CRC CAPITAL RESEARCH CENTER

Foundation Watch

Peter B. Lewis: "Aviator" of the Left?

by John Gizzi

***Summary**: Unlike his friend George Soros, billionaire Peter B. Lewis is one liberal philanthropist who prefers to keep a low profile. But the reclusive Lewis nonetheless has emerged as a powerful political player —the second biggest contributor to left-wing "527" groups in the 2004 elections.*

The Aviator," last year's hit film on Howard Hughes, traces the role of the "bashful billionaire" in politics. From a guarded Las Vegas hotel suite, the reclusive Hughes schemes to defeat his political enemies in Washington. Few people meet him face-to-face as, behind the scenes, he cultivates Capitol Hill contacts and dispenses large sums of money to achieve his goals. That's how Hughes exercised a strong but hidden hand in American politics in the 1950s and 60s.

There has been no one quite like Howard Hughes for a long time. But if anyone qualifies as a reclusive power-broker these days it is Peter B. Lewis. A graduate of Princeton University and chairman of the Cleveland-based Progressive Insurance Corporation, Lewis oversees America's third-largest automobile insurer and is worth an estimated $1.6 billion, according to *Forbes* Magazine.

The 70-year-old Lewis holds the distinction of being the second largest single donor in the 2004 election cycle to the non-party groups known as "527s" (The name comes from the section of the tax code that permits unlimited donations to such groups.) Lewis donated $16 million to the Joint Victory Committee (the name given to the three largest 527s, which combined to defeat George W. Bush). He also gave nearly $3 million to America Coming Together (ACT)—a group that allowed the AFL-CIO, Sierra Club and pro-choice Emily's List to come together—and $2.5 million to the anti-war MoveOn.Org. (See John Gizzi, "Charge of the 527s," *Foundation Watch*, May 2004.) His aggregate donations of $22,997,000 to 527 groups rival those of his friend, financier George Soros, who was the top 527 donor with gifts totaling $23,450,000. Soros and Lewis are far ahead of third-ranked Hollywood producer Stephen Bing ($13,852,000).

Peter B. Lewis

But while Soros and Bing are the high-profile subjects of scores of newspaper profiles, Lewis remains a little-known figure. One website focusing on leftist 527s characterizes him as "reclusive" and "shadowy"—adjectives also applied to Howard Hughes in his day. And while Soros and Bing have long records of supporting liberal causes and candidates, Lewis is a political Johnny-Come-Lately. In the 1990s he was giving mainly to art museums and universities. His donations to political candidates were of relatively small amounts to both Republicans and Democrats: in 2000, he gave $2000 to Green Party nominee Ralph Nader for President and even sent $500 to Republican George W. Bush. Yet within four years, Lewis had become a premier contributor to the effort to defeat Bush.

Whatever motivated Peter Lewis to change his mind remains unclear. He shuns interviews and is rarely photographed. Yet, as Jane Mayer wrote in the *New Yorker*, "He has spent much of 2004 discreetly directing millions of dollars to liberal groups allied with the Democratic Party...while cruising the Mediterranean Sea on his two-hundred-and-fifty foot yacht, *Lone Ranger*. The yacht has communications equipment that allows Lewis to monitor political developments in America while sunbathing off the coast of Italy."

Along with his Bush-bashing, financial reports show that Lewis's favorite causes in 2004 included decriminalizing marijuana, gay rights and the environment. He donated $485,000 to the Marijuana Policy Project, $117,220 to the pro-gay Stonewall Democrats United, $100,000 to the Gay and Lesbian Victory Fund and $100,000 to the Sierra Club. The cause of marijuana legalization particularly interests Lewis, who openly acknowledges using marijuana and hashish and was arrested in New Zealand in 2000 for possessing them.

May 2005

CONTENTS

Peter B. Lewis: "Aviator" of the Left? *page 1*

Briefly Noted *page 6*

In addition, Lewis made significant donations last year to the Young Democrats of America and PunkVoter Inc., both identified with the "hard left" of the Democratic Party. During the year before John Kerry secured the Democratic nomination for President, Lewis gave a maximum individual $1,000 donation to the presidential bid of former Vermont Governor Howard Dean, then running to the left of Kerry and now chairman of the Democratic National Committee.

The bulk of Peter Lewis's seven-figure contributions to causes and candidates occurred during the past five years. Lewis apparently makes decisions about contributions on his own; unlike other politically-minded billionaires, he doesn't employ an entourage of advisers and accountants to tell him where to donate. However, he and Soros apparently do discuss their joint political largess and make no secret that there is collusion in their decisions. "They were doing what rich old guys should do when they think things have gone awry," Lewis's son, Miami businessman Jonathan Lewis, told the *New Yorker*. "They're like a married couple. If they have differences of opinion, they work it out."

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Quiet But Canny Philanthropy

Possibly the most telling thing about Peter Benjamin Lewis is that his entry in *Who's Who in America (2005)* is a grand total of only eight lines. This is a bit strange for someone worth an estimated $1.6 billion, which, according to *Forbes*, makes him the 356th richest person in the world. Anyone who has gone that far, more often than not, lets the world know his honorary degrees, awards and honors, writings and the like. The *Who's Who* entry for George Soros, for example, sports 26 lines.

Having succeeded his father at the helm of the family insurance business at age 32, Lewis helped guide the Progressive Corporation from a relatively small operation into the third-largest auto insurer in the nation. Today, with nationwide operations, Progressive has more than 26,000 employees. According to Washington lobbyist John Edgell, Lewis was "a genius at redefining marketplaces" in the car insurance industry.

His work as a philanthropist, Lewis once told the *Cleveland Plain Dealer*, began when he was a child in Cleveland Heights and gave a nickel a week to his parents' Euclid Avenue Jewish temple. Admitting that charitable donations were not a big part of his life while he was learning the insurance business, Lewis said his first small charitable donations were to the United Jewish Appeal and the United Way, which his parents supported. But, he recalled, he never gave more than $1,000 to anyone.

That changed in 1967, during the Arab-Israeli Six Day War. "I was at temple, everyone was all worked up," he told the *Cleveland Jewish News*. "I was so moved. I don't remember how much [to support Israel in the war], but it was more than $1,000."

Nearly forty years later, Lewis is, as the *Plain Dealer* profile put it, "one of the most generous charitable givers in the United States." Lewis estimates that thus far he has given away $250 million, with more than half ($115 million) to Princeton, his alma mater.

Lewis' first six-figure donation was to Case Western University in Cleveland to establish a chair in memory of his father. In this gift, one could see the eccentric side of Peter Lewis: the lone "string attached" to this donation was that the chair never be held by a tenured professor because, Lewis strongly believes, the concept of tenure is "ridiculous."

Cleveland's Peter B. Lewis Building, designed by Frank O. Gehry. Gehry also designed the controversial Peter B. Lewis Library at Princeton.

Similarly, he exclusively funded the Peter B. Lewis Aquatic and Therapy Center at Cleveland's Menorah Park Center for Senior Living. His conditions for being sole funder of the entire project: he can swim there anytime, his name must be on the door—and the Center will never call him again for another contribution.

Lewis' first million-dollar gift was to Princeton to create an art gallery. Other artistic beneficiaries of Lewis' considerable largess include the Solomon R. Guggenheim Museum, the Cleveland Museum of Art, the Cleveland Institute of Art, the Cleveland Center for Contemporary Art and a scholarship for the Skowhegan School of Painting and Sculpture. Lewis is president of a private Cleveland-based foundation, the Place Fund, which had $4.9 million in assets, according to its 2003 IRS Form 990-PF. That year he gave $2,350,000 to it and it made $542,000 in grants. Records show that the Place Fund has made large contributions to Princeton ($10 million in 2000 and $19.4 million in 2001), to the Guggenheim Museum ($16 million in 2000, $11.4 million in 2001, $7 million in 2002) and to Case Western Reserve University ($7 million in 2001). It seems likely that the Place Fund is simply a financial holding pen for Lewis' philanthropy.

Some of Lewis' very generous, civic-minded philanthropic activities have spawned storms of controversy. Last year the longtime Princeton trustee made headlines when the university announced his

gift of $60 million for the construction of a library to be named for him. The proposed Peter B. Lewis Library, according to the *Princeton Weekly Bulletin*, "will serve researchers working on projects that cross scientific fields, provide services and facilities that take into account the revolutionary changes in scholarly publishing over recent years, and meet the needs of students better than the current patchwork of small, discipline-specific science libraries."

How could such a generous act stir controversy among Princeton alumni? The answer, several privately say, lies in the unconventional design of the 87,000-square foot facility. It is the work of internationally known architect (and close Lewis friend) Frank Gehry, a noted disciple of the "architecture is art" school. With its ultramodern design—including ski-slope-like roofs and space-capsule-style compartments—the proposed Lewis Library clashes with the very traditional buildings that have long been emblematic of Princeton.

"I don't care how much [Lewis] has done for Princeton," fumes one alumnus who requested anonymity. He contrasted the library's space-age design with that of the more "academia-like" structures, such as a building named for the ancestors of Senate Majority Leader Bill Frist. "This," he said, "is going to get the alumni worked up into a frenzy!"

Lewis also has been the biggest donor to the Solomon R. Guggenheim Museum in New York, giving the arts institution $77 million since 1993—nearly four times as much as any member of its Board of Trustees in the museum's history. But in January of this year, Lewis resigned as chairman of the Guggenheim's board. The action followed years of feuding with Thomas Krens, its longtime director.

"For years, the two had diverged on what the museum's focus should be," reported the *New York Times* (January 21, 2005). "Mr. Krens was interested in creating Guggenheim satellites around the world to build on the raging success of its showy outpost in Bilbao [Spain]. Mr. Lewis felt that Mr. Krens should keep the museum's attention on New York, getting the finances of the mother ship in order and perhaps seeking once again to open a branch elsewhere in the city."

The specific disagreement centered on Lewis's desire in 2002 to build a $950 million Guggenheim sister museum in Lower Manhattan. That plan had to be scrapped because of lack of funds. Then in July 2004 there was talk of a Guggenheim on Manhattan's far West Side as part of the Jets Stadium complex. In both cases, the proposed Guggenheims were to be designed by architect Gehry, Lewis's longtime friend.

But Krens, operating head of the museum for seventeen years, would not go along with the concept of a sister Guggenheim in New York. His passion was to open satellite Guggenheims throughout the world. The titanium-clad Guggenheim Bilbao in Spain has attracted one million visitors a year since it opened in 1997 and the Deutsche Guggenheim in Berlin is also considered successful. However, not all the satellite Guggenheims have had happy histories: a SoHo branch closed in 2001, and two years ago the Guggenheim Las Vegas closed after only fifteen months. But his vision undeterred, Krens "embarked on a feasibility study for a Guggenheim in Guadalajara, Mexico," reported the *New York Times.*

Regarding the political partnership of Lewis and George Soros, Lewis's son said, "They're like a married couple. If they have differences of opinion, they work it out."

Lewis, who has bailed out the Guggenheim from desperate situations on at least two occasions, balked. He told the *Times* that he preferred "international expansion be virtually halted except those that are currently cash positive for us."

The tension between the headstrong men erupted in January. Following a three-hour closed-door meeting of the Board of Trustees, Lewis resigned. It was a major news story—and a major blow the Guggenheim, whose endowment has shrunk from $56 million in 1998 to $45 million in 2005.

Lewis' mercurial nature was also on display in his hometown of Cleveland. In July 2002, he made headlines there by announcing a moratorium on his donations to local nonprofits and institutions of higher learning. Cleveland has been on a downward slide, in Lewis's view, because corporate managers and corporate lawyers are running the city. And he believes that is costing the city some big backers. "People like me, [New York Yankees owner] George Steinbrenner, [Richfield Coliseum overseer] Nick Miletti, and [publisher and advertising company president] Lois Wyse," explained Lewis. "All of them [sic] left because their social screwballness was denigrated instead of honored."

The philanthropist also derided the administration of Case Western University, to which he had donated $36 million for a building at its Weatherhead School of Management (again, designed by Gehry). In November 2003, the *Cleveland Jewish News* reported that Lewis "cited the Gehry building's excessive cost overruns, the university's gross mismanagement, and high turnovers among administrators." He also charged that declining academic rankings were making Case "a diseased university that is collapsing and sucking Cleveland into a hole with it." He added: "I had talked 'til I was blue in the face to people who nodded and did nothing." Lewis concluded that closing his checkbook was the only way to underscore the mounting problems with the university.

But that same month Lewis again made local headlines by reversing course. During an address to the City Club, he told a standing-room-only crowd that his moratorium on local charitable donations "did whatever good it did and it's over." The next day he gave $100,000 to Cleveland's Spaces Gallery, then $100,000 to Cuyahoga Community College for its Presidential Scholarship Program.

The "good" done by Lewis' decision to impose temporary but very public curbs on his charitable donations in Cleveland probably refers to subsequent changes in the Case presidency and board of trustees. The Board adopted term and age limits,

reduced its own membership from 54 to 41 and brought in ten new trustees. Moreover, after Lewis's moratorium was announced, several newer trustees were appointed and the new president, Dr. Edward Hundert, "arrested the university's free fall," according to Lewis. "God bless the board for hiring him."

Are these actions the imperious whim of a wealthy iconoclast who just wants his own way? Or are they the constructive use of a concerned supporter's exchequer for productive change? Michael Horvitz, a partner in the blue-chip Jones Day law firm and board chairman of the Cleveland Museum of Art, both roasted and toasted Lewis at the 2004 annual dinner of the city's elite attorneys and civic leaders.

Five billionaires met with liberal leaders in 2004 with a common goal: the defeat of George W. Bush. The meeting's organizer was Peter B. Lewis.

"Using reasoning deserving of a Talmudic scholar, you decided to pay your pledge, keep your name on the building [at Case Western], participate in all of the opening ceremonies, and instead to stop making contributions to every other charitable institution in Cleveland," Horvitz joked. But then he praised Lewis. "The shock therapy provided by your moratorium provided an excellent opportunity for introspection and re-evaluation on the part of all Cleveland's institutions."

Peter and the Politics of Pot

Whatever controversy and irritation Peter Lewis's private philanthropy causes is dwarfed by the uproar engendered by his political activities—most notably his effort to legalize marijuana.

In 2000, Lewis made the kind of news uncommon among billionaires: he was arrested after customs agents found 1.7 ounces of marijuana and two ounces of hashish in his luggage at a New Zealand airport. He later admitted to three charges of importing drugs. He also freely admitted that he was a regular marijuana smoker. According to Marie Dyhrberg, his lawyer in the New Zealand arrest, Lewis used marijuana on the advice of his physician for pain relief following the partial amputation of his leg in 1998. But some critics of the billionaire insist that he used marijuana well before his serious and painful operation.

In any case, the charges were dropped when the insurance magnate agreed to make a donation to a drug rehabilitation center. Judge David Harvey then cheerfully invited him to watch the challenger rounds for the America's Cup yacht race while in New Zealand and to "enjoy the fresh air."

This incident may have helped to raise Lewis's political consciousness, as they say. A year later he became the largest single donor to the American Civil Liberties Union. Significantly, there were minor "strings attached" to his $7 million gift—namely, that $5 million be earmarked for the ACLU's drug-policy litigation project, which challenges laws on drug testing in schools and on the medicinal use of marijuana. The donation prompted the *Denver Post* to comment in July 2001, "The ACLU seems to have made up its mind that it wants to go where Peter Lewis wants to go."

In 2003, Lewis' foundation, the Place Fund, gave 4,122 shares of Progressive Corporation stock valued at $293,432 to the Marijuana Policy Project and 665 shares of the stock valued at $49,965 to the Drug Policy Foundation of Washington. In 2002 Progressive shares valued at about $199,000 went to the Marijuana Policy Project and 6,633 shares of Progressive valued at $998,598 went to the Drug Policy Alliance. The Tides Foundation, a major funder of leftist causes, also received 6,633 shares of Progressive stock.

Since 1996, seven states have passed ballot initiatives permitting the medical use of marijuana. According to *The Political Arena*, "the measures are financed by what might be deemed the holy trinity of drug policy reform: George Soros, Peter B. Lewis, and John Sperling [founder of the for-profit University of Phoenix]. All three of these exceptionally rich men may have given to a wide range of philanthropic causes, but changing pot laws is apparently high on their list." Similarly, Lanicia Bentley of the Campaign for New Drug Policies told the *Capital Eye* that Soros, Sperling and Lewis are the primary funders of her California-based group.

At times, Lewis and his two political amigos have funded measures that go well beyond permitting mere medicinal use of marijuana. In 2002, Lewis financed through the Marijuana Policy Project a Nevada initiative known as Question 9, which would legalize marijuana outright. "It would force the state to grow marijuana, tax it, and sell up to 3 ounces per purchase in retail stores," explained Sue Rusche, president of the anti-drug National Families in Action. Nevadans said no to Question 9 by a margin of 2 to 1.

In Lewis's home state of Ohio, he, Soros and Sperling also were the major financial forces behind a voter initiative, State Issue 1. Again, the purpose was to take a step toward decriminalizing marijuana by mandating treatment rather than jail for first-time offenders. "But that's what judges were already doing," noted Ohio Supreme Court Justice Eve Stratton. "I have never sentenced any drug-offender to jail and, in fact, under sentencing laws, judges in all courts report that they are sentencing nearly all first and second-time offenders into treatment rather than jail, that jail is the last ditch after repeated drug violations." The campaign for State Issue 1, recalled Stratton, "grossly misrepresented what was actually being done about drug abuse and it united both the press and most politicians in both parties against it." Like the Nevada initiative, the Ohio measure also went down by a 2 to 1 margin (67% to 33%).

Political Late Bloomer

The political association of Lewis with Soros and Sperling existed well before the 2004 election. But it was something of a surprise to find the Ohio man—easily the quietest and most reclusive of the group—taking the lead in organizing his fellow financiers behind the "527s"—the political groups that revolutionized political giving in 2004. Ignoring the McCain-Feingold campaign finance "reform" law,

opponents of President Bush latched onto 527s because they can give them unlimited amounts of money.

One week after the Democratic National Convention, Jane Mayer reported in the *New Yorker* that "a clandestine summit meeting took place at the Aspen Institute, in Colorado's Rocky Mountains... Five billionaires joined half-a-dozen liberal leaders in a lengthy conversation about the future of progressive politics in America [and] they shared a common goal: to use their fortunes to engineer the defeat of President George W. Bush in the 2004 election." The meeting's organizer was Lewis; the other billionaires were Soros, Sperling and Herb and Marion Sandler. The Sandlers are a California couple who founded the Golden West Financial Corporation, a savings and loan company worth $17 billion. With total gifts of $13 million, they ranked fourth in 527 donations in 2004, right after Soros, Lewis and Stephen Bing.

Out of this seminal meeting came Lewis's $23 million financial commitment to anti-Bush 527s. It was as if a geyser of cash had suddenly erupted, drenching the American political landscape.

As a nominal past contributor to Ohio Democratic candidates and to the occasional Republican, Lewis was on no one's political radar screen until 2003. That was when Ohio reporters quoted him as saying he was trying to figure out how a "man with money" could help defeat President Bush. The 527s—with their television broadsides, voter registration drives and get-out-the-vote efforts—provided him the weaponry he sought. "He is very upset about Bush and believes that change is essential," said Lewis's friend, occasional sailing companion and former U. S. Senator Bob Kerrey (D, Neb.). What upsets Lewis most? Kerrey told the *Boston Globe:* "It is largely the assault on individual liberties."

But when asked by the same publication what he hoped his money would buy, Lewis responded cryptically. "It is a reasonable question, and I have chosen throughout this cycle not to comment. Let me continue not to comment, but you are asking me a fair question."

President Bush's reelection has not deterred America's leftwing billionaires from political plotting. According to the *Financial Times* of London (January 12), following the election Lewis met with George Soros, Soros' son Jonathan and with savings and loan moguls Herb and Marion Sandler at a closed-door meeting in San Francisco last December. They mutually resolved to invest heavily in building an intellectual infrastructure for the left to match what they perceived to be the vast network of think-tanks and policy advocacy groups that assist conservatives. The *Times* said Hollywood producer Stephen Bing and Andrew Stern, president of the Service Employees International Union (SEIU), were expected to join the venture, and that the Center for American Progress, headed by former Clinton White House chief of staff John Podesta, would be involved in dispensing funds. A former aide to Senator John Kerry was told, "Money is not a problem."

Indeed. Like Howard Hughes before him, Peter Lewis seems determined to maintain his silence—but let his money talk. *FW*

***John Gizzi** is the political editor for* Human Events, *a weekly Washington news journal.*

The Politics of Peace

What's Behind the Anti-War Movement?

By John J. Tierney

The leaders of the "anti-war" movement today are leftists
who oppose capitalism and believe in socialism.
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PhilanthropyNotes

It appears we are finally pulling out of the post-9/11 philanthropic slump. Giving by the nation's more than 66,000 **grantmaking foundations increased to a record high of $32.4 billion in 2004, according to the Foundation Center's** new report, *Foundation Growth and Giving Estimates: 2004 Preview*.

But charity hasn't increased everywhere. While overall giving to U.S. colleges and universities rose 3.4 percent last year, contributions to **Princeton University** fell by a whopping $100 million—45 percent, according to a national survey by the **Council for Aid to Education (CAE). Ann Kaplan**, the survey's author, said the $125.1 million in private gifts and bequests Princeton received was its lowest in eight years. "It received $117 million in 1996" and $227.5 million in fiscal 2003, she pointed out. Princeton's ranking in private donations plunged from 17th in 2003 to 33rd in 2004. "I can't speculate as to the cause," Ms. Kaplan said. But others cite an ongoing scandal over "donor intent" at the university. According to a *Washington Times* story, heirs to the **A&P** supermarket fortune are plaintiffs in a lawsuit that says Princeton misdirected millions of dollars of foundation money from the late **Charles and Marie Robertson**, and they suggest Princeton's "financial free fall" may be due to bad publicity about their litigation. In 1961, the Robertson's gave 700,000 A&P shares, valued at $35 million, to establish a foundation to prepare graduate students for diplomatic careers. But **Herb Berkowitz**, a spokesman for the Robertson heirs, says the "plaintiffs charge Princeton with ignoring the donors' intent, improperly spending more than $100 million on nongermane programs" instead of diplomatic training. Princeton denies misusing the cash, and also denies that the lawsuit—which seeks control over an endowed foundation now worth over $600 million—has been responsible for the plunging contributions. Counters Berkowitz: "When people flee an undesirable regime, we say they are voting with their feet. Perhaps there is an equivalent here -- people voting with their checkbooks."

The Austrian-born head of the world's largest food company stunned the **Boston College Chief Executives' Club** in March when he declared that companies shouldn't feel obligated to "give back" to the community, because they haven't taken anything away. In a direct assault on the concept of "corporate social responsibility," **Peter Brabeck-Letmathe**—the head of **Nestle S.A.**—said companies should pursue charitable works only with the objective of getting a return for investors. "I think there is good reason for corporate philanthropy," Brabeck-Letmathe said. "But as managers, we need to be very careful, because it is not our money we're handing out, but the money of shareholders." He added that a company's main obligation to the community is simply to create jobs and make products. "What the hell have we taken away from society by being a successful company that employs people?" he demanded.

According to the head of the **Internal Revenue Service**, tax-exempt charities and nonprofits have become havens for tax evasion. In a letter to the **Senate Finance Committee** that detailed abuses the IRS has uncovered, **Internal Revenue Commissioner Mark W. Everson** said that unless the government takes effective steps to curb the mounting abuses, nonprofits risk "the loss of the faith and support that the public has always given to this sector." Everson observed that the nonprofit sector, including pension plans, totals roughly 3 million entities controlling $8 *trillion* in assets. He raised red flags about how hard it had become to distinguish nonprofit hospitals from for-profit ones; political activity by nonprofits; misuse of entities established to let religious leaders hold property and conduct business; and deals allowing tribal members to profit from gambling revenue without owing taxes. But **Heather Higgins**, co-founder of the **Alliance for Charitable Reform**, says some of the proposals for curbing nonprofit abuse are regulatory overkill. In the April 4 *Wall Street Journal* she warns that proposed new regulations will discriminate against family foundations, place burdens on small and faith-based charities and create new federal liability standards for charity trustees. She urges the IRS to enforce existing laws against nonprofit abuse.