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Muddy Waters: Cross Currents in Fundraising and Its Control – 1907–1954

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Abstract: During the first half of the 20th century, many of the techniques of modern fundraising were developed. During these decades, fundraising demonstrated its potential for supporting important community goals, financing efforts to combat dread diseases, and initiating change in public policies. In this same span of years, community leaders, journalists, and policy makers became increasingly concerned with growing opportunities for inefficient or even downright dishonest fundraising. Local governments, federated fundraising organizers, and nonprofit charity ratings agencies attempted to forestall abuses of the public's generosity. Further, during the Second World War, the federal government imposed significant controls on fundraising for war-related activities. The year 1954 saw the passage of new laws in two states that anticipated the most common form of charitable solicitations regulation in the second half of the century, a form that is widespread today. This paper traces developments from the end of the 19th century to show how the ground was prepared for post-war efforts by state governments to regulate charitable fundraising.

Keywords: Charitable solicitations, state regulation of solicitations, history of solicitations regulation

In 1954, the legislatures of New York and Massachusetts adopted laws regulating fundraising in a fundamentally new way. These laws required registration with the government before campaigning for charitable contributions from residents of the state and subsequent periodic reports to the government on campaign results. Adoption of these laws started a new chapter in the long history of efforts to assure that popular generosity would not be abused by wasteful or simply dishonest appeals for charitable support.

The first half of the 20th century was a period during which new methods of campaigning for charitable support were developed and refined and during which the proceeds of successful campaigns increased to spectacular levels.

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The first Christmas Seal sales effort, in 1907, yielded \$3,000 for anti-tuberculosis work; the 1955 Seal campaign by the National Tuberculosis Society raised \$26 million. The first report of the results of federated campaigns in 1920 showed \$19.7 million had been raised in 39 campaigns; in 1953, 1,560 Community Chests raised \$266.1 million.¹

This paper sketches new methods and growing successes of charitable solicitations during the years from 1907 to 1954. It focuses on the contrast between “federation” (fundraising for a group of charitable organizations through one campaign) and “independent” appeals on behalf of a single organization or cause. It also describes efforts during those years to develop and enforce standards that could control waste and prevent abuses. It concludes with a description of the distinctive features of the 1954 statutes and points to their influence on further efforts to assure that the public’s willingness to support charitable activities would be protected from greedy and dishonest appeals.²

1 Innovations in Fundraising

1.1 Federation

In 1913, the newly formed Federation for Charity and Philanthropy in Cleveland, Ohio, was given a lot of notice – a full-page and favorable account in the *New York Times* under the headline “Unique Attempt to Solve Philanthropy’s Big Problem” (Figure 1). Interested discussion followed among charity leaders in other American cities. The idea that a community might organize a single campaign to support all (worthy) charitable enterprises was not new in 1913. William Norton, a strong advocate for the idea throughout his career, explained the wide attention given to this new organization with the comment, “Cleveland founded its federation on a wealth of evidence, planted it in extremely fertile soil, and promptly announced it to the world.”³ Just seven years later, 39 cities and towns had launched federated campaigns. This number grew rapidly thereafter.

¹ Long (1957, 144) (for tuberculosis); Cutlip (1965, 213) (for federated and Community Chest campaigns; the name Community Chest had begun to be adopted in 1919).

² Developments after 1954 are summarized in Barber (2012).

³ Norton (1927, 68–9).

Figure 1: *New York Times*, April 6, 1913. Page 77. (Image from the publisher's online archive.)

Significantly, these towns did not call their new fundraising coalitions “federations.” The common name that would be used through the next half century would be “Community Chest” (in the 1960s, this usage began to be replaced by “United Fund” and then “United Way”).⁴ The name “Community Chest” was the inspiration of Harry Wareham, who supplied this peacetime version of the then-common term “war chest” when local charities in Rochester, New York, agreed to “abandon separate drives and join the war agencies in one united campaign.”⁵ As in 1913, attention outside the local area led to interest elsewhere – this first “community chest” campaign went over goal and raised \$1,250,000 in one week!⁶

There is no reliable count of the number of “war chests” that were created during the First World War; one estimate suggests something on the order of 300. Widespread opinion, though, was that these federated campaigns were successful in reining in opportunistic war-related fundraising. This experience during the war gave a strong endorsement to the idea of federation as a

⁴ Cutlip (1965, 494); Weber (1977). Scott Cutlip’s 1965 book is cited often in this paper for information about the early 20th century which is not readily available to researchers today.

⁵ McKelvey (1958, 4); Weber (1977, 43)

⁶ Cutlip (1965, 214); \$1,250,000 in 1919 is equivalent to \$17.7 million in 2017, per www.in2013dollars.com; this site provide inflation estimates over a long range of dates and has been used in this paper for consistency.

solution to the need for an orderly way of gathering charitable support for key institutions. Chambers of Commerce had attempted for years to endorse worthy charities and provide guidance to their members (and other prospective donors) – the Cleveland Federation grew out of that city’s Chamber of Commerce and endorsements by its long-standing Committee on Benevolent Organizations.⁷ Federation combined the idea of endorsement (an organization had to meet the federation’s standards to be eligible to receive support) with the newly prominent idea of a single short-term campaign to meet the financial needs of all of the community’s necessary institutions in a single drive.⁸

1.2 Intensive (“Whirlwind”) Campaigning

Like federation, brief, intensive fundraising campaigns were not a new idea at the time of the First World War. The YMCA had been conducting “whirlwind” campaigns to construct or rehabilitate facilities for “city Ys” since the 1870s.⁹ Charles Sumner Ward began his long career as a fundraiser from a position at the international headquarters of the Y with responsibility for traveling to support one local Y after another in such campaigns.¹⁰ He summarized his experience in *The Intensive Financial Campaign* and trained a legion of fundraisers in his time at the Y and later in his career as the head of a successful fundraising firm.¹¹

Widespread attention to the potential of intensive campaigns followed the initial Christmas Seal campaigns of 1907 and 1908. In July of 1907, *Outlook* published an article by Jacob Riis, a crusading journalist, reporting that the Danish post office had started selling stamps that not only covered the cost of mailing a letter but also contributed toward efforts to prevent tuberculosis; six of his brothers had died of the disease. A Red Cross volunteer in Wilmington, Delaware, whose cousin was a doctor frustrated by the prevalence of the disease in the US and the limited efforts to combat it, read this article and took it upon

⁷ Cutlip (1965, 69).

⁸ Norton (1927, 24–34).

⁹ Moore (1930); Hopkins 1951, 228ff); some community’s first YMCA was a result of a donation by a railway company of some facility to provide rest and recreation for train crews during layovers while occasionally desire for a similar facility open to the whole community supported calls for a parallel network of “city” YMCAs.

¹⁰ Hopkins (1951, 596–599), describing a variety of intensive campaigns between 1905 and 1919.

¹¹ Cutlip (1965, 157–169); his book was published by the Young Men’s Christian Association in 1917.

Figure 2: The first Christmas Seal, 1907. For source, see footnote 12.

herself to try to reproduce the stamp idea in the US.¹² With approval from Red Cross headquarters and the Wilmington postmaster, she secured a design for a Christmas Seal and arranged to have 50,000 seals printed and packaged in groups of 10 (Figure 2). As Christmas neared, she and other volunteers sold these packets in the post office lobby for 10 cents each. Attention in nearby Philadelphia, Pennsylvania, led to an additional printing and further sales. By the time the holiday season was over, sales totaled 400,000 and yielded a net of \$3,000 for anti-tuberculosis work.¹³

The Red Cross created a national Christmas Seal sales campaign in 1908, enlisting its own chapters and, in communities where none existed, other local organizations to distribute the seals. When this campaign was over, the Red Cross had received \$135,000 for its 20% share of the proceeds – implying national receipts of \$675,000 in the second year of this novel fundraising effort.¹⁴ The Red Cross and the anti-tuberculosis groups operated the program jointly until they agreed in 1919 that the National Tuberculosis Society (now the American Lung Association) should be its sole sponsor.¹⁵

The strength of the model of a short-term intensive campaign received strong confirmation during World War I. The Red Cross (its campaign

¹² Zunz (2012, 46–51) citing a report that one quarter of New York children were affected; the image of the first seal design is from the webpage of the Old Time Radio Catalog (<https://www.otrcat.com/images/christmas-seal-otrcat.com.jpg>).

¹³ Cutlip (1965, 54); \$3,000 in 1908 is equivalent to \$76,226 in 2017, per www.in2013dollars.com.

¹⁴ Cutlip (1965, 57); \$675,000 in 1908 is equivalent to \$17.2 million in 2017, per www.in2013dollars.com.

¹⁵ Information on the current activities of the American Lung Association is available at www.lung.org.

reinforced by strong public endorsement from President Woodrow Wilson and a great deal of publicity) raised \$273 million in two annual drives during the war years and enrolled 18.6 million members in an extraordinary “Roll Call” in December 1917 – producing another \$42 million in dues.¹⁶ After some initial hesitations, seven national organizations with responsibilities for war-related programs agreed to the first national federated campaign – called the United War Work campaign – which raised a total of \$203 million in spite of the fact that the Armistice was signed before the campaign was completed. (The hastily revised theme of the drive was that public support was “more needed than ever to prevent the period of demobilization from becoming a period of demoralization.”)¹⁷ Coming struggles over how inclusive federated campaigns needed to be was foreshadowed by the public declaration of the Red Cross that, because of its status as “the nation’s official relief agency in time of war or disaster,” it could not and would not be a participant in the United War Work drive.¹⁸ The \$13.9 billion raised in five Liberty Loan campaigns conducted by the federal government during this period represent another validation of the concept of well organized, short-term fundraising drives.¹⁹ They provided as well an important training ground for future members of the growing profession of fundraisers.

During the 1920s, as shown in Figure 3, the Community Chest movement grew rapidly in both the totals received in the annual drives and the number of communities where chests were established.²⁰ The annual receipts from Christmas Seal campaigns increased as well. Less visible, but of long-term importance was the growth of a new form of fundraising – contracting by commercial firms to manage many (or even all) of the details of a campaign. These firms were founded immediately after the end of the war. Some of the founders were seasoned fundraisers who had worked as employees of the YMCA and other established charitable organizations, such as Charles Sumner Ward and Lyman Pierce. Others were newcomers to the field whose experience came from war-time work on the Liberty Loan and other campaigns (Figure 4).²¹

16 Cutlip (1965, Table 5, 133, 135); \$273 million in 1917 is equivalent to \$5.1 billion in 2017; \$42 million in 1917 to \$792 million in 2017, per www.in2013dollars.com.

17 Cutlip (1965, 148).

18 Cutlip (1965, 114).

19 Cutlip (1965, 171); \$13.9 billion in 1918 is equivalent to \$225 billion in 2017, per www.in2013dollars.com.

20 Cutlip (1965, Table 88, 213), showing receipts of Community Chest campaigns between 1920 and 1961; \$101 million in 1932 is equivalent to \$1.8 billion in 2017, per www.in2013dollars.com.

21 Cutlip (1965, Chapter 5) “Fund Raising Becomes a Business”.

Figure 3: Community Chest Receipts. Current \$, 1920-1942. (Source: Cutlip 1965, 213 (Table 8).)

The Christmas Seal campaign of 1907 and 1908 were not, of course, the first time a one-off campaign was successful in supporting some charitable cause. Harvard University, for example, raised the then-startling sum of \$2.4 million in a campaign for salaries for its professors of liberal arts in 1905.²² The frequency and variety of such campaigns in the 1920s, though, contributes to the sense that that decade certainly was a period of confidence and affluence. A sampling:

1922 – Lyman Pierce is retained to raise \$2 million for University of Minnesota to build a football stadium and an auditorium²³

1925 – Carleton and George Ketchum raise \$8.1 million for University of Pittsburgh's 52-story Cathedral of Learning²⁴

1926–30 – John Price Jones firm raises \$6.8 million toward construction of the Washington National Cathedral (including a nationwide radio broadcast on Good Friday in 1930)²⁵

1926–30 – American Red Cross Roll Calls raise a total of \$20.4 million in annual drives²⁶

²² Cutlip (1965, 51–53); \$2.4 million in 1905 is equivalent to \$63.4 million in 2017, per www.in2013dollars.com.

²³ Cutlip (1965, 257–258); \$2 million in 1922 is equivalent to \$29.1 million in 2017, per www.in2013dollars.com.

²⁴ Cutlip (1965, 258–261); \$8.1 million in 1925 is equivalent to \$113 million in 2017, per www.in2013dollars.com.

²⁵ Cutlip (1965, 284–286); \$6.8 million in 1930 is equivalent to \$99.7 million in 2017, per www.in2013dollars.com.

²⁶ Cutlip (1965, 303 (Table 10)); the equivalent total using the annual figures and www.in2013dollars.com is \$291.0 million.

1927 – Arnaud C. Marts assists Will Hays (later head of the Motion Picture Producers Association) in raising \$15 million for the Presbyterian Church Pension Fund²⁷

Figure 4: For source, see footnote 27.

2 Fundraising During the Depression and the Second World War

2.1 A Financial Catastrophe

As Figure 3 shows, though, this era of prosperity was not to last. After holding up for the first couple of years of the Great Depression, receipts for Community Chests fell sharply. Contributions to college and university endowments followed a similar path, with some even sharper declines as large gifts failed to appear.²⁸ President Herbert Hoover held firmly to the view that relief for the unemployed and their families was properly the province of the private sector. (The “spirit of responsibility of states, or municipalities, of industry and the community at large,” he said in 1930, “is the one safeguard against overwhelming centralization and degeneration of that independence and initiative which are the very foundation of democracy.”²⁹) The Red Cross was fully engaged in raising funds for relief of people in the 23 states that were simultaneously affected by a long-lasting drought.³⁰

The chairman of the newly-created President’s Emergency Committee for Employment (PECE) requested at their 1931 conference that the Association of

²⁷ Cutlip (1965, 286–291); \$15 million in 1927 is equivalent to \$211 million in 2017, per www.in2013dollars.com; the cartoon is from *The Saturday Review*, 2/2/61 (p. 63), and illustrates an editorial about intense fund drives.

²⁸ Cutlip (1965, 296).

²⁹ Quoted in Cutlip (1965, 297).

³⁰ Cutlip (1965, 296–298).

Community Chests and Councils (3Cs, as they were called) should launch a national emergency campaign to raise \$82 million in the 376 cities with populations over 25,000. Not all of these cities had local Community Chests, so this idea presented the 3Cs with an organizing opportunity alongside a financial challenge. As the experience during WWI would suggest, there was some resistance. The Red Cross, for example, immediately announced that it would not be a part of any such effort. Allen Burns, the executive of the 3Cs, responded that “private philanthropy cannot possibly raise all the funds needed to meet the aggregate demands” and reported soon thereafter that a survey of Community Chests showed that an additional \$170 million, over and above continuing support for existing organizations, would have to be found in the coming winter to cover the costs of relief which could not be met from reserves. By December, the campaign that the PECE called for had raised \$84.8 million. Under a new name – the Mobilization for Human Needs – the 3Cs campaigned for funds nationally in 1932 and again in subsequent years until the outbreak of World War II.³¹

In 1933, the inauguration of President Franklin Delano Roosevelt and the arrival of large numbers of newly elected members to a Democratically controlled Congress had immediate effects on the way the nation addressed the continuing destitution of millions of Americans. One measure of the change is reflected in the report of a social worker researching U.S. Census Bureau records, who found that private charities in 116 cities had covered about a quarter of the need for public relief in 1929, while by 1935, after the federal government assumed responsibility, private relief was reported as only 1.3% of the total. The posture of the Roosevelt administration was diametrically opposite that of his predecessor. When the Federal Emergency Relief Administration was set up, its administrator, Roosevelt ally Harry Hopkins, announced “the federal government has a responsibility for the distribution of funds which are appropriated by Congress for the relief of the unemployed which it cannot delegate, in good conscience, to any other agency.”³²

The growing power of the 3Cs organization is suggested by the fact that it succeeded in overcoming President Roosevelt’s strongly stated objections to the idea that corporations should be allowed to deduct donations to charitable organizations from their profits before calculating their taxes. The 3Cs interest in the law was acute. The Supreme Court in 1934 upheld the Commissioner of Internal Revenue’s ruling that corporate donations were only deductible when the result was direct benefit to the corporation or to its employees.³³ Community Chests

³¹ Cutlip (1965, 303–306).

³² Zunz (2012, 127 & 129).

³³ *Old Mission Portland Cement Co. v. Helvering* 293 U.S. 289 (1934).

clearly would not be eligible under those conditions; they had long benefited from corporate contributions and the loss of such support was a threat to the survival of the movement. At the urging of Allen Burns, the 3Cs executive, and many supporters of the Community Chest movement, Congress enacted the 1935 revenue bill that FDR had requested, but included in it a section, vociferously opposed by FDR, that specifically authorized corporations to make donations to charity of up to 5% of net income.³⁴

Beyond the dramatic financial disruptions of the Depression years, the changes in approaches to meeting community needs had long-lasting effects on the fundraising profession as well. Until the initiation of the 3Cs national mobilizations, for example, Community Chests conducted their annual appeals during many different months of the year, thus enabling a commercial firm to contract to assist with such campaigns year-round. From the Depression years onward, the custom became firmly established that all Community Chest campaigns would take place in the same month (as had been the case, of course, for Christmas Seals since that program started).³⁵ In addition to that change in the market for their services, fundraisers also faced new questions from the public. John Price Jones (who had found his way to the calling of fundraiser through enormous success at organizing Liberty Loan campaigns during World War I) described the problem succinctly in a 1937 article in *Public Opinion Quarterly*: “with the assumption by the federal government of numerous social services, one of the first questions is ‘Why doesn’t the government do it?’ Public opinion is united in its insistence on being shown a real need and that the task is outside of the government welfare program.”³⁶

2.2 The March of Dimes

Franklin Roosevelt’s interest in the causes and treatment of infantile paralysis began, of course, when he was diagnosed with the disease in 1921. In the 1920s, he began to support the center for the treatment of polio (as the disease was often called) in Warm Springs, Georgia; he recruited his law partner, Basil O’Connor, to take the lead in finding ways to support and expand the facilities there. While President, Roosevelt continued to visit Warm Springs, where he eventually built a house for himself which became known as the Little White House, and give personal support for the maintenance and operation of the facilities (which he had purchased in 1926). In 1933, in spite of the reservations of some White House staff, he agreed to a plan to gather public support for the Georgia facility at “Birthday Balls” to be held on his birthday

³⁴ Cutlip (1965, 323–329), Zunz (2012, 174–175).

³⁵ Cutlip (1965, 214).

³⁶ Jones (1937, 143).

(January 30th) in as many locations as possible. After an intensive organizing effort, the day was marked by celebrations across the country (over 40 in New York City alone). After all the receipts were counted, the organizing committee delivered a check made out to the Warm Springs Foundation for \$1,003,030.38.³⁷

The Birthday Balls continued each year. FDR was careful not to associate himself with the organizing efforts, and he tried hard to prove that he did not personally benefit in any way from the proceeds. He did, though, transmit a personal radio message to all the Balls from the White House; Eleanor Roosevelt attended the Balls in Washington, DC. The name March of Dimes was invented, apparently by Hollywood personality Eddie Cantor, as an extension of the Birthday Ball celebrations in 1938. In radio announcements and press releases, the public was asked to send dimes to the White House to support the anti-polio campaign. When all the bags of mail had been cleared out of the White House basement, a total of 2,680,000 dimes had been counted and another \$268,000 added to the treasury of the National Foundation for Infantile Paralysis (Figure 5).³⁸

Figure 5: Mail sacks containing dimes at the White House. 1939. (Library of Congress photo.)

³⁷ Cutlip 357–369; \$1,003,030.38 in 1934 is equivalent to \$18,322,969.75 in 2017, per www.in2013dollars.com.

³⁸ \$.10 in 1938 is equivalent to \$1.74 in 2017, \$268,000 to \$4.7 million, per www.in2013dollars.com.

Basil O'Connor served both as chairman and then president of the American Red Cross (a presidential appointment) from 1944 to 1947 and (simultaneously) as President of the National Foundation for Infantile Paralysis until his death in 1972. In both roles, he was a staunch advocate for complete independence from the federation movement and saw to it that the National Foundation was an active member of the National Health Council, which (along with the Red Cross) led the resistance as calls for consolidation into “united” campaigns became more insistent in the second half of the century.³⁹

2.3 The War Years

For a military historian, World War II offers much to contrast with World War I in scope, duration, and geopolitical effects. In a discussion of philanthropy, though, World War II offers many similarities to the earlier war, with the important exception of the War Relief Control Board, which will be discussed later.

Without urging from the government, the YMCA, YWCA, National Catholic Community Service, Salvation Army, Jewish Welfare Board, and Travelers Aid Association organized themselves into a joint campaign to raise more than \$10 million during the summer of 1941 to support services to the more than 1.4 million service personnel already in uniform. Called the United Service Organization for National Defense, this cooperation was the origin of the familiar USO that continues to provide supportive services to military personnel. Also during 1941, the 3Cs decided that the Mobilization for Human Needs would occur in October with a goal of \$95 million.⁴⁰

President Roosevelt repeated President Wilson’s commitment to the central role of the Red Cross in work with troops overseas. Just five days after the bombing of Pearl Harbor, he issued a proclamation calling for contributions of \$50 million to support this work. Between 1942 and 1945, multiple Red Cross drives raised a total of \$666,510,000 – which would equal something like \$9 billion today!⁴¹

³⁹ Barber and Farwell (2017).

⁴⁰ Cutlip (1965, 400, 402); contemporary information about the USO is available at www.uso.org; \$10 million in 1941 is equivalent to \$167 million in 2017, \$95 million to \$1.6 billion, per www.in2013dollars.com.

⁴¹ Cutlip (1965, 414–417); eventually the Red Cross and USO reached an agreement that the USO would provide camp shows at bases overseas and other entertainment and recreation services to active duty forces while the Red Cross provided services to the sick and wounded and its many other war-related responsibilities; \$50 million in 1942 is equivalent to \$751 million in 2017, per www.in2013dollars.com; the \$9 billion estimate is also drawn from that website.

In the 1940s, as in 1914–17, private efforts to provide war-relief and contribute to the American war effort spread rapidly. Looking back after the war, as he wrote his account of organizing nationwide federated fundraising drives, Harold Seymour reported that in those early days “the situation was just about as well in hand as a greased pig at a midnight picnic.”⁴² War Chests were forming rapidly, both as extensions of existing Community Chests and through the organizing efforts of the 3Cs. Hundreds of specific relief agencies were fundraising – 90 for aid to Britain alone, 41 for Poland.⁴³ As in the earlier war, donors, volunteers, and community leaders were overwhelmed by the number of drives, large and small, they were being asked to support. The organization Seymour led offered one part of the solution. The National War Fund, which conducted three national drives with federal approval during the war, raised and distributed a total of \$321.4 million to 29 agencies (including \$175.2 million for further distribution by the United Service Organization to its members). In addition, the War Chests considered together are reported to have raised a total of \$422.6 million during the same period.⁴⁴

Meanwhile, the Red Cross was actively raising money to meet its war-related responsibilities. During the course of the war, the publicity and fundraising departments cooperated to raise \$665.5 million dollars and swell the membership rolls to 36,645,000 – more than a quarter of the total US population in 1944!⁴⁵ There were renewed complaints from War Chests about the separate fundraising by the Red Cross. Eventually, the Central Committee restated the policy which forbid any Red Cross chapter from joining in any combined campaign; President Roosevelt himself was asked for and gave this policy his approval. Another long-standing difficulty for the Red Cross was resolved, though, when an agreement was reached with the two national labor organizations, the American Federation of Labor and the Congress of Industrial Organizations, to create designated campaign committees for labor organizations and guarantee credit for the contributions of union members in reporting on results. This agreement put to rest the lingering resentment many labor leaders harbored dating from the controversy over the role of the Red Cross in dealing with Depression-era destitution in coal-mining and other industrial communities.⁴⁶

⁴² Seymour (1947, 3); he was the director of the National War Fund, Inc, and wrote about that experience in a book published after the war.

⁴³ McCleary (2009, 40–49).

⁴⁴ Cutlip (1965, Table 14, 410–411); detail for the three campaigns is not available; \$321 million in 1944 is equivalent to approximately \$4.5 billion in 2017, \$422.6 million to \$5.9 billion, per www.in2013dollars.com.

⁴⁵ Cutlip (1965, 417); \$665.1 million 1944 is equivalent to approximately \$9.3 billion in 2017, per www.in2013dollars.com.

⁴⁶ Cutlip (1965, 417–318).

Again, as at the time of World War I, the campaigns to encourage subscription to War Bonds during World War II deserve mention. In 1946, when the last proceeds from War Bond sales were deposited, total subscriptions during the multiple war bond drives came to approximately \$185 billion dollars, representing loans to support the war effort from 85 million Americans.⁴⁷ The beginnings of a new form of fundraising can be seen in the success of a one-day sales effort hosted by CBS radio and featuring the popular singer Kate Smith. After a marathon 18-hour broadcast, which included frequent appearances by the singer, CBS reported \$39 million in subscriptions had been recorded by over-worked telephone operators.⁴⁸

3 Standards to Guide Donors, Fundraisers, and Nonprofit Agencies

The enormous sums of money described earlier are reason enough to be concerned about the possibility of abuses – by fundraisers, by racketeers pretending to be fundraisers, by organizations that collect and distribute money intended for charitable uses, by charities, by pretend charities, and by simple thieves who make off with contributed funds. During the four decades from 1913 to 1954, several attempts were made to prevent abuses and to protect donors from the risk that their contributions would be misappropriated for personal gain or lost in clumsy inefficiencies.

3.1 The National Information Bureau

Well before the United States became a combatant in the First World War, fundraising for war-related causes had grown to unanticipated proportions. In what seems an almost unbelievable count, the *New York Times* reported in September 1918 that at the start of the war there were 14,855 relief organizations raising funds.⁴⁹ To address the difficult choices that were troubling the

⁴⁷ Wikipedia 2017, “War Bond” - en.wikipedia.org/wiki/War_bond#United_States_2 (accessed September 27, 2017); \$185 billion in 1944 is equivalent to approximately \$2.6 trillion in 2017, per www.in2013dollars.com.

⁴⁸ Cutlip (1965, 424); \$39 million in 1943 is equivalent to \$552 million in 2017, per www.in2013dollars.com.

⁴⁹ *New York Times*, Sept. 8, 1918, Sec. 4, p. 6, describing the plans of NIB and state affiliates of the Council of National Defense in reduce the number of appeals.

growing number of War Chests and other community fundraising efforts throughout the country, representatives from seven cities met in Cleveland during the summer of 1918 and agreed to form a new oversight agency for wartime appeals to be called the National Investigation Bureau of War Charities. When the War ended suddenly in November, the new organization considered abandoning the plan but instead decided that there was still a need for a reliable source of information about the bona fides of charitable appeals addressed to wide audiences.⁵⁰

With a shortened name, the National Information Bureau (NIB) began operations in April 1919 with the experienced former director of the Contributors Information Bureau in New York City, Barry Smith, as its chief.⁵¹ Its board adopted and published the standards it would use in reviewing charitable appeals (see Figure 6) which largely reflected the approach used by the Cleveland Committee on Benevolent Associations in its earlier program of endorsing charitable appeals.⁵² In his first report to the board of directors, Barry Smith described a total of 320 investigations which resulted in 94 endorsements (one of which the NIB later withdrew).⁵³

An organization endorsed as worthy of public support must meet these standards:

1. An active and responsible governing body holding regular meetings or other satisfactory method of administrative control.
2. A necessary purpose with no avoidable duplication of the work of another efficiently managed organization.
3. Reasonable efficiency in conduct of work, management of institutions, etc., and reasonable adequacy of equipment for such work, both material and personal.
4. No solicitations on commission or other commission methods of raising money.
5. Non-use of the "remit or return" method of raising money by the sale of merchandise or tickets.
6. No entertainment for money raising purposes, the expenses of which exceed 30 percent of gross proceeds.
7. Ethical methods of publicity, promotion and solicitation of funds.
8. Agreement to consult and cooperate with proper social agencies in local communities with reference to local programs and local budgets.
9. Complete annual audited accounts prepared by a Certified Public Accountant or trust company showing receipts and disbursements classified and itemized in detail....
10. Itemized and classified annual budget estimate.

Figure 6: Standards of National Information Bureau, 1919. (As quoted from the *National Information Bureau Report, 1918-1919* by Cutlip 1965, 226.)

⁵⁰ Cutlip (1965, 224).

⁵¹ Cutlip (1965, 142).

⁵² Cutlip (1965, 68), summarizing the Committee's standards for endorsement.

⁵³ Cutlip (1965, 227).

During the 1920s, NIB not only continued its reviews of individual organizations seeking charitable support, it also proposed a detailed review of the overall operations of several of the growing number of organizations raising money nationally to combat specific diseases. As the oldest such group, the National Tuberculosis Association was selected for the first close examination. Following NIB's general policy, the research design specified that the true cost of the Christmas Seal campaign should be calculated including all related staffing expenses at the national, state, and local levels. Using this approach, the draft of the report concluded that the costs of the campaign were far larger than the figures given in the Association's published reports and, at nearly 26 percent, these expenditures were "too high and indicative of inefficient methods." The Association argued that a major benefit of the Seal campaign was education of the public about the risks of tuberculosis and ways to prevent its spread. The leaders of the Association objected strongly to the draft. The researcher's report on the Seal campaign was never published and the planned examination of other national health campaigns was abandoned.⁵⁴

The NIB continued in operation until 2001, when it merged with the Philanthropic Advisory Service of the Council of Better Business Bureaus and became part of the Wise Giving Alliance.⁵⁵ During its years of operation, its standards became an influential guide for leaders of nonprofit organizations, for contributors, for the press, for other observers, and, eventually, for government regulators. As is evident in standard number 8 (shown in Figure 6), the tension between local organizations dependent on charitable support and national campaigns for contributions was already an issue in 1919. It would only become more contentious in the decades ahead.

3.2 War Relief Control Board

Like the situation in 1918, the appeals for financial support during the darkening days before the US entered World War II, and the even more urgent (and multiple) appeals that followed the Declaration of War, overwhelmed community leaders and members of the public used to supporting charitable causes. Presidential designation of the Red Cross as the official agency for direct aid to troops overseas and approval of the drives of the National War Fund could address only a small part of the growing challenge.

⁵⁴ Cutlip (1965, 218–219); the quotation is from Shryock 1957, 214.

⁵⁵ Blum (2000); www.give.org (the website of the Wise Giving Alliance).

The Neutrality Act of 1939 required creation of a register of domestic organizations providing aid in the theater of war and forbid aid of any sort to belligerent governments. With the Lend-Lease Act's commitment of assistance to Allied (and not Axis) forces, the State Department required more information from registrants and imposed stiffer controls. In 1941, President Roosevelt created the President's Committee on War Relief Agencies which created a voluntary registration system for private fundraising and relief activities.⁵⁶

With the situation as Harold Seymour had described it ("a greased pig at midnight"), a group of Community Chest and War Chest leaders met in Cincinnati in June 1942 and agreed to ask the President to take action to reduce confusion and competition. In July, Roosevelt responded by issuing Executive Order 9205, establishing the President's War Relief Control Board.⁵⁷ The War Relief Control Board had broad authority to control through a process of registration the number of organizations engaged in fundraising for war-related activities. Before the end of the month, the Board issued regulations containing stringent conditions for registration (shown in Figure 7). Based on its authority to determine need (§(a)1), to prevent duplication of services (§(a)3), and to prevent conflicts (§(a)4), the Board forced the consolidation of country-specific aid organizations by selecting one lead agency for each national group – for example, the British War Relief Society, Inc. All other agencies wishing to support that nation were required to become affiliated with the lead agency or cease operations. Many did.⁵⁸

The similarity of the War Relief Control Board's regulations to the Standards of the National Information Bureau is striking (compare Figures 6 and 7); the language of several of the 1942 standards is, in fact, identical to that used in 1919! For nearly half a century, the Association of Community Chests and Councils and the National Information Bureau had attempted to limit competition among charitable causes and to prevent operation of wasteful organizations. The official recognition by the War Relief Control Board of many NIB standards as its standards for charitable organizations and their methods of raising money reflects the way NIB's influence had grown from the shaky beginnings at the time of World War I. The firm hand of the War Relief Control Board depended, though, on the special powers granted to the President by the Neutrality Act and other wartime measures. Its authority would end with the return to peace.

⁵⁶ Zunz (2012, 138).

⁵⁷ McCleary (2009, 47); Cutlip (1965, 403–404); Roosevelt (1942); Davies (1946 64–66); presidential authority for this order was based on the Neutrality Act adopted by Joint Resolution of Congress November 4, 1939.

⁵⁸ McCleary (2009, 40–49).

Standards of President's War Relief Control Board. July 30, 1942*

Executive Order 9205 authorized the Board to issue regulations consistent with its responsibilities.

The order exempted from its provisions the American National Red Cross and established religious bodies not independently carrying out any war-related activities. It also exempted local charitable activities of a normal and usual character intra-state activities other than those immediately affecting the war effort.

The order authorized the board to forbid any sort of war-related activity by organizations that were not properly registered and to require audited accounts of receipts and expenditures from registrants.

The Board issued §501 of the Code of Federal Regulations to specify the conditions for registration.

- (a) An organization endorsed as worthy of public support must meet these standards:
 1. the project is not against the public interest and there is a need for the particular relief or welfare carried out or proposed;
 2. the applicant has organized an active and responsible governing body which will serve without compensation and which will exercise a satisfactory administrative control; and the funds collected will be handled by a competent and trust-worthy treasurer;
 3. the purpose to be served is not adequately fulfilled or cannot be adequately fulfilled by existing programs and organizations;
 4. there is no avoidable conflict of national appeals for public support with the recognized campaigns of the United States Treasury, American Red Cross, the National War Fund and the Community Chests and other essential local charities;
 5. limitations upon transportation and communication facilities, economic or military controls, or other restrictions are not such as to make it impracticable to effect the proposed relief efficiently and economically;
 6. the estimated costs properly chargeable to overhead are not unreasonable; and
 7. the applicant under the name used in its application for registration is not engaged in political action or propaganda and does not combine nor intend to combine political action or propaganda with its relief activities or with its relief appeals.
- (b) No application for registration will be accepted if the means proposed to be used to solicit or collect contributions include:
 1. the employment of solicitors on commission or any other commission method of raising money;
 2. the use of the "remit or return" method of raising money by the sale of merchandise or tickets;
 3. the giving of entertainments for money-raising purposes if the estimated cost of such entertainments in relation to the gross proceeds is unreasonable; or
 4. any other wasteful or unethical methods.

* As authorized by Executive Order 4205; approved July 30, 1942, and amended November 22, 1944, to add (a)7.

Figure 7: Standards of the War Relief Control Board. (Quoted in Davies, 1946, 67–70.)

4 1945–1954

As Executive Order 9205 required, President Truman dissolved the War Relief Control Board in May of 1946. The nation adjusted to the end of the war. A new era of prosperity – and of growth in charitable activity – began. As one index of the pace of expansion, Community Chest receipts grew by 46% in the next nine years. Another can be seen in the fact that ten new health-related national

fundraising organizations were founded between 1948 and 1953.⁵⁹ Clearly the environment for fundraising was favorable, but at the same time fundraising grew more competitive. Increasing numbers of national fundraisers gave new impetus to calls for federation. The preferred identifier after 1949 was the less technical “United Fund.”⁶⁰

Growing prosperity and more visible fundraising activity encouraged interest of a less attractive sort as well. The National Kids’ Day Foundation provides one blatant example. Between 1948 and 1953, it raised \$3,978,000 with powerful appeals filled with pictures of happy children and mentioned, in small print, that its mission was to promote the idea of helping children in need. In fact, of the \$4 million in contributions, not one dollar was spent on direct aid to any child. By 1954, this unsavory enterprise collapsed under unfavorable attention to its extravagant fundraising and nonexistent charitable programming.⁶¹

Accounts of many sorts of unscrupulous, but often completely legal, behavior caught the attention of the Attorney General of New York in 1949. He directed an assistant to look into the possibility of misuse of charitable status. The assistant attorney general’s researches were reported in the press and to Senator Bernard Tompkins, who persuaded the legislature to create a special joint committee to hold hearings on the question of charitable frauds. Several witnesses provided persuasive evidence that there were ample opportunities for ill-gotten gains in the darker corners of appeals for “charity.” In the end, the Tompkins Committee concluded:

The generosity of our citizens has been consistently and flagrantly abused by a small minority of frauds operating as ‘charities’ which have mulcted New Yorkers out of an annual amount probably in excess of \$25,000,000. In addition, an even vaster sum of dollars contributed by the public is cut down to pennies before reaching the intended beneficiaries by excessive fund raising and administrative costs of inefficient charities.⁶²

Similar conclusions were reached in the same year by a legislative investigation in Massachusetts:

⁵⁹ Cutlip (1965, 489).

⁶⁰ Cutlip (1965, 495–497); the state of Michigan’s 1949 success in creating a drive for the “United Health and Welfare Fund,” with participation by some of the national health organizations, gave luster to the word “united”; the active involvement of the United Auto Workers in the drive also caught the attention of advocates for federation.

⁶¹ Cutlip (1965, 444–446).

⁶² Cutlip (1965, 441–452); the quotation is at 443–444; \$25 million in 1954 is equivalent to \$228 million in 2017, per www.in2013dollar.com.

The unwholesome fact that so many worthy and necessary fund-raising activities conducted in Massachusetts every year fall short of their objectives while a well-trained guild of racketeering promoters and solicitors reap rich profits from the charitable instincts of our people by diverting into their own pockets the lion's share of money collected in myriads of uncontrolled and unchecked money-raising campaigns which burst out like a constant rash over the physiognomy of our state has so impressed itself upon current public opinion that the Massachusetts Legislature is compelled to face the problem, recognize it for what it is, and to move in a general direction toward an effective solution.⁶³

After the exposés of dubious practices by organizations raising funds ostensibly for charitable purposes, the New York legislature adopted the first solicitations registration statute.⁶⁴ This statute required both a registration statement prior to any solicitation and subsequent reports of financial operations in a form specified by the Attorney General. These reports were declared public records available for public inspection. The statute established penalties for noncompliance and a designated state office to receive and analyze the filings. The law also set penalties for employing in “any solicitation or collection of contributions for a charitable organization any device, scheme, or artifice to defraud or for obtaining money or property by means of any false pretense, representation or promise.” New York’s 1954 law exempted religious groups and some educational and social organizations. It did not create a registration requirement for commercial fundraisers, but registered organizations were responsible for reporting the “names and addresses of any professional fund raiser and professional solicitors [and] ... the terms of the arrangements for salaries, bonuses, commissions or other remuneration to be paid.”

Massachusetts adopted a different scheme for registration prior to conducting charitable solicitations. Individuals or organizations that planned to solicit in the state were required to use a form available from the office of the Attorney General to provide information to the clerk of the city or town where solicitation would occur. If there were going to be solicitations in more than one town, the completed form could be filed directly with the office of the Attorney General – except that, if paid solicitors were involved, then the forms had to be filed with the clerk of each city or town where the solicitors would work. These files are declared to be public records available for inspection at the offices where they were filed. Massachusetts exempted

⁶³ Quoted in Council of State Governments (1954, 13).

⁶⁴ Some states and many municipalities enacted “licensing” regulations earlier that addressed charities, fundraising, or both; Barber (2014) distinguishes these laws from the registration and reporting approach adopted in 1954 and, later, by other jurisdictions.

religious organizations, nonprofit charitable hospitals, and educational institutions incorporated in the state. Also exempt were solicitations addressed only to the members of social organizations. A separate form, to be filed with the Attorney General, was required from any “promoter for compensation” (i.e., commercial fundraiser). This form required descriptions of the methods of solicitation to be employed, the “amount and method of compensation” to be paid, and “the basis of payment and the nature of the arrangement” with any paid solicitors. Within 90 days after the end of the period of solicitation, anyone required to register was also required to file a financial report with the same official that showed the total amount collected or pledged, the amount to be “given to the charitable purpose,” the amount paid for the expenses of solicitation, and the “aggregate amount paid or to be paid to solicitors and promoters.” Massachusetts was thus the first state to require registration by professional fundraisers.⁶⁵

Both of these 1954 statutes declare that registration materials and required reports are public records and open to public inspection.⁶⁶ Neither the Massachusetts nor the New York statute provides any sense of how these filings might be used to achieve the stated purpose of addressing frauds in solicitations and inefficiencies in the operations of charitable organizations.⁶⁷ The New York committee report on the legislation places the responsibility for shifting support away from less efficient charities on the public: “As the State makes available to the public the full information concerning charities, fund-raising and administrative costs and the basis of comparison, it follows that worthwhile organizations will thrive while unworthy ones will wither away for lack of public support.”⁶⁸ Without the extraordinary war powers the President exercised, a state’s power to impose direct controls on charitable organizations or fundraisers would likely have been ruled unconstitutional (as were limits on the percentages retained by fundraisers in 1980 in the Supreme Court’s *Schaumburg* decision [444 U.S. 620]).

⁶⁵ Copies of the full text of Chapter 518 of the Laws of New York and Chapter 559 of the Laws of Massachusetts from 1954 are on file with the author.

⁶⁶ This provision – adopted in one form or another by many states – became more critical after the 1988 decision of U.S. Supreme Court in *Riley* declaring “as a general rule, the State may itself publish the detailed financial disclosure forms it requires... .” 487 U.S. 800; Barber and Farwell (2016) discusses public distribution of registration information in detail.

⁶⁷ Edwin S. Newman notes, for example, in his 1955 *Law of Philanthropy* (New York, Oceana Publications), that while these statutes required fundraisers to supply information to public officials they did not provide much in the way of direction about what was to be done with the information once filed.

⁶⁸ Quoted at Council of State Governments (1954, 14).

4.1 Concluding Thoughts

During the roughly four decades encompassed in this paper, both charity and fundraising were transformed from home-grown initiatives in American cities and towns into a nationwide industry represented by powerful national associations and highly successful campaigns for multiple causes. This change was a result of incremental discovery of increasingly sophisticated methods of appealing to the public for support and of parallel growth in management techniques of the associations that addressed many objects of charity – from distinctly local welfare and recreation agencies to nation-spanning campaigns to control diseases.

During these decades a deep divide opened between the advocates for two distinctive ways of organizing the control of the uses of charitable contributions. On the one hand, the tradition begun with “Charity Organization Societies” in the late 19th century evolved into the powerful Association of Community Chests and Councils which was committed to the view that resources for charitable causes should be gathered and controlled community by community. On the other hand, the success of focused “whirlwind” campaigns – some with narrowly targeted goals such as the control of tuberculosis and others designed to raise funds for defined groups of large-scale charitable organizations such as the YMCA – inspired the growth of fiercely independent charities. In their view, only a broad national perspective could coordinate effectively the research, educational activities, and local programs necessary to offer hope that large national goals could be successfully achieved. Efforts by the advocates for locally controlled raising and allocation of funds began attempts to limit the independence of nationally directed charities in the 1920s. The restrictions imposed by the War Relief Control Board during the Second World War demonstrated the efficiency that could be achieved by exercise of central authority, but they depended on the extraordinary conditions of wartime for their legitimacy. In the immediate post-war years, the power of focused national campaigning was confirmed by an increasing number of successful appeals focused on individual diseases. And the efforts to assert local control over such campaigns intensified. This contest to control the approach to fundraising would continue through most of the second half of the 20th century.⁶⁹

Public and legislative concern with the evident possibility of abuses in charitable solicitations also grew during second half of the 20th century. Registration and reporting, as adopted in Massachusetts and New York and endorsed by the Council of State Governments in 1954, came to be the standard way state governments responded in regulating solicitations. Today, as shown in

⁶⁹ Barber (2012) discusses this period in detail.

Figure 8: State charitable solicitations regulations, 2017. (Source: State charitable solicitations statutes on file with the author.)

Figure 8, 39 states require registration and reporting by both charitable organizations and commercial fundraisers, nine states require some sort of registration and reporting by more limited types of organizations, and only three have no regulations at all.⁷⁰ Significant differences among the specific requirements in these state regulations exist today, reflecting the specific concerns that led to legislative action over the years. These differences have become more significant for the designers of charitable appeals, whether local to one community or national in scope, as the rapid increase in use of the Internet for reaching potential donors has become the preferred method of soliciting support. Smoothing out the effects of these variations among the states is a challenge that awaits attention by advocates and legislators in the years ahead.

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⁷⁰ The total includes the District of Columbia; Montana, Wyoming, and Nebraska are the three states with no regulations governing charitable solicitations.

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