



for the Study of Democratic Institutions / The Fund for the Republic, Inc.

REPORT AND RECOMMENDATIONS TO THE BOARD

for the

Special Meeting of Trustees and Directors
of

THE FUND FOR THE REPUBLIC, INC.

Santa Barbara, California

April 19, 1975

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TO: The Trustees and Directors
FROM: Malcolm Moos
RE: Continuation of the Center at Santa Barbara

As requested by the Board at its last meeting, I have developed a plan for the continuation of the Center at Santa Barbara. Under this plan the Center will continue to operate largely as it has in recent years, but at a greatly reduced level of direct expenditure. This does not mean that the programmatic output of the Center will be reduced commensurately -- increased reliance on self-funded personnel or faculty on sabbatical will permit reductions in Center expenditures without a proportionate decrease in either the total number of resident academic staff or their direct output in terms of the Center's communications program.

This basic change in funding emphasis provides us with the mechanism for weathering our current fiscal crisis. Moreover, the built-in turnover and staffing changes will prove beneficial because they will be an aid in overcoming institutional inertia, a feature that tends to characterize all long established organizations. More important, these changes will permit increased contact between the Center and other prestigious institutions of higher education. A core staff of four Senior Fellows, the Life Fellow, and the Chairman of the Fellows, will provide the stability necessary to counterbalance the yearly changes in the complexion of the supplementary staff. As general operating funds become available in the future, additional Senior Fellows can be named. However, the general principle of adding Fellows only on a funded basis will be followed.

Operating under this reduced plan will involve a budget of approximately \$500,000. It is, in sum, a realistic and viable plan. It is not a holding action; it is an aggressive plan to go forward with the Center's vital work. My own estimate is that it will result in greater productivity and pertinence than we have witnessed recently. Quite simply, this program achieves more for less.

I fully support continuation of the Center at Santa Barbara and urge the Board to approve this plan.

THE SANTA BARBARA PLAN

Since this is a proposal to continue current operations of the Center, it needs little amplification or explanation. However, this plan is not a simple continuation of the status quo. There are two major innovations involved: one is the inauguration of the Dialogues of Democracy. (This idea is discussed in the overall mission statement that precedes this document, and therefore will not be treated here.) The second innovation concerns funding rather than function.

Clearly the Center has entered a new era -- blank checks for the indiscriminating support of Center activities apparently are no longer to be found. This is not an isolated phenomenon. In all educational and academic endeavors there is a new concern for accountability and productivity. Who gets what is being determined more and more by who does what. Lump sum allocations or donations for educational and research operations, once given freely by federal agencies, foundations and many state legislatures, have all but vanished from the scene, with the unfortunate exception of those given to military-related projects. And in the future, as Congress casts an increasingly critical eye on expenditures in those areas, these exceptions too will vanish. The age of line item appropriations and zero base budgeting is here.

Were another five or ten million dollars to be made available to the Center, we would all certainly welcome it. Part of it could be used to weather our current fiscal crisis; the

remainder could be invested to provide continuing income from endowment. Even then, however, it is questionable whether the Center could continue to avoid the issues of accountability that other institutions have faced. To be realistic, then, it appears that some degree of external accountability will have to emerge for there is no reason to believe that the Center alone should be immune from this trend.

And while it must be realized that there are dangers inherent in the move toward accountability, there are also benefits. A public institution such as the Center should be ultimately accountable to the public at large.

Shifting the emphasis from total funding support for the institution to a series of partial support projects for the individuals who constitute the institution and its program is simply a move toward accountability. In the future many persons who wish to become associated with the Center will have to demonstrate that their particular programs of studies are worthy of support. This is a harsh fact of life. Its corollary, however, is that this will allow judgments about the merits of proposed programs to be made in a more pluralistic and therefore a more democratic fashion by wider numbers of persons in our society. The potential evil is that it forces project applicants to cater to the desires of granting authorities. I think the Center can function according to the rules of this game without suffering from its deleterious effects through two measures:

1. Stringent qualitative criticism and oversight of project proposals to insure that the fashionable burning issues do not divert attention from the basic issues, and

2. The appointment of a distinguished group of project advisors who will not only help us improve the quality of our work but also serve as a certifying body with sufficient intellectual power to function as a countervailing force to the trivializing effects that result when project proposals are tailored to fit foundation foibles.

Prior to our next meeting I shall submit for Board approval a list of candidates for appointment to this group of advisors. However, the following illustrate the type of person I have in mind:

Erik Erikson
Kenneth Boulding
Harrison Salisbury
Barbara Tuchman
David Riesman
Jonas Salk
Alexander Heard
C. Vann Woodward
Hubert Humphrey
Clark Kerr
James Reston
Martin Meyerson
Elliott Richardson

Preliminary inquiry indicates that they will serve without pay, as their contribution toward the maintenance of this institution as a vital Center of residential scholars and public figures.

We have confidence in our program. We should not fear the criticism of others. And as long as we retain the right to adopt and reject programs on the basis of their merits as we see them, we need not fear losing control.

The Center will not become a hodge-podge collection of part-time researchers and thinkers whose chief talent would be their ability to package and market proposals like new deodorants. We shall have a basic and essential mission under which our

various programs will fit. (The preceding mission statement is intended to articulate that purpose.)

Structure

The staff of the Center will derive from a number of sources: (1) a core of Senior Fellows on permanent appointment; (2) independently funded Visiting Fellows, both from academe and the various professions, working in-residence; (3) faculty from major prestigious universities on sabbatical.

From these sources it is possible to have at least ten Fellows pursuing programs of studies on a full time basis, and this can be done immediately. (A list of those who have indicated interest and who wish to be involved is included later in this document.) As in the past, the dialogue will continue to be the mechanism for achieving an interdisciplinary approach to the fundamental problems the Center must address.

Tentatively a list of seven major projects for academic study is proposed. These seven can be seen as an updated Basic Issues Program:

1. The taming of technology;
2. Capitalism and consumption;
3. Economics and the environment;
4. The biological revolution;
5. World closure and interdependence;
6. Constitutionalism in crisis;
7. Cities and the civic order.

(Each of the above is outlined and explained in the overall statement for the Center that precedes this document.)

In addition, major emphasis will be placed on large public convocations to examine more topical questions. For the present, a shift in emphasis towards funding of these convocations individually will parallel the shift in funding support for the Fellows.

A list of potential topics for the Dialogues of Democracy sessions -- both at the Center and at public meetings throughout the country -- follow. (These programs are also detailed in the mission statement.)

Possible Topics for Dialogues of Democracy

Exploring Alternative Energy Sources
The Economics of Inflation
The Military Industrial Complex Revisited
Policing the Multi-Nationals
Zero Growth and the Service Society
Current Prospects for the Learning Society
Autopsy on the Imperial Presidency
Peace and Police
Tax Reform and Income Redistribution
Reforming Educational Finance
Financing Educational Reform
Justice and the Judiciary
The Return of Religion
Prospects for the Family in 2001
A Cross-Cultural Look at the Generation Gap
The Obsolescence of War
The Obsolescence of Obsolescence

Those Who Have Indicated an Interest in Center Involvement

Norman Borlaug (being explored)
Rick Carlson (funded)
Kenneth Cook (funded)
James Danielli (funded)
Richard Goodwin (visiting)
Olaf Helmer (funded)
Reuben Hill (sabbatical, visiting)
M. I. Ivins (funded)
E. J. Mishan (being explored)
Robert Rosen (funded)
Harrison Salisbury (visiting)
Jonas Salk (part time, funded)
Helmut Sonnenfeld (being explored)
Robert Tucker (visiting, funded)
Kenneth Watt (part time, funded)
C. Vann Woodward (being explored)
Herbert York (part time, negligible cost)
Jules Zimmer (part time, negligible cost)

BUDGET

The financial statement on page 29 shows projected expenditures and income on an annual basis for the Santa Barbara option.

Expenditures

The Academic Program would consist of four resident fellows on staff plus six visiting fellows to be funded from other sources. \$52,000 is included to cover the costs of conferences, dialogue sessions, and other visitors including Associates. Two secretaries would assist the Fellows. The Academic Program would also include the Life Fellow and his secretary.

Institutional overhead is projected at \$71,000. Some of these expenses, such as auditing costs, legal expenses, and cost of the Annual Report, do not vary significantly with the size of the operation. Others, such as accounting, mailing, and telephone expense are substantially lower with the smaller staff involved.

The annual cost of remaining on the Eucalyptus Hill Estate is \$50,000. Although legal counsel is investigating the possibility of reducing them, property taxes probably cannot be completely eliminated since the State argues that the Center does not require the full 42 acres for its operations.

The Administrative Staff consists of the President, his Administrative Assistant, and secretary. \$5,000 has been budgeted for travel. Total costs for Administration are projected at \$113,000.

These four categories total \$496,000.

Income

The Membership/Publications Program is expected to yield at least \$100,000.

Royalty income from the Joy of Sex is projected at \$150,000 -- \$50,000 will be received in the fall of 1975, and \$100,000 in the spring of 1976.

Special gifts are projected at \$300,000. Pledges will be announced at the Directors' meeting on April 19, 1975.

These three sources yield a total income of \$550,000, and result in a projected surplus of \$54,000.

THE FUND FOR THE REPUBLIC, INC.

STATEMENT OF EXPENDITURES AND INCOME

ANNUAL BASIS

EXPENDITURES

Academic Program

Fellows (4)	\$ 134,400
Visiting Fellows Program	52,000
Secretaries (2)	19,200
	\$ <u>205,600</u>

Life Fellow	42,000
Secretary	14,400
	\$ <u>56,400</u>

\$ 262,000

Institutional Overhead

Board of Directors	5,000
Accounting	13,000
Auditing	12,000
Legal Services	6,000
Annual Report	5,000
Mailing, Supplies & Xeroxing	18,000
Telephone	12,000
	\$ <u>71,000</u>

Eucalyptus Hill Estate

Gardening	15,000
Utilities	4,000
Maintenance	1,000
Insurance-Building	3,000
Cleaning Expenses	7,000
Security & Pest Control	1,000
Property Taxes	19,000
	\$ <u>50,000</u>

Administration

President	\$ 60,000
Administrative Assistant	33,600
Secretary	14,400
Travel	5,000
	\$ <u>113,000</u>

TOTAL \$ 496,000

INCOME

Membership/Publications Program, Net	\$ 100,000
Royalty Income	150,000
Special Gifts	<u>300,000</u>

SURPLUS \$ 54,000

Cash Flows

A Statement of Cash Flows for the next fourteen months is presented on the following page. The statement is based on the following assumptions:

1. The Membership/Publications Program will provide a net contribution of at least \$100,000. The monthly estimates used in the project were provided by Peter Tagger.

2. Royalty checks from the Joy of Sex will be received as follows: \$52,000 in May, \$250,000 in October, and \$500,000 in April 1976. Alex Comfort provided this information.

3. Special Gifts will total \$300,000. The major receipts are anticipated as follows: \$32,000 in July, \$52,000 in September, \$50,000 in October, and \$150,000 in December. Pledges will be announced at the meeting April 19.

4. Fifteen employees would be terminated as of April 30, 1975, and severance obligations would amount to \$275,000. Payments would be made monthly to the severed employees in the amount of their current monthly salaries until the severance obligation were paid in full.

Under these assumptions, the Santa Barbara plan is financially viable and does not require selling the property nor borrowing against it. The cash (cash refers here to liquid assets, that is cash plus marketable securities) position falls steadily until reaching a low point of \$78,000 at the end of September and then stays above \$200,000. Cash on June 30, 1976, is projected at over \$450,000. As of June 30, 1976, only \$40,000 would remain in severance obligations, not including the debt to W.H. Ferry, and the last payment would be made in February 1977.

THE FUND FOR THE REPUBLIC, INC.
Statement of Projected Cash Flows
For the Fourteen Months Ending June 30, 1976

	<u>May</u>	<u>June</u>	<u>July</u>	<u>Aug.</u>	<u>Sep.</u>	<u>Oct.</u>	<u>Nov.</u>	<u>Dec.</u>	<u>Jan.</u>	<u>Feb.</u>	<u>Mar.</u>	<u>Apr.</u>	<u>May</u>	<u>June</u>
Cash, beginning	356	286	239	174	124	78	292	234	370	337	305	272	243	484
Plus Inflows:														
Membership, net	(17)	17	(33)	11	(25)	23	6	43	21	20	19	23	(15)	19
Royalty Receipts	52					250							500	
Special Gifts	4	2	32	2	52	50	2	150	2	2	2	2	2	2
Investment Income	3	2	2	1	1	-	1	1	2	3	1	1	1	2
Sub-total	42	21	1	14	28	323	9	194	25	25	22	26	488	23
Less Outflows:														
Academic Program	21	21	21	21	22	22	22	22	22	22	22	22	22	22
Institutional Overhead	6	6	6	6	6	6	6	6	6	6	6	6	6	6
Estate	3	3	3	3	3	3	10	3	3	3	3	10	3	3
Administration	9	9	9	9	9	9	9	9	10	10	10	10	10	10
Severance	29	29	27	25	34	19	19	18	17	16	14	14	12	11
Royalty Payments	44					50							194	
Sub-total	112	68	66	64	74	109	67	58	58	57	55	55	247	52
Cash, ending	286	239	174	124	78	292	234	370	337	305	272	243	484	455