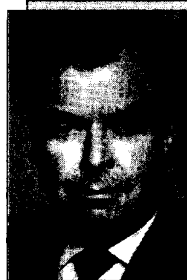


Making a Difference: Three Business Leaders Speak Out

Peter M. Flanigan is a director of Dillon, Read & Co., a New York-based international investment banking firm. A Navy carrier pilot, he joined the firm shortly after his World War II duty, leaving temporarily to serve as an economic analyst for the Economic Reconstruction Administration in the United Kingdom, as a special assistant to President Nixon and as



director of his Council of International Economic Policy. Currently, he is a director of the Anheuser-Busch Companies, Inc., and the Budd Company and is a member of the advisory board of

Ventures. He is also founder of the Student/Sponsor Partnership and a board or committee member of such organizations as the

Manhattan Institute, the Portsmouth Abbey School, the John M. Olin Foundation, the Richard M. Nixon Library, and the National Parks Foundation.

"Helping to Educate"

by Peter M. Flanigan
Director, Dillon, Read & Co.

About eight years ago I was commuting from a comfortable office in midtown Manhattan to a comfortable home in the suburbs and that took me, daily, through Harlem and the South Bronx. Looking out the window and seeing the deplorable conditions in which children were being raised, I could not help feeling that we, and our democratic society, were failing them. My wife and I talked about it and said, "Well, what can we do"?

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Robert J. Mylod is chairman, president and chief executive officer of Michigan National Corporation and Michigan National Bank. He joined the corporation in 1985, after serving for a number of years as the head of the Federal National Mortgage Association in Washington, D.C. and the Advance Mortgage Company in Michigan, and as vice president of Citicorp in New York. A Navy veteran, he is a director of VISA U.S.A., Inc., and a trustee of the Henry Ford Health System, Detroit's



Cornerstone Schools, and the Citizens Research Council of Michigan. He also holds directorships with the Detroit Symphony, the Economic Club of Detroit, the United Way and Detroit Renaissance. In addition, he is a member of the executive committee for the United Negro College Fund and an honorary member of National Volunteer Week.

"In Search of National Principles"

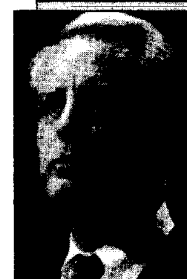
by Robert J. Mylod
Chairman, President and CEO,
Michigan National Corporation and
Michigan National Bank

When one ponders how major institutions in our society such as government, education, business and culture have evolved in

the last 200 years, it seems clear that they have negatively affected our national principles, particularly the principles that govern

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A Hillsdale College trustee since 1985 and a current Hillsdale parent, Jeffrey H. Coors is president of ACX Technologies, a publicly traded industrial products manufacturing business in the fields of industrial ceramics, paper packaging and aluminum container sheet. As a chemical engineer with a strong interest in technology, his career focused on developing these businesses under the Adolph Coors Company prior to their spin-off as ACX in 1992. His many civic responsibilities include service on the boards of such organizations as the Denver Museum of Natural History, the Adolph Coors



Foundation, the Colorado Leadership Forum, the Free Congress Foundation, and the Colorado Association of Commerce and Industry. He also chairs Hillsdale College's FreedomQuest sesquicentennial campaign.

"The Meaning of Corporate Stewardship"

by Jeffrey H. Coors
President, ACX Technologies

Throughout history, most of the world has thought of giving and self-sacrifice as a means of earning something in return. But the Judeo-

Christian tradition views giving and self-sacrifice as a voluntary reflection of God's benevolent nature in whose image we were created. Giving of ourselves and our resources is being what we were created to be.

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We had heard about Gene Lang, a New York businessman who went back to his school in Harlem to give a graduation speech before the sixth graders, who were all black or Hispanic. His speech began, "Your future is limitless, the skies are bright," but he knew that this wasn't true. He tore up the rest of his speech and said, "The only way you can experience your dream is to graduate from high school and then from college. The odds are you won't do that, but I'll tell you what: If any of you graduate from high school and can get into college, I will see to it that your tuition is paid." This was the beginning of a marvelous organization called the "I Have a Dream" Foundation.

My wife and I agreed to join Lang's efforts. That spring, I spoke to a graduating class of 50 sixth graders in the South Bronx and made them the same promise:

"You graduate from high school, and I'll see that you can go to college." The class was excited—for about two weeks, then interest waned. We hired a social worker and arranged for tutoring. We worked for six years with the 50 students that we "adopt-ed." When the class finished the 12th grade in June 1992, only seven enrolled in college. Five or six more may decide to enroll. Considering all the time and resources that we dedicated to this project, getting only 12 or 13 out of 50 students into college seems a waste.

It isn't enough to want to do good. You have to determine what it is that you *can* do and then you will be successful. Why weren't we making a dent in these kids' attitudes? Why weren't we able to improve their grades? Why weren't we getting more of them to stay in school? We couldn't change their home lives, we couldn't change their neighborhoods, and we couldn't even change their schools. If we could have changed their schools we would have had a much greater chance of succeeding.

There are two parallel school systems in New York City. The public school system enrolls 960,000 students. It involves a huge bureaucracy, with some 5,000 administrators *outside* the schools themselves. As of the early 1990s, it was costing \$6,000 yearly to put a student through grammar school and \$7,600 to put him through high school.

Now, the public system has some very

good schools, even a few of national renown. But most students must go to what are known as "zoned schools." There is no freedom to choose. A student must attend the zoned school to which he is assigned. Despite the millions of dollars that have been poured into them, zoned schools have a notoriously poor record of performance. Only 25 percent of all students in zoned New York inner-city schools graduate. According to the Rand Corporation, four years after entering high school about 15 percent take the SATs. Although these represent the best students, their average score is 604 combined. (You can score 400 just by signing your name twice.)

"It isn't enough to want to do good. You have to determine what it is that you can do and then YOU will be successful."

By contrast, the New York City private school system has 145,000 students and only 35 outside administrators. The average annual cost in recent years has been about \$1,900 in grammar school and \$3,200 in high school. The same Rand study says that of students comparable to those in zoned inner-city public high schools 70 percent take the SATS and have average scores of 802. Clearly, if you can change the inner-city students' schools you can change their lives.

If we are trying to save kids who need an education and they are in a system that doesn't educate, our efforts will fail, plain and simple. The answer to this dilemma is equally simple: Let's take students out of the schools that don't teach and put them into the schools that do teach. Six years ago, we decided to do just that. I approached the fellow in the office next to mine and said, "If you could change a student's odds of success from one in eight to seven in eight, would you do it?" He said, "How?" I replied, "Pay his private school tuition for four years and spend some time with him." The response was, "Lead me to him." We went down to the next office and made the same pitch, and so on. There are now 637 sponsors for 637 students in New York City private schools. Seventy percent graduate from private schools and virtually all enroll in college.

Who are these 637 sponsors? They are

mostly young, fast-track attorneys or executives in the investment and commercial banking community. In this sense, they are like the protagonist in that wonderful satire, *Bonfire of the Vanities* by Tom Wolfe. But unlike Sherman McCoy, the "Master of the Universe" who had infinite courage on the trading desk but was scared to death to get off the freeway in the South Bronx, our 637 sponsors go into the South Bronx all the time. They are the ones, contrary to all the media stereotypes about "rich yuppies" and "greedy businessmen," who are working hand in hand with schools to help hundreds of inner-city students get an education.

The key to the success of this effort is that everyone involved *chooses* to participate. For human creativity to flourish, it must be

unfettered. Free individuals will do things that constrained individuals will never do.

In the schools that are most successful, the principal chooses to be

there and he chooses the way in which the school is organized. He chooses the teachers, and the teachers choose him. Together, they choose a curriculum. And then students and parents choose the school. Everybody buys into that single educational enterprise.

But this is not how most of the schools in our public system are organized. A principal, largely based on his length of tenure, is appointed. He is given a very strict set of guidelines of what and how to teach: say, 22.5 hours of English, 17.5 hours of math, driving instruction, sex education, hygiene, etc., and he may *not* vary the schedule. Teachers are assigned from the central pool. Even if they are incompetent, they are paid the same as other teachers and largely are protected from being fired or disciplined. Hordes of outside administrators and hundreds of regulations dictate what all teachers must and must not do in the classroom—they have almost no discretion. And then students are assigned to schools, regardless of whether they want to go. Finally, taxpayers are forced to pour more and more assets and resources into the system in the vain hope that more money will make it work.

American public education is organized exactly like Soviet agriculture was organized. It is a bureaucratic, top-heavy system with every decision directed from above. In every other walk of life we choose how we will spend our resources and where we will

go to purchase services. Only in the first 12 years of public education are we denied freedom of choice.

That is why voluntarism and private philanthropy are so vital in America. We need to ensure that more students can choose their schools and more schools can choose to succeed in their own way. There is no shortage of individuals who are willing to make financial contributions or to get out there and put their shoulders to the wheel. Help them do it; show them how they can get involved and they will join you enthusiastically and support your effort. Stay away from bureaucracy. Be patient; don't hurry and the rewards will be extraordinary. When I get a little blue or discouraged, I go to a little school at 110th Street called St. Ann's. After spending time with the 300 inner-city minority students enrolled there, invariably I come away excited and uplifted. Or I attend a high school graduation and look at the face of a sponsor who is there to see his "adopted" student graduate. He or she is thinking, "That child is getting his diploma because of what I've done. I made a difference." 4

"There is no shortage of individuals who are willing to make financial contributions or to get out there and put their shoulders to the wheel. Help them do it; show them how they can get involved and they will join you enthusiastically and support your effort"

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how we respond to contemporary social problems.

Look at government. The clear, inexorable drift of the political process has been toward increasing government intrusion. In 1982, when the Grace Commission issued its landmark report on government spending, the national debt stood at roughly \$1 trillion. The Commission predicted that, without a change in political will, the debt would grow to some \$4 trillion by 1992 and to \$14 trillion by the year 2000. That forecast is chillingly accurate so far. Today's national debt stands at over \$4 trillion. Since the early 1960s, annual outlays for "entitlements," i.e., mandatory government spending programs, have grown from about \$30 billion to about \$700 billion. And we have increasingly looked off shore to finance this policy. Foreign sources now hold about 12 percent of our national debt. If this trend continues, we run the risk of losing control of our domestic policy, which might not be such a bad idea, but is hardly an impressive problem-solving technique.

What about the social impact of this massive public investment on the nation's poor, the group it was primarily designed to help? Statistics indicate that poor Americans are actually better housed (38 percent own their own home), better fed, and own more personal property (some 62 percent, for example, own their own car) than *average* U.S. citizens throughout most of this century. But a spiritual and cultural impoverishment has emerged that outweighs the economic progress we have achieved.

For example, 86 percent of poor families are headed by adults who don't work fulltime, suggesting a pattern of dependency. Sixty percent, moreover, are headed by single women, many of whom are encouraged by unintended government financial incentives to dissolve family unity. The illegitimate birthrate has soared 65 percent in our nation's capital alone. Crime, particularly violent crime driven by substance abuse, has exploded and has disproportionately savaged poor families. The national principles that undergird a functional, productive life seem to be fast disappearing, notwithstanding this flood of federal and state assistance.

Education, like government, appears to have hurt more than helped. It has not only failed to impart basic academic skills (SAT scores have plummeted since 1965), but it seems to teach students that their "self esteem" is more important than their skills, and that situational ethics and moral rela-

tivism are required in dealing with life's dilemmas.

It's no surprise that in a recent nationwide poll of nearly 7,000 students, 61 percent of those in high school and 31 percent of those in college admitted to cheating on one or more exams. And, after completing the written survey, about 35 percent of the students also confessed that they did not answer all the questions truthfully! Nor is it a surprise that according to the National School Safety Center, nearly three million violent crimes and thefts occur on school campuses annually, 12 percent involving a weapon. Substance abuse and sexual promiscuity have skyrocketed. Since 1970, unwed pregnancies are up 87 percent among 18- and 19-year-olds.

How does business fit into this ethical equation? The free enterprise system has produced the largest, most powerful economic engine that the world has ever known. It has consistently, although cyclically, created increasing wealth and, in so doing, lifted the standard of living for all the nation's citizens. Success has been fashioned out of risk, capital, innovation, energy, intelligence, and national principles like hard work, responsibility, and simple fairness.

But, unfortunately, not all businesses subscribe to these principles. In the last year, two major publicly-held corporations have been financially decimated by disclosures that their senior managers grossly overstated inventories. And the country is still suffering from the near collapse of the savings and loan industry, which will ultimately cost taxpayers more than \$100 billion.

How about the entertainment industry? *Detroit News* writer George Cantor had an extraordinarily insightful column recently on this topic. He was describing how Barbra Streisand sang about children, parents and values at the inauguration festivities for President Clinton. Cantor wrote, "But it is a little unnerving hearing this lesson being preached by a member of the entertainment community. It would be hard to cite another segment of American life that has been more corrosive in values, more undermining of parental authority, than show business. In its virtual non-stop celebration of sex without love, violent behavior, contempt for religion, hatred of country, adultery—the industry stands alone as a source of concern for parents who care about what their children listen to and see."

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He concluded by advising the show biz crowd to clean up its own act before lecturing the rest of the country: "Children will listen, children will see." He was right. In an era when the incidence of sexually transmitted disease, teenage pregnancy, violence, greed, fraud, and countless other forms of self-indulgence are rapidly growing, it is disappointing in the extreme to watch them continuously and relentlessly extolled by the entertainment industry.

We should support and encourage the fundamental goodness among our people that is the linchpin of all institutions. In particular, the more we promote voluntary action, the more this goodness flourishes."

What does the church have to say? The signals are diverse, but an increasing chorus calls for the redistribution of national wealth. Those with problems, like the poor, are regarded as blameless victims who must be cared for by government. They lack responsibility for their actions, so there is no question of guilt or accountability.

Less focus seems to be placed on living a virtuous life. Church leaders are particularly important in defining these principles. The great French observer of the American scene, Alexis de Tocqueville, in summing up America's strength once said, "I searched for America's greatness in her matchless Constitution, and it was not there. I searched for America's greatness in her halls of Congress, and it was not there. I searched for America's greatness in her rich and fertile fields and teeming potential, and it was not there. It was not until I went into the heartlands of America and into her churches and met the American people that I discovered what it is that makes America great. America is great because America is good; and if America ever ceases to be good, America will cease to be great."

The ultimate challenge is to recover our national principles, as we continue to participate in our major institutions. Each is subject in some way to our influence—the government by voters, schools by parents, business and entertainment by consumers, and churches by their congregations. We

should support and encourage the fundamental goodness among our people that is the linchpin of all institutions. In particular, the more we promote voluntary action, the more this goodness flourishes.

Here's a specific list of ways to start this recovery, and, of course, it means starting with ourselves:

- Each of us should write a script for our life. As we do so, we should answer the question, "What purpose will I pursue in my life?"

- Once the script is written, we should live it. Aristotle said, "We are what we repeatedly do. Excellence, then, is not an act, but a habit." The same is doubly true for character. We should be a powerful example for the people around us, for, as the Bible says, "We are the light of the world."
- We should aggressively participate in articulating the principles and agendas of the major institutions of our country. Concepts like responsibility, integrity, honesty, fairness, empathy, commitment, self-control, love, and generosity should be embedded in these.
- We should seek leadership that embraces these principles; we should abandon leadership that doesn't. We should hold leaders to standards in their personal lives as well as their public lives.
- As we move into our own leadership roles, we should surround ourselves with those who share these principles and encourage them to articulate and "export" them. 8

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Millions of Americans believe this to be true. We are the most giving nation on earth. There is no tradition of benevolence that can compare in Asia, Latin America, Africa, or even Europe. Nowhere in the world is there a United Way or a Cancer Society like ours. No other nation supports missionaries to the same extent, and none can compare with America in support for private, independent education. In many countries, congregations do not even pass the offering plate. Mandatory church taxes pay for every-thing, from the priest, the organist, the choir, and the ushers to the heat, water, and electricity. They are the most lifeless church-es you have ever entered.

When everything is taken care of by government, the spirit of voluntary commitment is lost. In contrast, it is our Judeo-Christian heritage that has inspired our giving. Americans donate about \$100 billion to charity each year, mostly in the form of individual contributions. Remark-ably, poor Americans give a higher percent-age of their incomes than do their more affluent neighbors. Corporate America currently gives \$5 billion, or five percent, of all charitable giving each year. This is a relatively new source of philanthropy, begun during World War I, when corporations were urged to declare "Red Cross Dividends." These were paid with after-tax dollars; they were not considered legitimate business expenses by the IRS. Nonetheless, many businesses went along. During the Depression, other charities like Community Chest

"When everything is taken care of by government, the spirit of voluntary commitment is lost."

and United Way adopted the idea. But not until 1936 did the IRS declare that a charitable contribution could be a deductible business expense, and even then it had to directly benefit the business. This ruling actually allowed management to circumvent shareholders in making the decision to contribute. Then in 1953 a gift to Princeton University triggered a court battle that led the IRS to allow gifts to any organization

without regard to the best interests of the business. The only limit, which is still in effect today, stipulated that gifts must be no more than five percent of a corporation's pre-tax earnings. Very few corporations give the maximum.

There are plenty of people who will tell you that five percent is not enough. But we ought not ask whether the corporate community "does its fair share." We ought, rather, to ask: "What is corporate responsibility?" This is

a question that goes to the nature of business itself. Very simply, a business sells goods and/or services to people who want them. By law, a business corporation is authorized to act in place of a person, even though it may be owned by many. The profits belong to all who invest in expectation of earning a return, so shouldn't the profits of a corporation be reserved for the benefit of the owners?

Of course, the owners have a duty and obligation to consider how they will dispose

of their profits. The matter is simple in a proprietorship or partnership with a small number of owners: The parties may meet and choose to give to worthy causes. It gets more complicated in the case of a so-called

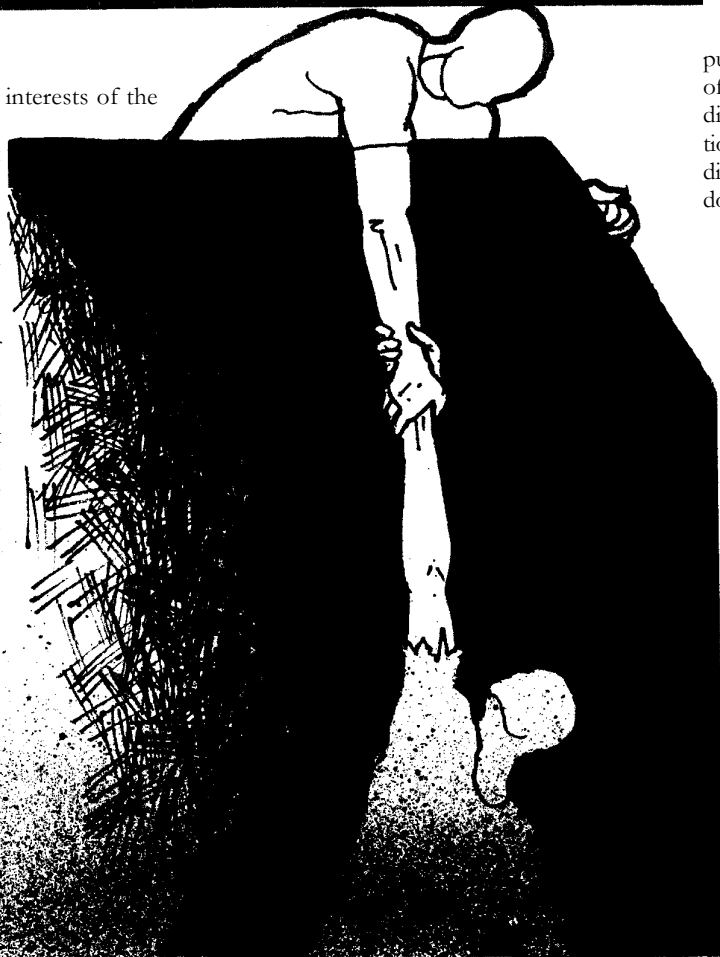
public company, which may have thousands of shareholders. How can all be consulted on disposition of the profits? I think the solution is very simple: pay out the profits as dividends and let the owners decide what to do with the money.

But in recent years corporations have learned from politicians to become very skilled at giving away other people's money

while making themselves feel good about it. Many arguments are raised to justify corporate giving. One of them is genuine altruism. People are moved by pure motives to contribute, and that is commendable. A second argument is that the needs are so great that they require corporate rather than individual resources. A third justification is that giving creates goodwill in the community. This view is

based on the idea that it is important for corporations to be good citizens and to contribute to the community. (It sounds appealing until one realizes

that it is possible to give back to the commu-



nity simply by lowering prices.)

The current buzzword in corporate giving is "enlightened self-interest." If you make the world a better place, people will buy more of what you have to sell. Enlightened self-interest also creates good public relations. Whole textbooks have been written on this kind of "cause-related marketing." Huge P.R. departments create photo opportunities for corporate heads to shake hands with the leaders of local charities and to hand them checks. The results of this kind of philanthropy are measured by the good it does for the company, not the good it does for the recipient.

There is also a great deal of peer pressure to conform in the corporate world. If a worthy cause is in need and most of the community is giving to that organization, a company becomes conspicuous by its absence. And corporate philanthropy can help avoid trouble. Dozens of special interest groups routinely target corporations and issue the threat of a boycott in order to secure contributions. Often these contributions are in reality just like "protection money" businesses are forced to pay to the underworld.

Corporate philanthropy has also funded hundreds of legitimate causes meant to solve our nation's problems. But the poor seem to get poorer, the plight of the inner

city has grown, and many citizens have become more and more dependent upon the federal government. Corporate philanthropy has helped foster that dependence. In the Capital Research Center's *Patterns of Corporate Philanthropy* the philanthropic contributions of the top 250 corporations in the country are graded. Gifts to a conservative organization merit an "A." Contributions to a non-ideological group are awarded a "C," while benefactions to leftist/liberal causes earn a "D" or an "F." The scores for each company are then averaged. Since the book was first published in 1986, there has not been a single top corporation with a record of giving that deserved an "A" rating. Only 13 percent in the last study had a "B"; 24 percent had a "C"; 52 percent had a "D"; 11 percent had an "F." I question the motives and values of companies that give shareholder profits to organizations that encourage further dependency on government. Is this "enlightened self-interest"?

It is also clear that corporate philanthropy has been a poor substitute for personal philanthropy. It has not only been widely perverted by businesses and special interest groups, but it has not been very effective in addressing the problems it seeks to solve. In this context, it is more important than ever that we develop guidelines for personal philanthropy.

Here are the guidelines I would suggest:

- (1) Giving is an individual opportunity to reflect the benevolent nature of a loving God. Give so that you might become the person you were created to be.
- (2) Support people and causes with which you are personally involved. Give more than just money to those you are helping; stand with them and help them personally.
- (3) The Bible says that the measure you use to give, whether large or small, will be used to measure what is given back to you. It is important to consider the biblical tithing as an appropriate standard. It does not have to be 10 percent, but it should be a specific amount you set aside as soon as you receive your paycheck.
- (4) Do not wait until you are established in the world; you will never be established in the world. You will never reach a point at which you have "arrived" and can begin giving.
- (5) Give privately, not seeking recognition for your work; it is for others' benefit, not your own, that you are giving.
- (6) Be a cheerful giver. The joy of helping others far exceeds the joy of helping yourself. **8**

IMPRIMIS (im-pri-mis), taking its name from the Latin term, "in the first place," is the publication of Hillsdale College. Executive Editor, Ronald L. Trowbridge; Managing Editor, Lissa Roche; Assistant, Patricia A. DuBois. Illustrations by Tom Curtis. The opinions expressed in IMPRIMIS may be, but are not necessarily, the views of Hillsdale College and its External Programs division. Copyright © 1993. Permission to reprint in whole or part is hereby granted, provided a version of the following credit line is used: "Reprinted by permission from IMPRIMIS, the monthly journal of Hillsdale College. Subscription free upon request. ISSN 0277-8432. Circulation 460,000 worldwide, established 1972. IMPRIMIS trademark registered in U.S. Patent and Trade Office #1563325.

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