church cannot exist without the support of the laity, and I feel that our decision to form a lay committee is a wise one." By this point, Blake had already garnered the support of Senator Byrd, Robert McNamara, Wilbur Mills of Ways and Means, and the Chief of Staff of the Joint Committee on Internal Revenue Taxation. Ultimately, it was a timely matter too in terms of presidential political. John F. Kennedy, the nation's first Catholic president, took office just a few days before this letter was written. Additionally, "practically everyone I have talked to feels that the timing of this operation is perfect," Barker wrote Pew from a scouting trip in Philadelphia, "because the new President appears extremely anxious to prove to the country that his religion will not enter into his decisions, and that he will play no favorites, and as you can plainly see, this would be an excellent opportunity to prove his point."³⁹

With momentum clearly building, Pew and Barker took a three-tiered approach to their organizing efforts. Firstly, they reached out to fellow Presbyterians. The General Assembly owned no businesses and, at the time, only individual presbyteries made modest use of them, which put the Presbyterians at a competitive disadvantage to other denominations. In 1960, a form letter to relay this message went out to notable Presbyterian laymen, drafted by Pew and sent from the offices of the Presbyterian General Assembly in Philadelphia. It asked recipients to join a "Committee to Tax Church-Owned Unrelated Business Income." While the letter targeted Presbyterians, it also claimed the hope of attracting the attention of Protestants, Jews, and Catholics. However, the letter noted no real designs to welcome Jews and Catholics into its committee. Believing they benefited from this exemption more than Protestants and would be natural enemies of the bill, Pew hoped only that they would see the error in their ways. "If a church or synagogue moves out from its accepted moral and spiritual role in our society to compete with private business in the race for commercial profits," the letter states, "then we believe it should pay taxes on those profits as any other business is compelled to pay.

³⁷ See (J. Howard Pew 1960).

³⁸ See (Edward Barker 1961).

³⁹ See (Edward Barker 1961).

We believe that this principle should apply with equal force to all Protestant, Catholic, and Jewish organizations.”⁴⁰

Next, they reached out to prominent Protestant businessmen from other denominations in order to build a national coalition of men involved in a number of churches who also believed strongly in the free market. Pew wrote personally to W. C. Mullendore of the Southern California Edison Company, members of the Kraft Family, and Roger Firestone among others. In these appeals, Pew related the same cautionary tale of what might happen should churches be permitted to continue hoarding commercial wealth. “As an example,” Pew explained, “a church could buy a business worth \$1,000,000 with a cash investment of \$200,000 and a bank loan of \$800,000 at 4% interest.” Any bank would offer such a loan, Pew insisted, because they know that churches were not subject to the 52% corporate income tax. The business could reasonably be expected to show a 12% return, netting \$88,000 or 44% on the initial investment. And if churches together were to invest \$100,000,000 collectively in such schemes, Pew imagined through his dark arithmetic, over thirty years they would amass holdings of one trillion dollars, a figure he insisted equivalent to the national wealth.⁴¹

In his letter to Firestone, Pew included a post script that further outlined his personal concerns. “I am particularly interested in this,” he wrote, “because it will, first of all, ruin our churches by making them wealthy; and, second, ruin such industries as will be unable to compete. The more I study this situation, the more I can see the evil of it.”⁴² In these letters Pew elevated the tax issue beyond right and wrong to a theological register. By speaking of evil and sin inherent in these exemptions, Pew successfully attracted the support of a number of Protestant businessmen with a view of the world similar to his own.

Even with this support behind him, the Roman Catholic Church proved the biggest hurdle for Pew in terms of their political organization. Catholics, Pew and his fellow Protestants on the committee believed, stood the most to gain from the exemption as it stood and also represented a politically powerful bloc in Congress. This issue for the campaign was realized after receiving a negative reply to a request to join the committee from one Father Theodore Hesburgh, C.S.C., President of the University of Notre Dame. In most responses received by Pew and his team, Protestants all emphasized how their values were indeed reflected in this campaign, and even if they declined to become involved, they politely cited overburdened schedules or family responsibilities. Hesburgh, on the other hand, pointed directly to the hierarchy of the church: “the official position in these matters does not depend in any way upon me, but upon the hierarchy of the various dioceses. I am sure they would think I was completely out of place jurisdictionally to be taking stands on such legal matters when they have their own legal staff at the National Catholic Welfare Conference in Washington, D.C., and have their own committees studying all of these matters.”⁴³ This was a surprise to Pew and forced him to change tack. It would not be enough just to garner wide, horizontal support, he realized. The Presbyterians would have to appeal to hierarchies as well.

Pew and the Fidelity team then set out to find the members of this Catholic committee to persuade. In a striking about face, he realized that, if this was the way the Catholic Church conducted business, then his tactics were all wrong to change legislation and influence debates within the House Ways and Means Committee. “Instead of working through a committee, we should then go direct to the cardinals and archbishops through their organization and get them to bring out a statement asking Congress to change the legislation,” Pew explained to Barker. “We would then go to the heads of the denominations of our Protestant Churches and get them to do likewise, and that would settle the whole question.”⁴⁴ Pew assumed differences between the committee in Washington made up of

⁴⁰ See (Form letter 1960).

⁴¹ See (J. Howard Pew 1961a).

⁴² See (J. Howard Pew 1961b).

⁴³ See (Theodore Hesburgh 1961a).

⁴⁴ See (J. Howard Pew 1961c).

Catholic businessmen and the bishops and cardinals to whom they answered were discrete, separate groups. However, correspondence between Pew, Barker, and Hesburgh revealed to the Protestants that they were one and the same and could be appealed to jointly. “The organization mentioned in my letter to Mr. Pew was the National Catholic Welfare Conference . . . The Conference has several departments and divisions, each headed by a member of the hierarchy, but having a layman as Director. The Legal Division, which would be directly concerned with the work of your Committee, is under the Chairmanship of His Eminence Joseph E. Cardinal Ritter . . . Bishop Emmet M. Walsh of Youngstown, Ohio, is the Assistant Chairman.”⁴⁵

Eventually, Pew and Barker ran into a wall in their attempts to harness the political power of the Catholic Church in Washington. While they labored to receive all the appropriate letters of introduction, worked their way up the hierarchy from lay council to parish priests, to bishops and cardinals, they hit a material block. The National Catholic Welfare Conference sponsored a lay organization, the National Council of Catholic Men, which ran and produced a number of profit-making Catholic programs for radio and television. They profited from this business and, because it was a separate investment, not directly related to the mission of the church, it also allowed them to pursue educational, political, and lobbying interests that may have been prohibited for the Roman Catholic Church itself. For the already extraordinarily wealthy Catholic Church, this ability to hold unrelated businesses was not solely attractive from the perspective of economic self interest. Rather, the conceptual and operational freedom the businesses afforded allowed the church to act in ways not traditionally permitted by the state.

It took several years; however, in the landmark Revenue Act of 1969, believed by many to be the ultimate regulatory act to control the actions of philanthropic foundations, Pew was vindicated. Pew’s victory in this popularly perceived liberal win shows us that Pew’s was a conservatism that did not always map squarely onto President Nixon’s, or the Republican party’s, and was not solely motivated by financial gain. Through the 1969 Revenue Act, Pew’s Christian libertarianism was realized in two major ways. Firstly, the Act’s requirement that family foundations divest of the stock in family companies that allowed them to maintain tax-free control of these corporations did not, in the end, apply to Pew and several other established family foundations of similar age—they were “grandfathered in” to this new order. Secondly, the new legislation ultimately included Pew’s requested language regarding the ownership of unrelated businesses. Internal Revenue Code 511, Part 7, Chapter 25, Section 3, which had previously contained these exemptions struck “other than a church, a convention or association of churches, or a trust described in subsection (b)” from its qualifications, matching exactly the changes requested by Pew in his various appeals.⁴⁶

John Howard Pew died in 1971, two years after the passage of this last major piece of tax legislation to dictate the ways in which non-profit organizations could be managed and funded. Almost immediately after Pew’s death, the turbulent fluctuations in the price of oil caused the remaining board of Glenmede to sell its holdings in the General Crude Company of Houston, Texas, to diversify its portfolio away from oil extraction. Headed by Pews in Texas, General Crude had been one of many spin-offs from the Sun Oil empire, and because of the sheer amount of Sun stock held by Glenmede, through split and dividend the Trust Company came to hold 5,564,357 shares of General Crude, or approximately 63% of its common stock outstanding. With this sort of stake, through mere ownership of equities, the Pew Memorial Foundation and Glenmede as its sole trustee were able to control how and when this for-profit oil company conducted its business.

For several years in the mid-1970s, Glenmede found itself in court on a number of occasions on behalf of the Pews exerting control over this company. In 1971, the International Paper Company had proposed a bid to purchase General Crude for its oil extraction capabilities. While International Paper

⁴⁵ See (Theodore Hesburgh 1961b).

⁴⁶ IRC 511 (Form letter 1960).

owned enormous swaths of land that it managed for the purpose of harvesting lumber, an oil company, it believed, would double the profits from that land, allowing it to harvest God-given resources both above and below ground. That same year, International Paper offered to purchase Glenmede's 63% stake in General Crude's stock for \$45 per share through a mixture of cash and stock certificate. When Dow Chemical got wind of this merger, though, it decided to make a bid too, in order to fold General Crude into its existing chemical operations. This merger, it appeared, would have been mutually agreeable to both Dow and General Crude, who wanted to be incorporated into Dow to be a part of what may have been the most famous and profitable American manufacturing company of the twentieth century. International Paper's offer was withdrawn briefly, and, in the interim, Dow offered the same price of \$45 per share. International Paper immediately entered the fray again and offered \$50 per share cash. With this, Glenmede withdrew itself from the Dow offer to accept International Paper and the four parties (Glenmede, Beachwood, OH, USA, the Pew Trusts, Philadelphia, PA, USA, International Paper Co., Memphis, TN, USA, and Dow Chemical, Midland, MI, USA) entered into an excruciatingly drawn out legal battle over who had the right to control the fate of General Crude. Ultimately, though, the decision of the Pews to accept the International Paper deal over both the party to whom they were contractually obligated and the wishes of the corporation being traded, won out.⁴⁷ Against the wishes of General Crude, it was subsumed by International Paper and forced to move from its own oil operations in Texas to scouring the timber fields for resources below in the hopes of eking the most profit from a struggling paper company.

It is difficult to say what, exactly, Howard Pew would have made of the General Crude issue and his foundation's role in it. However, what the incident allows us to consider is the instability of sharp distinctions between corporate forms and actions based on heavily contested definitions of profit, risk, and religion. What the Pews and other families at the helms of large and complex endowments teach us is that the vehicles through which power is exercised and the terms in which it is understood shift constantly and require thorough examination from a number of perspectives.

Without examining the interconnectedness of these institutions and the cultural "common senses" that guide them, their complicated relationship to Protestant beliefs and historically particular political logics, philanthropic foundations continue influencing them through a series of motivations and rationalities that remain largely illegible. Studies of modern foundations and family trusts informed by the insights of American religious history reveal a great deal about the nature of knowledge production and the role of both the state and private power in public life. In recognizing the precedents set for these novel institutions by for-profit banks, by religious benevolence and charitable societies, and by networks of powerful political activists, we better understand the crucial role of religious belief in how our nation has distributed influence and resources, the role of the state in securing the welfare of its citizens, and how new institutions, initially met with dramatic skepticism, become legitimated across American society.

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