

# TAX-EXEMPT FOUNDATIONS

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## HEARINGS

BEFORE THE

### SELECT COMMITTEE TO INVESTIGATE TAX-EXEMPT FOUNDATIONS AND COMPARABLE ORGANIZATIONS

HOUSE OF REPRESENTATIVES

EIGHTY-SECOND CONGRESS

SECOND SESSION

ON

**H. Res. 561**

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WASHINGTON, D. C.

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NOVEMBER 18, 19, 20, 21, 24, 25, DECEMBER 2, 3, 5, 8,  
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**SELECT COMMITTEE TO INVESTIGATE TAX-EXEMPT FOUNDATIONS  
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## TAX-EXEMPT FOUNDATIONS

TUESDAY, NOVEMBER 18, 1952

HOUSE OF REPRESENTATIVES,  
SELECT COMMITTEE TO INVESTIGATE TAX-EXEMPT  
FOUNDATIONS AND COMPARABLE ORGANIZATIONS,  
Washington, D. C.

The select committee met, pursuant to call, at 10:20 a. m., in room 1301, New House Office Building, Hon. Eugene E. Cox (chairman) presiding.

Present: Representatives Cox, Hays, Forand, Simpson of Pennsylvania, and Goodwin.

Also present: Harold M. Keele, general counsel to the committee. The CHAIRMAN. The committee will come to order.

This committee is operating under House Resolution 561, which among other things directs the committee to conduct a full and complete investigation and study of educational and philanthropic foundations and other comparable organizations which are exempt from Federal income taxation to determine which such foundations and organizations are using their resources for purposes other than the purposes for which they were established, and especially to determine which such foundations and organizations are using their resources for un-American and subversive activities or for purposes not in the interest or tradition of the United States.

Without objection the resolution will at this point be written into the record. Is that satisfactory, Mr. Keele?

Mr. KEELE. Yes, sir.

(H. Res. 561 is as follows:)

[H. Res. 561, 82d Cong., 2d sess.]

### RESOLUTION

*Resolved*, That there is hereby created a select committee to be composed of seven Members of the House of Representatives to be appointed by the Speaker, one of whom he shall designate as chairman. Any vacancy occurring in the membership of the committee shall be filled in the same manner in which the original appointment was made.

The committee is authorized and directed to conduct a full and complete investigation and study of educational and philanthropic foundations and other comparable organizations which are exempt from Federal income taxation to determine which such foundations and organizations are using their resources for purposes other than the purposes for which they were established, and especially to determine which such foundations and organizations are using their resources for un-American and subversive activities or for purposes not in the interest or tradition of the United States.

The committee shall report to the House (or to the Clerk of the House if the House is not in session) on or before January 1, 1953, the results of its investigation and study, together with such recommendations as it deems advisable.

For the purpose of carrying out this resolution the committee, or any subcommittee thereof authorized by the committee to hold hearings, is authorized

to sit and act during the present Congress at such times and places and within the United States, its Territories, and possessions, whether the House is in session, has recessed, or has adjourned, to hold such hearings, and to require, by subpoena or otherwise, the attendance and testimony of such witnesses and the production of such books, records, correspondence, memoranda, papers, and documents, as it deems necessary. Subpoenas may be issued under the signature of the chairman of the committee or any member of the committee designated by him, and may be served by any person designated by such chairman or member.

The CHAIRMAN. I should like to make it perfectly clear that the committee will strive to conduct the hearings in a fair and judicial manner, and if possible do nothing that will afford an excuse for the accusation that it is likely to become a smear or a whitewash.

This is not a fight as between the committee and the foundations nor is it intended to be a love feast, but rather it is a serious effort put forth on the part of the committee to develop the facts and to make a true answer to the charge laid down in the resolution under which it operates.

I think it proper to make clear at this point here at the beginning of the hearings that none of the foundations have thus far offered the slightest resistance to the investigation nor have any of them indicated an intent to offer such resistance, but, on the other hand, all have cooperated freely and to the fullest extent, so much so that up to the moment the committee has not found it necessary to use its subpoena powers either to get documents, records that it might want, or to bring witnesses here.

I should like to reiterate that which in effect has heretofore been stated, and that is that there is not a member of this committee who is hostile to the foundations or the idea of philanthropic giving. There is not one who wishes to injure the foundations or impair their proper functions.

As we have previously said, investigation does not imply hostility nor does study imply danger to the subject studied. Rather we seek to develop information which will be of value not only to the Congress and to the people of the United States, but to the foundations themselves.

This is the spirit in which the work of the committee has thus far been done, and it is in that spirit in which we will continue our labors.

All right, Mr. Keele.

Mr. KEELE. I would like to call Dr. Ernest V. Hollis, please. He is the first witness.

The CHAIRMAN. Mr. Keele, Mr. Hays will preside.

Mr. HAYS. I will ask our general counsel to proceed with the interrogation.

Mr. KEELE. Will you state your name, Dr. Hollis.

**STATEMENT OF ERNEST V. HOLLIS, CHIEF OF COLLEGE ADMINISTRATION IN THE UNITED STATES OFFICE OF EDUCATION**

Mr. HOLLIS. I am Ernest V. Hollis, Chief of College Administration, United States Office of Education.

Mr. KEELE. Dr. Hollis, what training have you had of a formal nature?

Mr. HOLLIS. I am a graduate of "a cow college" down in Mississippi, Mississippi State College, the Land Grant College, bachelor and mas-



ter's degrees in biological sciences. I have a master's degree in history and philosophy and a Ph.D. degree from Columbia University in the field of school and college administration.

Mr. KEELE. You have had some administrative and teaching experience, have you not, in colleges and universities in this country, Dr. Hollis?

Mr. HOLLIS. Yes.

Mr. KEELE. Will you tell us about that?

Mr. HOLLIS. I have taught in rural elementary schools, high school, and college. I have served as dean and as president of the Georgia State Teachers College. At one time or another I have been a professor at the University of Illinois, Duke University, Northwestern University, City College of New York, and Columbia University.

Mr. KEELE. You have, as I understand it, written on the subject of philanthropic giving or foundations and higher education, have you not?

Mr. HOLLIS. Yes. Back in 1938, I wrote a book called Philanthropic Foundations and Higher Education, and have, of course, since that time written a number of articles for encyclopedias, professional magazines and popular magazines on the problems and issues of foundations' philanthropic operations.

Mr. KEELE. You have also served, I believe, Dr. Hollis, as a consultant on problems of institutions, that is, educational institutions and organizations in the field of higher education, have you not?

Mr. HOLLIS. Yes. I have served as a consultant to individual colleges or groups of colleges I suppose in every State in the Union, or nearly so. If there is an exception, I can't think of one at the moment.

Mr. KEELE. Dr. Hollis, would you define for us or characterize a tax-exempt philanthropic or educational foundation, and by "tax-exempt," I mean exempt from Federal income taxation.

Mr. HOLLIS. There are two groups of them that you have to hold in mind. The first are those that are individually chartered either by a State or one of its subdivisions or by the Federal Government. Those are exempt from taxation under section 101 (6) of the Internal Revenue Code. Second, there are charitable trusts and are created under the general charitable trust statutes of the several States. These are exempt under section 162 (a) of the Internal Revenue Code. They are the greatest in number, the smallest in average size of principal fund, and the ones about which the least is known because they come into existence primarily by the testamentary act of an individual.

Mr. KEELE. And what are their characteristics otherwise, would you say, if any, Dr. Hollis?

Mr. HOLLIS. Well, of course, their chief characteristic is that they are a legal device for channeling private wealth to public beneficiaries, general undesignated beneficiaries, and they have a great many characteristics, depending on the perspective you are viewing them in.

For example, many of them are perpetuities. That means their principal funds cannot be spent. There are others that may spend their funds, and some that must spend their principal fund in a specified period of time.

There are other foundations we speak of as community trusts that represent kind of a holding company for a lot of small donors.

Mr. KEELE. That type is exemplified, is it not, by the so-called Cleveland Trust?

Mr. HOLLIS. I suppose the one that Col. Leonard P. Ayres started in Cleveland back in 1920 is the earliest of the community trust type of foundations.

Mr. KEELE. That is differentiated from the community funds or community chest, is it not?

Mr. HOLLIS. Oh, yes, not to be confused at all with community chest, which is philanthropic funds given on a current basis. There is no endowment.

Mr. KEELE. Dr. Hollis, would you trace briefly for us the origin, the evolution of the philanthropic fund or foundation in other countries?

Mr. HOLLIS. Yes.

Mr. KEELE. That is other than in the United States, I mean.

Mr. HOLLIS. Before I do that, I would like to add a word on this current cross-section picture, because it is so involved and confused.

Many people ask me how many foundations are there, and what are their total assets. Unfortunately, our social statistics in that area are so meager that no one can give a definite answer.

From the probings I have made, if you include both the separately chartered and the charitable trust statute types of foundations, there must be between 30,000 and 35,000 foundations in this country, and they probably have total capital assets of 6½ to 7 billion dollars.

Now I don't know whether \$7 billion impresses you as a small sum or a large sum. Compared to the Federal budget, even as it may be passed this year, it possibly isn't 10 percent of it, but compared to my money it is an enormous sum. Through the impact of these funds foundations have a tremendous influence on the cultural life of the Nation. In my judgment, possibly next to the church, the school and instrumentalities of government, philanthropic foundations, along with press, radio, and television, are among the very most influential social forces of the Nation. Now, Mr. Keele, I am ready to move on to your other question.

Mr. KEELE. Just hold up one second.

Mr. HAYS. Dr. Hollis, pardon me just a minute. Mr. Cox has just called my attention to the fact, and has directed the committee's attention to the fact, that some of the reporters may not have comfortable seats. We are a bit crowded.

The chairman is setting aside the first four seats on both sides for the press, and they will be free to occupy these seats.

Mr. KEELE. I think I asked you, Dr. Hollis, to trace for us something of the origin and development of foundations.

Mr. HOLLIS. Yes. Well, again before doing that, I am reminded that the Commissioner of Education asked me to state for the record that I am testifying as an individual and as a student of foundations, and not in my official capacity, and that therefore my statements do not necessarily reflect the views of the Office of Education or the Federal Security Agency. If it is agreeable, Mr. Chairman, I would like the Commissioner's letter to be included in the record.

Mr. HAYS. Without objection, it is so ordered.

(The letter above referred to is as follows:)

FEDERAL SECURITY AGENCY,  
OFFICE OF EDUCATION,  
Washington, D. C., November 18, 1952.

Mr. HAROLD M. KEELE,  
*Chief Counsel, House Select Committee To Investigate Tax-Exempt  
Foundations, House of Representatives, Washington 25, D. C.*

DEAR Mr. KEELE: The House Select Committee to Investigate Tax-Exempt Foundations has called upon Dr. Earnest V. Hollis, Chief of College Administration, Division of Higher Education, United States Office of Education, to testify as a technical expert concerning tax-exempt foundations.

As a recognized authority on the history of tax-exempt foundations, Dr. Hollis is well qualified to give expert testimony in this field. In offering such testimony, however, it should be understood that Dr. Hollis is serving as a technical expert on technical matters. To the extent that Dr. Hollis is called upon to express opinions concerning issues of public policy, it should be understood that any opinions so expressed are personal with Dr. Hollis and do not necessarily represent the views of the United States Office of Education nor the Federal Security Agency. It follows that Dr. Hollis is not authorized to commit the United States Office of Education nor the Federal Security Agency on any question of public policy in this matter.

Sincerely yours,

(Signed) EARL J. McGRATH,  
*United States Commissioner of Education.*

Mr. KEELE. We understand that you are called here not as an official of the Government, but rather as one who is qualified by his experience and study to testify as an expert on this subject, and that is the purpose for which you were brought here, and I think that should be made abundantly clear.

Now we will get back to that question.

Mr. HOLLIS. Well, being somewhat historically minded, when I began studying foundations 15 or 20 years ago, I got very much interested in seeing where their real roots and origins were in our early civilizations. I found that foundations are nearly as old as the institution of private property. They started in the early Egyptian and Chaldean civilizations and at first only the king had authority to alienate private property from natural heirs to general welfare purposes.

And, of course, since most of our legal history comes through Roman law channels, I was interested to note that about 150 B. C. Roman law was modified so that the legal heir concept was further substantiated. A legal heir in 150 B. C. was declared by Roman law to be a "sentient reasonable being" who at the same time was an "immutable undying person." Now that is how far back you have to go to find the legal roots of a foundation really defined.

In this period foundations were palliative organizations. They were made up primarily of what in Roman times were called "alimentari," in other words, foundations providing funds to feed the poor, maintain funeral associations, and ransom captives. They had very few of the purposes that go with the constructive and preventive activities of modern foundations.

It is interesting to note that the first investigation of foundations dates back to 65 B. C. At that time foundations in the Roman Empire had become financially strong enough and politically powerful enough to be accused of having joined in Catiline's conspiracy, and because of that Cicero persuaded the Senate to dissolve foundations as contrary to public policy.

Mr. KEELE. We are not then in an unchartered field?

Mr. HOLLIS. No, sir. These were "bad," by Cicero's definition, foundations, you understand, that were dissolved; that is, they were not in the public interest, as Catiline's opposition interpreted it. Of course, "good" foundations, by Cicero's definition, were rechartered. These bads and goods are in quotes; I take it you can see that my tongue is in my cheek.

The new crop of foundations had come to a fairly fruitful stage by the time of Constantine, 325 A. D. He, as you recall, was the first Christian emperor.

Constantine turned over to the Christian Church exclusive responsibility for being almoner for the Roman Empire, and it is from his act that the medieval church came to be the dominant body in the matter of maintaining and operating philanthropic foundations.

Of course, the foundations again got out of hand legally, and when we come to the period of Justinian, 529 A. D.—those of you who are lawyers will remember the revision of the civil code under Justinian—at that time the legal concepts of foundations were resharpenered and refocused almost into the stage and shape that they now have in our own history.

I should like to move quickly into the English experience with foundations. In Britain during the medieval period the ecclesiastical foundations had come to own somewhere between a third and a half of the wealth of Great Britain. They occupied most of the positions as masters in chancery and had what King Henry II, who ruled from 1154 to 1189 A. D., considered a strangle hold on the economy of Great Britain. Accordingly, he entered a declaration that the bishops and the abbots and other church officials held their funds by the good will of the king and that they were responsible to the king's justice for their administration. That was a new principle because up to this time these foundations had been largely governed by canon law.

The next 200 years, between Henry II and Henry VIII, was a royal battle over the dissolution of the foundations, and as you know, Henry VIII confiscated the wealth of all the foundations in Great Britain for the use of the Crown. But the charitable, the philanthropic nature of man, his regard for the welfare of his fellow human beings, led him in Elizabeth's reign to establish what has become the Magna Carta of modern philanthropic foundations. I refer to the Statute of Charitable Uses, Act 43 Elizabeth, if you are interested in seeing it. That act has two principles in it that those of you who read Blackstone will remember, established once and for all the principle that foundations are touched with the public interest and that the public has the right to know about them.

Those two principles were *fundatio incipiens*, as indicating that the state is the incorporator and the supervisor of all philanthropic bodies, and the second term was *fundatio perficiens*, to indicate that the donor shared in this act through providing the funds to implement the legal document.

And those principles still hold in American law because our charitable trust statutes are based largely upon the charitable trust statute or Elizabeth 43. That, in brief, is the early history.

I would like, if you think I am not pushing the history too far, Mr. Keele, to recite a thumbnail sketch from Elizabeth's time up to fairly recent periods.

Mr. KEELE. I am familiar with what you have in mind and I think it is of value.

Mr. HOLLIS. Elizabeth's 43 not only provided a legal instrument chartering foundations but it set up machinery for supervising them and for keeping their social utility intact. Many of them had suffered from what is known as the mortmain, or deal-hand principle, and had lost their social usefulness. By 1700 the special commissions authorized by Elizabeth 43 had investigated 1,000 foundations, restored them to social usefulness, and kept them on the track of public interest.

That machinery continued in existence for a little more than a hundred years; 1837 is the next significant date in British history so far as philanthropic foundations are concerned. At that time a royal commission was set up to make a complete restudy of philanthropic foundations and their bearing on British life.

Mr. HAYS. What was that date, Dr. Hollis?

Mr. HOLLIS. 1837. That commission came out with a great many constructive recommendations, and those recommendations were debated in the Parliament over a very considerable period, and in 1853—it was Acts 16 and 17 of Victoria—charitable trust statutes were established that set up the machinery for formally defining, regulating, and conducting foundations so far as the public interest was concerned. The regulatory body then established was not unlike our Federal Trade Commissions or our Federal Communications Commissions.

That body has since supervised foundations in the public interest in Great Britain.

There have been a number of amendments to Victoria 16 and 17. As a matter of fact, right now Lord Nathan has been asked by the British Government to make a new study of foundations to see what further modification needs to be made in their present regulatory arrangements. His report is just about due to be made now. I haven't seen a copy of it yet, but I know something of the types of things that it was dealing with.

Apparently in order to get the 1854 laws enacted, the Parliament had to make a great many exemptions from its provisions. For instance, the foundations of Oxford and Cambridge were exempted from supervision of this commission. The large ecclesiastical foundations and certain of the contributory funds, such as what we would call our March of Dimes type of programs, were exempted.

In fact, there were so many exemptions that as you read the law you wonder what it was that was left to be regulated or to be supervised. But at any rate, part of the present report of Lord Nathan is an attempt to tighten up and to make more inclusive the machinery that has been in operation in Great Britain for a full hundred years.

Mr. KEELE. Dr. Hollis, how many trusts or charitable foundations were examined by that commission sitting back in 1837?

Mr. HOLLIS. There were nearly 29,000 examined by the 1837 Royal Commission.

Mr. KEELE. That commission sat some 17 years in its work, didn't it?

Mr. HOLLIS. Yes; some 17 years. It had a very considerable staff, but because of the type of obscurities I have indicated, getting the basic facts proved to be a very difficult undertaking even under these circumstances which are much more favorable than those of your committee.

Mr. KEELE. Dr. Hollis, I should think that that probably in capsular form brings us up to the period of the American foundations or those foundations which are fostered in this country; is that correct?

Mr. HOLLIS. Yes. On this early history, Mr. Chairman, may I have the privilege of inserting into the record a more concise and a more meaty statement than it was possible for me to make offhand? It is a brief statement.

Mr. HAYS. Without objection, it is so ordered.  
(The document above referred to is as follows:)

[From the Educational Record for October 1939—The American Council of Education, Washington, D. C.]

#### EVOLUTION OF THE PHILANTHROPIC FOUNDATION

(By Ernest Victor Hollis)

The philanthropic foundation as we know it did not spring full grown from any one civilization. It gradually emerged in response to social necessity and, like most legal instruments, has since been refined in the crucible of each succeeding culture. The foundation did not appear in primitive societies because it would have served no useful purpose. The welfare of the god, the tribe, the family, the individual were communal undertakings. Private property existed only in very personal items; there was none to implement a foundation.

For religious purposes the heads of government initiated the practice of leaving wealth in perpetuity to other than natural heirs. Fourteen hundred years before the Christian era the Pharaohs of Egypt were thus setting aside funds in perpetuity. Inscriptions show contracts wherein the Pharaoh is the donor of specified kinds and amounts of wealth to a college of priests who, for a designated portion of the income, obligated their order to use the remainder to keep the tomb perpetually protected and the religious ceremonies observed. Since there would be no legal machinery to assure the performance of this duty if the dynasty were to change, contracts usually created a second foundation, the income from which went to persons charged with seeing that the priests fulfilled their obligations. The indenture also called down the most terrible maledictions of the gods upon the heads of any unfaithful trustee. The Chaldean civilization had almost identical practices as is shown by a clay tablet, dated 1280 B. C. reciting how King Maroultach bought certain lands from his vassals, built a temple on it, dedicated the whole to the god Marduk, and endowed a college of priests to operate it. These are the earliest known efforts at projecting private will beyond life for general purposes; they constitute the most rudimentary form of the foundation.

A different cultural and governmental pattern in Greece and Rome modified the purpose and the manner of establishing and supervising the perpetuities that we now call philanthropic foundations. As late as the time of Solon and the Law of the Twelve Tables the right of making a will and testament did not exist, nor could a living owner of property alienate it from his heirs. It took 500 years for the ingenuity of these creative peoples to invent a living legal heir as a substitute for a natural heir and then he could receive wealth only from living donors with the consent of natural heirs, if any. It required almost another half millenium to extend to this "unnatural heir" the right to receive bequests and to translate the concept of a "living legal heir" into the abstraction of "an immutably legal person"—that is, to recognize a foundation or corporation as a person before the law.

The first modification permitted a living donor to create a perpetuity for other than his natural heirs, provided those heirs signified their approval of the indenture by signing it. Foundations so established faced many hazards and often had a tenuous and short-lived existence; the courts were lax in enforcing penalties for discovered malfeasance or misfeasance, beneficiaries had no rights in court, and when a faithful and efficient steward died the court might replace him with a less competent one. The uncertainty of actual perpetuity was so great that often a philanthropic donor preferred to use a bequest to natural heirs, pledging them to carry out his benevolent intentions. Thus Plato in 347 B. C. left to his nephew the academy and a productive endowment of land, stipulating that it be administered for the benefit of his followers; the nephew, using the living legal heir concept, left the foundation to Xenocrates for the benefit of the cult. Following the newer concept, Epicurus gave his

gardens to 10 disciples to be administered by them and their successors as a retreat for Epicurean scholars. In time this legal concept was interpreted to apply to the members of a varied list of charitable associations, such as festival groups, colleges of priests or augurs, funeral associations, and the like. As living persons (not as corporations) they were permitted to receive gifts in perpetuity from the living but not through bequest.

About 150 B. C. Roman law modified the legal-heir concept to declare associations were at one and the same time "sentient reasonable beings" and "immutable undying persons." This interpretation gave foundations immutability plus all the advantages of natural heirs save the right to receive bequests. With an improved legal status, foundations increased in number and kind. By 65 B. C. the associations had become a financial and political power; because so many of them aided Catiline's conspiracy Cicero persuaded the Senate to dissolve them as contrary to public policy. Following this first known clash between the state and foundations a general act of the Senate permitted the formation and reorganization of "loyal associations." In Augustus Caesar's reign establishment was restricted to specific authorization, except for the very minor funeral associations.

During the reign of the five good emperors, 96-180 A. D., foundations were greatly encouraged throughout the Roman Empire. Nerva gave the cities the right to accept foundation funds by bequest, Trajan extended the privilege to the towns, Hadrian included the villages, and Marcus Aurelius permitted the associations (private groups) to receive bequests. In this period, the objectives of foundations began to shift from honoring the gods and the dead, preserving the cult, and perpetuating a feast day to at least a palliative ministering to the needs of underprivileged groups. Nerva, Trajan, Hadrian, Antoninus Pius, and Marcus Aurelius gave generously of their private wealth for establishing in the municipalities foundations for *alimentarii*, that is, foundations to aid in the feeding, clothing, and educating needy legitimate children.

We know that among many others influenced to follow the example of the emperors Pliny the Younger established an *alimentarius* in his native city of Como and in one other town. Another was Herodes Atticus, a citizen of Athens and the Rockefeller of his day, who lived during the reign of the Antonines. He built a water-supply system for Troas, endowed a giant stadium at Athens, and restored to its ancient magnificence the theater of Pericles; he provided a temple to Neptune and a theater at Corinth, a stadium at Delphi, endowed a bath at Thermopylae, and a system of aqueducts at Canusium in Italy. Inscriptions indicate that the people of Epirus, Thessaly, Euboea, Boeotia, and other cities of Greece and Asia Minor gratefully styled Herodes Atticus their benefactor.

In their struggle to rule, the 30 "barracks emperors" of Rome between 192 and 324 A. D. "borrowed" the foundation funds that had been entrusted to the municipal treasuries. This confiscation caused Constantine to recognize the obligation and the necessity for the state to assist causes formerly aided by these foundations. By edict he reiterated the legal rights of the Christian Church (an association in Roman law), pointing out that its property and revenues could not be alienated by anyone nor used within the church for purposes other than that designated by the donor. Thereafter Constantine used church instead of state machinery for distributing public funds to the underprivileged. Both state and church officials encouraged philanthropically inclined individuals to give to the poor, aged, orphans, sick, and the other underprivileged persons only through the church.

In time the ecclesiastical foundations became the chief almoners in the Roman Empire and wherever else Christianity was dominant. Through its powerful hold on the dying hours of the faithful the church was able to amass enormous wealth for the exercise of the monopoly on charity given it by the state. By A. D. 453 certain bishops and abbots had so yielded to the temptation to divert to other church purposes the inalienable perpetuities for the underprivileged that the emperor Valentinian cited again the principles of Constantine and issued a "cease and desist" order against such practices. During the next hundred years, under the watchful eye of the state, the church more or less faithfully discharged as a lawful obligation the duties of almoner which it had assumed as a moral obligation in the time of Constantine.

Around A. D. 550 the legal basis of the ecclesiastical foundation was revised in Tribonian's restatement of Roman law that we know as Justinian's *Corpus Juris Civilis*. The Code, the Digests, and especially the Novels (statutes of Justinian) brought the laws of *Piae Causae* into reasonable conformity with the social conditions of the age. While socially an administrative agent to give the

wealth of the few to the needs of the many, legally the ecclesiastical foundation was still an association (like an apostolic church) where donors, administrators, and recipients were one and the same body of persons. The local church had also overstepped its legal bounds by having more than one such association; patriarchs, bishops, abbots each controlled one or more foundations for pious causes, and lesser churchmen managed foundations for orphanages, schools, hospitals, ransoming captives, and the like. The laws specifying the obligations and privileges of those who managed such endowments were contradictory and inadequate for safeguarding the funds from avarice and stupidity.

To bring a semblance of legal order was a formidable undertaking for Tribonian and his associates. The nearest they came to resolving the fundamental problem of the nature of an ecclesiastical foundation was to declare in a statute of Justinian that "the founder of an ecclesiastical establishment creates a legal person of an ecclesiastical nature whose personality derives from that of the church but which possesses a legal capacity of its own." In other words, the foundation was now legally independent of the recipients and was the actual responsibility of the administrators chosen by the donor. The personality of the foundation was at spiritual oneness with the church just as the Trinity of the Godhead was really one. Otherwise the ecclesiastical foundations could not have been considered organic parts of the church universal. The declaration lessened somewhat the control of the church hierarchy over foundations and increased the necessity for secular statutory regulation.

The more important of Justinian's comprehensive list of laws to safeguard foundation funds and keep them socially useful provided for the selection of a similar cause when the original had lost its social utility; and also provided that the endowment revert to the donor or his heirs if his will was not made effective in 1 to 3 years, depending on the nature of the perpetuity. In a national emergency the emperor could alienate to the government any perpetual fund of church or secular foundation. The church could not permanently alienate property given it and only the bishop or abbot could exchange it for other property; for buying foundation property otherwise, one was fined and the property and the payment reverted to the church. Managers of endowment property could put it on long-time lease but the lease became inoperative if the rent was 2 years in arrears. Such property could be pledged to raise money to ransom Christians from the Saracens or to pay debts; the creditor could not foreclose but could hold the property only until the revenue repaid the loan. Foundation funds could not be loaned to heretics or infidels. The state gave charitable funds investment preference and protection similar to that which we accord funds held in trust for minors.

The Emperor gave the bishop or abbot the right to designate the actual manager of a charitable endowment. A manager could not make a "gift" in return for his appointment (a common practice of the day) but he might give the foundation the equivalent of a year's salary. Managers were authorized by the Emperor to act as guardians or to appoint and supervise guardians for all legally incompetent persons under their care, such as orphans and the insane. These powerful prerogatives were exercised by the church to its financial advantage throughout the medieval age; as masters in chancery in the England of Henry VIII and Queen Elizabeth these churchmen were still exercising a dominant control over property and person.

The Saxon kings in England, following the Roman practice, recognized the ecclesiastical foundation as a spiritual trust and therefore chiefly the concern of the bishop, abbot, or similar church official. After 1066 the Norman kings rejected this idea and declared the foundation a temporal trust subject to secular supervision under the usual laws of chancery. In challenging the dominance of the church in temporal affairs a decree of Henry II (reigned 1154-1189) declared: "The bishops and abbots shall hold their possessions of the King and answer for the same to the King's justice." From this time on the common law of England recognized the Crown as guardian of the revenues of vacant bishoprics and the patron of all charitable funds and hence their legal founder. These declarations were the first skirmishes in a 400-year struggle of the state to control foundation wealth estimated at one-third to one-half that of all England. On the surface the Kings opposed the princes of the church for alleged abuses of obligations to both donors and recipients; in essence, however, it was a battle for the economic and political control of the nation.

The economic power of the church was lessened by Henry's successors and was finally broken by the acts of Henry VIII and Edward VI in dissolving most of the ecclesiastical foundations and confiscating their wealth to the Crown.



In theory this wealth was rededicated to the causes it had been serving but actually it created many of the landed estates of England and diverted the revenue from the poor to the aristocratic friends of the King. This paper has space for only one instance. In 1477 John Kempe, an Archbishop of Canterbury, at the end of his career founded and endowed a school in his native town, Wye. Less than a century later Henry VIII confiscated it to the Crown and gave the whole to Walter Bucler, who had been secretary to one of Henry's wives. The royal grant kept up the fiction that the charitable purpose of the foundation was to be continued by stipulating that Bucler should at all times provide a schoolmaster to teach without fee and that Bucler must pay him from the revenues of the foundation an annual salary of £13 6s. 8d. Bucler did nothing of the kind and in the reign of James I the Crown resumed the property and regranted it to Robert Maxwell, a Scotch gentleman, increasing to £16 the salary of the mythical school teacher. The property then passed through the hands of a number of individuals who ignored any philanthropic obligation and at last to the possession of Sir George Wheler, who in 1724 gave it back to educational purposes.

The English Kings did not follow the example of Constantine and cause the state to assume some responsibility for supporting the charitable and educational causes that had been deprived of philanthropic revenue. For the Tudors the state did not exist for the benefit of its subjects. With the changed economic situation of Elizabeth's reign the condition of the poor became so intolerable as to appeal powerfully to the humanitarian qualities of the rising middle class. Interest in the welfare of the recipient became more important than the effects of a gift on the soul of the donor. A new philanthropic motive had become dominant.

The Statute of Charitable Uses (43 Elizabeth) may conservatively be called the Magna Charta of English and American philanthropic foundations. It recognized the social conditions prevailing and gave legal sanction and royal encouragement to the efforts of private wealth to alleviate the distress. The act was intended to safeguard gifts and bequests to foundations sanctioned by the Crown. The variety of social services Elizabeth left to private philanthropy is enumerated in the statute:

"For the relief of aged, impotent, and poor people, for the maintenance of sick and maimed soldiers and mariners; for schools of learning, free schools, and scholars in universities; for the repair of bridges, ports, havens, causeways, seabanks, and highways; for or towards relief, education and preferment of orphans, for the marriages of poor maids; for houses of correction; to aid young tradesmen and handicraftsmen; for the relief or redemption of prisoners or captives, and for the aid of the poor in paying taxes."

Gradually English-speaking states have underwritten the palliative work of these early philanthropies, and private wealth has been freed to undertake the preventive and constructive programs usual in the modern foundation.

Act 43 Elizabeth provided a legal procedure for establishing a foundation without the special permission of the Crown if the income was less than £200 per year. The act made it easy to get the special permission for the Crown for larger foundations. It formally established the principle that founding is a joint public and private enterprise. It used the term *fundatio incipiens* to indicate that the state is the legal initiator and guardian of all foundation activities; *fundatio perficiens* to describe the act of the individual in giving wealth to implement the legal incorporation. The statute provided for the appointment of special commissions to investigate any alleged abuse in the use of a perpetuity or its revenue. During the first year of the act 45 such investigating committees were appointed by the courts; before 1700 more than a thousand such investigations had been made.

Aside from royal grants sixteenth and seventeenth century England had few large endowments from one person. The outstanding exception is Guy's Hospital, established in London in 1724 by the bequest of Sir Thomas Guy who had made his fortune speculating in South Sea stock. This and his insistence that the foundation carry his name raised for the first time the "tainted" money and egoism issues in modern philanthropy, issues that are still alive but waning among the critics of American foundations.

Because of the greater age and number of her philanthropic perpetuities, England, more than America, has squarely faced the necessity for Government supervision to assure the continued social utility of these trusts. In 1837 the Royal Commission of Inquiry reported 28,840 foundations in existence, many of them devoted in perpetuity to causes no longer in existence. For example, there was a foundation to support a lectureship on coal gas as the cause of

malaria fever and one to ransom Englishmen captured by Barbary pirates. Only in extreme cases was the legal doctrine of *cy pres* (as near as) invoked by the courts to bring back to social usefulness a will or trust agreement that a changing society had outmoded. The courts made such a timid use of *cy pres* to remove mortmain or deadhand control from foundation funds that, after 14 years of investigation by a special commission, a series of parliamentary enactments gave larger and more immediate discretion to a regulatory commission.

"Who have the duty of superintendence and control of all property devoted to charitable uses, with an accounting and power to summon all parties concerned in management, to appoint and remove trusts, and to take care that no sale, mortgage, or exchange of charity property be effected without concurrence, and that all funds applicable be invested upon real or Government security; to preserve all documents, give acquittance of all payments where no competent party can be found, to audit accounts, to sanction salaries paid, retirement allowances, and to authorize such other arrangements as shall appear calculated to promote the object of the founder."

Thus England established a vigorous legal substitute for the expensive, circuitous, cumbersome *cy pres* device and in the same acts provided the legal machinery to establish and enforce standards for judging the efficiency of philanthropic agencies in attaining the high purposes of the founders.

In social as well as legal design early American foundations followed the English pattern, were palliative rather than preventive in outlook, and were devoted to causes that soon lost their social utility. The doctrine of *cy pres* has been reluctantly and timidly invoked by American courts to remedy the most fantastic and unreasonable of such indentures, but we still have hundreds of charitable trusts that serve nonexistent or perfunctory purposes and that might be made to render greater service if we had some such public supervision as is given in England by the Royal Commission.

Mr. KEELE. The pamphlet to which Dr. Hollis refers is a monograph of the history of the foundations. That is correct, is it not?

Mr. HOLLIS. That is right.

Mr. KEELE. And the legal mutations through which they have gone. It would be very helpful, I think, if it were included in the record as it has been.

All right. Shall we move on to the American scene, please.

Mr. HOLLIS. Of course, with the history I have told you, you readily understand that we had charitable bequests in this country from the very beginning of our Colonial period. After all, the gifts and bequests that constitute the endowment of our colleges, are foundations—a college endowment is nothing more than one type of a foundation because it is funds set aside in perpetuity for the public good, and are tax-exempt.

Possibly the most notable of the early charitable trusts is that of Benjamin Franklin. By bequests in 1790 he set aside a thousand pounds sterling for the establishment of a charitable trust in Boston, and a similar sum in Philadelphia, for the education of "young married artificers." He was very much interested, as you know, in the working man.

Those two foundations are still in existence, the one in Boston by the *cy pres* doctrine of "as near as" has been reinterpreted and brought back to social usefulness as the Franklin Union. In Philadelphia the trust is now called the Franklin Institute. Those of you who know either of them know they are doing very useful research work.

Another of the early foundations in this country was the Magdalen Society established in 1800 to aid, as it said, "fallen women," but one had to acknowledge prostitution to be entitled to any of the benefits, and it didn't become very helpful until it had the benefit of *cy pres* reinterpretation. It still operates as the White-Williams Foundation.

Girard College in Philadelphia, which is an orphanage established

in 1831, is another one of the early foundations. The Smithsonian Institution here in Washington established in 1846 by an Englishman, James Smithson, is, as you know, now semifoundation-semigovernmental. It is the first American foundation that was broadly enough conceived in its functions, not to have suffered from the mortmain or deadhand restrictions of the founder. It still operates very effectively under its initial charter.

The Peabody fund is another of the early American foundations. It was established in 1867 and devoted exclusively to educational purposes, teacher education and public education largely.

In this period we have the Havens relief fund established in 1870, the Salter fund for Negroes, 1872, the Baron Hirsch fund, primarily for Jews, established in 1890, and the first of the Carnegie foundations. There are 22 of them, in case you are interested. The first of 22 Carnegie foundations was established in 1896 as the Carnegie Institute of Pittsburgh.

That gives a pretty fair idea of the evolution of foundations in our country. It high lights the fact that until capitalism matures enough to produce surplus wealth—we will have to put “surplus” in quotations—to justify a donor or donors in alienating it from their natural heirs, that you don't have many foundations. That is why we had so few in the nineteenth century.

But as we came into the present century, our capitalistic system advanced very rapidly and has produced wealth for many individuals beyond the needs of their families and their heirs. It is this wealth that has been very rapidly turned into the foundation channel during the first 50 years of the twentieth century.

That is about as much of the history as seems to me significant, except to remind you that we had a brief investigation of foundations in 1912 by Senator Frank Walsh's committee in connection with its investigation of labor-industry relations of that period. This inquiry is the only notice the Congress has taken of the operations of foundations until it authorized your committee.

Mr. KEELE. Dr. Hollis, I think you have touched on the question of the number of tax-exempt philanthropic foundations in this country. Could you give us a further analysis of this estimate?

Mr. HOLLIS. The number depends on the definition you use for a foundation. You will get as many answers as anybody that says how many, make him tell you by what definition he is operating.

You will remember my definition initially was any body that is legally chartered or that is created through a charitable trust statute, the purpose of which is to channel private wealth into general welfare channels. That is the broadest possible definition. It is one that I think is the only legally sound one. By this definition the endowment of every college in this country is a foundation. The endowment of every hospital, scientific society, or any other charitable body that has a principal fund that is itself used or the interest from which is used is by that definition a foundation.

It was on the basis of such a definition that I said earlier that between thirty and thirty-five thousand foundations in this country is, in my judgment, a conservative estimate, and that the capital assets of these groups will run between 6½ and 7 billion dollars.

I have always been interested in trying to find out from the sample that we know about what part of this 6½ to 7 billion dollars is really

held in perpetuity and what part of it is in partial perpetuity or capable of being spent. But I have never been able to find a satisfactory answer because we haven't been able to get enough of the evidence before us. I hope your investigations will produce some of the needed information.

If one used a much narrower definition there would be fewer foundations. If only chartered foundations were considered perhaps the number would be nearer 5,000. If only the type of body that makes grants of money to somebody else to do work with, the number also drops very rapidly because a great many foundations are their own operating agents.

The American Foundation for the Blind, for example, is its own operating agent.

The Twentieth Century Fund is its own operating agent. There are a good number of foundations that are partly operating agencies and partly grant-giving agencies. So your definition will determine the answer to how many.

Mr. KEELE. You have illustrated the type of operating agencies. Will you illustrate the names of better known foundations which operate either by making gifts or grants or by a mixture of making gifts and grants and conducting certain operations themselves?

Mr. HOLLIS. Well, you can find all types within the 22 Carnegie foundations. The Carnegie Corp., for example, which is the parent corporation, does not engage in any research activities on its own, but many of the subsidiary foundations of the Carnegie group do engage in such activities.

The Carnegie Institution of Washington, for example, is a research agency in its own right. Many of them as the Carnegie Foundation for the Advancement of Teaching, was both a fund granting and a fund using agency. The Ford Foundation so far in its operations has been exclusively a fund-granting body.

In addition to all of this group of foundations, we have a lot of bodies in this country that I call the middlemen between foundations and the ultimate consumer of the foundation fund. You have in this city such bodies as the American Council on Education, the National Research Council, the American Council of Learned Societies, the Social Research Council, just to name a few. All of those bodies are middlemen or intermediaries between foundations and the ultimate consumer of grants. They sometimes use the grants themselves and actively sponsor and conduct the research, and in some instances they are merely the agents to handle particular grants for research individuals named that work under their supervision.

Mr. KEELE. Would you explain that a little further as to those agencies that you have spoken of?

Mr. HOLLIS. They came into existence primarily, Mr. Keele, because many of the foundations felt that they did not have the staff or the professional know-how to pass on the multiple requests for grants in, say, natural science fields or social-science fields, and these intermediate bodies, largely made up of educators and research people in the several fields, became a screening device for the foundations. This gave some assurance to the trustees and administrative officers of foundations that the projects were educationally sound and that the foundation was not pouring its money down a rat hole or not getting off into a subversive venture.

Most foundations have taken the attitude, as you know, that their funds are cultural venture capital, and that they should take risks beyond that that could be taken by a university with its endowment funds or that could be taken by government with the taxpayers' money. While foundations will venture more on an idea that might pan out than is customary even they have usually wanted to have the backing of professionals in the field, whether it is law, medicine, dentistry, or whatever the area.

Mr. KEELE. Explain, if you will, Dr. Hollis, the make-up of one of those operating groups or agencies. Let's take the American Council of Learned Societies. You are familiar with that, I am sure. How is that body made up?

Mr. HOLLIS. It is made up of a group of professional societies, the American Historical Society, the American Philological Society, the Modern Language Association, and the associations having to do with the humanities. These bodies represent the professional people who usually do the actual research with foundation funds.

Mr. KEELE. Now, then, a grant is sometimes made to, let us say, the American Council of Learned Societies, and then it in turn, as I understand it, grants or apportions or allocates that money to certain projects or agencies, is that correct?

Mr. HOLLIS. No, ordinarily it works a little differently.

Mr. KEELE. Will you explain that for us?

Mr. HOLLIS. We will say that the American Historical Association wants to undertake a study in the field of American citizenship. It submits its proposal to the American Council of Learned Societies. If the Council endorses the proposal, it then becomes the agent for the American Historical Association in seeking a foundation grant for the project.

There have been instances, of course, where a lump sum was granted to a council which in turn allocated it in the fashion you have indicated, Mr. Keele, but that is the exception rather than the rule.

Mr. KEELE. I was thinking that I saw the other day a grant from the Ford Foundation of a half-million dollars, I believe, to the American Council of Learned Societies. I may be in error.

Mr. HOLLIS. The chances are very large that the half-million allocation from the Ford Foundation to the American Council of Learned Societies is an earmarked fund. In other words, much of it is indicated for this type of research to be done by so-and-so.

Mr. KEELE. In other words, it has conditions attached to the grant, and they know in advance into what channels that money is going.

Mr. HOLLIS. Yes. This conditioning of grants is one of the doctrines or principles of foundation policy that has been blessed and cursed across the country for decades. For example, those of you familiar with the early history of the Carnegie Foundation for the Advancement of Teaching know that Mr. Carnegie started out to provide pensions for college professors, but he very early discovered that he couldn't provide pensions for college professors until he had determined what a college is.

And in defining a college, the Carnegie Foundation exerted a very powerful control over the direction in which colleges developed in this country during the first third of the present century. Many churches complained, as you know, that their colleges were seduced from them by the lure of Carnegie pensions.

Possibly the most common form of conditioning a grant is the matching fund principle that is so familiar to those of you in Congress. It has been used very effectively by foundations to enable colleges to raise 5 or 10 times the amount of the foundation gift for the endowment or for a current purpose of colleges. The powerful and usually salutary control can, of course, distort a college program if the foundation decides, for example, to aid natural sciences or medicine to the exclusion of the remainder of the program.

Mr. KEELE. I would like to go back to something you touched on earlier as to the influences of foundations, the impact of foundations upon our society. I wish you would amplify that a little bit.

Mr. HOLLIS. I believe my statement was that I considered them next to the church, the school, and instrumentalities of government as perhaps the most influential group in American life. And I consider them so not primarily because of the large aggregate of their funds.

Actually, the dollar value of foundation grants, if they were spread across the whole cultural pattern of America, would not be a drop in the bucket of the total cost of those cultural projects.

The reason that foundations have an influence far beyond the size of their grants is due to a number of factors. One of them is the prestige that is given a project by its being endorsed by a foundation.

That kind of an endorsement given to "Siwash College" is enormously valuable in getting additional funds from the alumni, from the industrial and commercial concerns in the immediate vicinity, or constituents generally.

Another type of influence foundations have has nothing to do with prestige, the matching principle or the conditioned grant but comes from what I call the negative action of a foundation.

The average foundation is able to grant funds only to 10 or 15 percent of the total requests that it has in any one year, so by failing to endorse a project they have a negative influence that is quite as great as their positive influence.

Mr. KEELE. In other words, the power of withholding is almost as great, perhaps, or maybe greater than the power of giving, is that right?

Mr. HOLLIS. That is right.

When I was making an active study of foundations, I was given to see if I thought the foundations were making "bad judgments" in their negative decisions. In general, I did not find anything to complain of other than an undue cautiousness on the part of the foundations. They did not want to stick their necks out on proposals I thought had a lot of potential merit.

Foundation trustees, I found, for example, are about the same type of people, and many times they are interlocking with individuals who are trustees of colleges, hospitals, museums, and so on. They are inclined to exercise the same prudence they would as trustees of any private or public bequest.

They have not used their venture-capital privilege quite as much as I think they ought.

The Ford Foundation at the moment in some circles, as you probably know, is being criticized, on the other hand, for exercising its prerogatives to use venture capital for venture purposes in a way that it thinks is normal and that the critics think inimical to the public interest.

Mr. KEELE. I wish that you would explain a little more fully the concept of venture capital or risk capital in philanthropic giving. You touched on it when you said that they could go into fields which universities felt that they could not tap their endowment funds for or that public bodies felt they could not use public funds for. I would like for you to just explain a little more fully what you have in mind by venture capital and the theories behind it.

Mr. HOLLIS. The theory of venture capital does not date back past World War I in foundation experience.

Prior to that, most foundation funds were set up for succoring the poor and needy in one form or another. They were an ameliorative rather than preventive or constructive in purpose.

The Rockefeller group of foundations possibly exemplify the venture capital attitude as widely and as largely as any group of foundations.

The General Education Board, the Rockefeller Foundation for Education has operated largely on the venture capital philosophy in addition to experimental programs in teacher education, such as the 8-year study by Progressive Education Association, the General Education Board has undertaken equally risky ventures in the sciences, medical education, and the home and farm demonstration work now conducted by the United States Department of Agriculture.

Despite pouring millions of dollars into the venture, the foundations were never able to make the full-time clinical professor of medicine concept common practice in this country. It is accepted as superior practice and is followed in part by medical schools, but it was a venture that succeeded only to a degree.

Certainly, the 8-year study in progressive education was a very great venture into the social, ethical, moral, religious, and educational realm, for all of our mores were involved, but it did not pan out either as the people who supported the research or as the people who conducted it expected. So you have to be prepared with the venture capital concept to have a bunch of duds.

Mr. HAYS. Mr. Chairman?

The CHAIRMAN. I have no questions that I wish to ask, although I would like to make the observation that the doctor, to my mind, has delivered a very informative and a very interesting statement. For myself, I feel deeply obligated to him for the picture he has painted.

I think his statement will be helpful to us in the further hearings we will have and in the formulation of whatever conclusions we might reach, and recommendations we might make.

Mr. HOLLIS. Thank you, Judge Cox.

Mr. KEELE. Just a moment, Mr. Hollis.

Mr. Simpson has a very good suggestion. May I ask you this point, and may I put it this way: Has exemption from taxation more or less been the pattern or characteristic of foundations from the early days?

Mr. HOLLIS. From the early Roman times, around 550 B. C., we find foundations were exempt from taxation.

Mr. KEELE. That has been a continuing characteristic throughout the centuries?

Mr. HOLLIS. Yes.

Mr. KEELE. Is it generally believed by those who are familiar with the problem that it is that tax exemption which permits them to carry out their functions and to act with the efficacy that they have had?

Mr. HOLLIS. Yes. A man is very greatly encouraged to set up such funds if he has the benefit of tax exemption and, of course, where tax exemption is as favorable to foundations as it is in our society at the present time, a man with large means can set up a foundation out of current profits at about 20 or 30 cents on the dollar of his money. The rest of it is money that would come to the Federal Treasury anyway. Our tax structure—as well as tax structures back to 550 B. C.—encourages the creation of foundations.

We have instances, of course, in this country, where a foundation that has applied for and received tax exemption, decided it did not want to live under the restrictions implied thereby, and has given up its tax-exempt status and resumed its status as a private corporation.

Mr. KEELE. Those are very small in the aggregate, the numbers, are they not?

Mr. HOLLIS. Yes. I am much more concerned about possible tax evasion by the thousands of foundations that publish no reports of their activities. The public has no basis for judging whether they are entitled to tax exemption.

Mr. SIMPSON. Just one question. As an outgrowth of Elizabeth 43, there is a recognition that government does have a right or obligation to supervise or to regulate.

Mr. HOLLIS. Yes; it is very explicit in Elizabeth 43 so far as the British Government is concerned; and the principles of founding and supervising foundations have come over into American practice almost unchanged from the Elizabethan period.

We have not gone the other step that the British took more than a hundred years ago in setting up supervisory machinery for protecting the public interest in foundations.

Mr. HAYS. Mr. Forand?

Mr. FORAND. I have one question. I do not know whether it is pertinent at this point or not, and if you do not care to answer it, Doctor, that it all right.

I am thinking of that type of corporation that is set up and then loans out money for manufacturing purposes. I will be specific: I refer to Textron. I believe you are familiar with that set-up?

Mr. HOLLIS. Yes.

Mr. FORAND. Is there much of that going on in this country?

Mr. HOLLIS. We do not know how much of it is going on. We do know of Textron; we know of a college that had a tax-exempt macaroni factory, and of a great many colleges that have used tax-exempt funds in ways that have been in competition with private enterprise. In fact, it is very difficult to invest tax-exempt funds without throwing them into competition, directly or indirectly, with private enterprise. But when a college or any charitable organization invests its funds in a producing enterprise, whether it is a farm or a macaroni factory or a textile mill, why, these and other questions are raised. Most of these loopholes were plugged by the 1950 and 1951 revision of the Federal Internal Revenue Act.

May I again express the hope, Mr. Forand, that this committee will find it possible to give some attention to the issue you raised.

Mr. FORAND. Thank you.

Mr. HAYS. Mr. Goodwin?

Mr. GOODWIN. No questions.



Mr. HAYS. Dr. Hollis, the Chairman spoke for all of us in thanking you for your very scholarly statement.

Mr. HOLLIS. I am delighted to know that the committee is pleased.

Mr. MAYS. Who is the next witness, Mr. Keele?

Mr. KEELE. Mr. Andrews, please.

**STATEMENT OF F. EMERSON ANDREWS, STAFF MEMBER,  
RUSSELL SAGE FOUNDATION**

Mr. KEELE. Mr. Andrews, will you give us your name, place of residence, business or occupation.

Mr. ANDREWS. Mr. Keele, my name is F. Emerson Andrews, I live in Tenafly, N. J.; I have been a staff member of Russell Sage Foundation since 1928.

Mr. KEELE. What has been your work primarily with the Russell Sage Foundation, Mr. Andrews?

Mr. ANDREWS. I have two functions in the foundation. I am director of publications, and also director of philanthropic research.

Mr. KEELE. You have acted as a consultant, have you not, on certain publications?

Mr. ANDREWS. Yes, I have been since 1941, a consultant on publications to the Twentieth Century Fund, and for briefer terms have been consultant—

Mr. KEELE. Just a little bit closer to the microphone, Mr. Andrews.

Mr. ANDREWS. For briefer terms, I have been a consultant and adviser to various other organizations in the philanthropic field.

Mr. KEELE. Mr. Andrews, tell us a bit, if you will, of your training for your work, formal and otherwise.

Mr. ANDREWS. I am a graduate of Franklin and Marshall College with an A. B. degree, Doctor of Humane Letters; I have been with the Sage Foundation since 1928, as I indicated.

Russell Sage Foundation began a series of publications on foundations, at first simple directories of foundations, in 1915, and thereby became a center of information on the subject.

I naturally handled these publications during the whole period of my membership on the foundation staff, and began to take a very keen interest in them. I suggested about 1940 to the general director, then Shelly M. Harrison, that a more complete report on foundations be done, and he and I joined in authorship of the book *American Foundations for Social Welfare*, published in 1946, which was the result of a fairly extensive survey of 505 foundations.

As a result of that, more and more people, thinking of establishing foundations or desiring to benefit from foundation grants, kept coming to our offices.

Mr. Harrison retired, and a good bit of this parade came to my office. So a little later I asked our trustees for permission to go further into philanthropy. I thought we had to look at the whole picture of philanthropy and find out where the foundation fitted into that picture.

They authorized a special study of philanthropic giving, in general. I completed that study in the book *Philanthropic Giving* published in 1950, which does endeavor to give a general picture of the whole of philanthropy with, of course, a special chapter on foundations.

After that we became interested in corporation giving, and I was asked to do a special study on that, which was published just 2 months ago. That also included a chapter on the corporation foundation, a development which I shall wish to mention a bit later in some more detail.

Mr. KEELE. Russell Sage Foundation is unique, is it not, in many senses, perhaps, but in the sense that it is probably the only foundation that has, through its staff, made a study of foundations or philanthropic giving. Am I correct in that?

Mr. ANDREWS. I would hesitate to state that categorically because Mr. Keppel, for instance, of the Carnegie Corporation, did a fine small book on foundations, and many of the annual reports of the Carnegie Corp. and the Rockefeller Foundation have been, in effect, treatments of foundation policy and doctrine which, in many respects, are quite excellent.

Mr. KEELE. That is right. It is true with every report, for instance, of Dr. Carmichael, and so it goes with other presidents of various foundations, but what I am getting at is this: I think more time has been devoted, as I understand it, by the staff of Russell Sage than by any other foundation to this problem, is that correct?

Mr. ANDREWS. I think that is true.

Mr. KEELE. At least, there are no publications which approach those which you have mentioned, and which you authored or co-authored, in the extensiveness and definitiveness of the subject, is that not right?

Mr. ANDREWS. Well, thank you for the commercial, Mr. Keele. However, I think I ought to say—

Mr. KEELE. If your modesty will permit you to say so, is that a correct statement that I have made?

Mr. ANDREWS. I think that is probably true.

Mr. KEELE. All right.

How many years would you say you have devoted to this work? You told us when you started with Russell Sage Foundation, and what your work has been generally, but how many years have you devoted to this particular work?

Mr. ANDREWS. I have taken a particular interest in foundations and their relation to philanthropy since 1940; that would be about 12 years.

Mr. KEELE. Mr. Andrews, would you tell us what you have been able to learn through your study with reference to the numbers, size of foundations, your estimates as to their numbers, assets, and so forth? Just discuss that for us, will you?

Mr. ANDREWS. I think I have to begin with a little more definition, perhaps, than Dr. Hollis gave us. We have approached this from the research viewpoint, where we have to define and chart out what we are talking about. I think I would agree, perhaps, with the number which he has cited as reasonably accurate, if one includes colleges, with their endowment, and all the other organizations which he indicated.

We, however, in attempting to study the foundation as an institution, gave ourselves a somewhat closer definition. I think I had better indicate what I am talking about by reading that brief definition.

Mr. KEELE. Will you, please.

Mr. ANDREWS (reading) :

A philanthropic foundation may be defined as a nongovernmental, nonprofit organization having a principal fund of its own and established to maintain or aid social, educational, charitable, or other activities serving the common welfare.

Mr. KEELE. All right.

Now, that would limit the number considerably from the number that Dr. Hollis mentioned, would it not?

Mr. ANDREWS. Very considerably, and also there is one operational restriction that we gave ourselves for the sake of convenience. In our study we did not include foundations with less than \$50,000 total assets. For example, there is a Wilmington foundation which is in most of the published lists and which reports blithely assets of \$849.61, and expenditures for a recent year of \$1.51. We thought it was nonsense to include quite a large number of organizations of about that size.

Obviously, 10,000 foundations with \$50,000 capitalization would be equal only to the \$500 million endowment of 1 foundation, the Ford Foundation, so that while we do strike out for operational reasons these very small foundations, they will be significant only in sheer numbers and not in the amount of money they are able to spend.

We also took out a lot of organizations that call themselves foundations but, in our opinion, have no right to the use of that term. For example, there is the American War Heroes Foundation, or was. It maintained the Park Avenue Canteen. New York Supreme Court Justice Collins dissolved its charter and declared it was "avarice masquerading as patriotism."

There are other foundations which are more nearly trade associations, and the like, and we have not included those in the material that I am about to give you.

The 1946 publication I referred to earlier talked about 505 foundations.

In 1950 I slightly revised that material, adding the new foundations we had reports on, and as of 1950 our estimates on 1,007 foundations, including, we believe, substantially all the large foundations, indicated total assets for these foundations of \$2.6 billion, with expenditures for the year under survey of \$133 million. Those estimates would have to be somewhat increased as of the current date. The Ford Foundation is now in full operation—it was not then; several foundations of substantial size have been created since that time, and a great number of small foundations, family foundations and corporation foundations, which we shall discuss later.

But those figures are still relatively pertinent, and I think that we ought to draw a few comparisons, based on those figures, although they ought to be somewhat enlarged now.

Mr. KEELE. May I, before you start on that, have those again so that we have them clear? On the basis of your estimate of 1950, is that right, we included 1,007 foundations?

Mr. ANDREWS. 1,007.

Mr. KEELE. You estimated their assets to be \$2,600,000,000, is that right?

Mr. ANDREWS. That is correct.

Mr. KEELE. And their income at \$133 million, was that it?

Mr. ANDREWS. Their expenditures at \$133 million.

Mr. KEELE. All right.

Mr. ANDREWS. That may in some cases have represented less than income; in other cases it represented expenditures from capital.

Mr. KEELE. Did you make or are you able to make an estimate as to their income, aside from their expenditures?

Mr. ANDREWS. We did not at that time compile an estimate of income. I should think it is very close to the expenditures.

Mr. KEELE. Are you able, on the basis of your studies, to revise your 1950 estimate to the present time or would it be so inaccurate that you would prefer not to give it?

Mr. ANDREWS. I cannot do it now. However, figures are available; not available quickly, but as you know, in 1950 the new Revenue Act included provisions concerning foundations, which I shall mention at some length later. One of those provisions was that all foundations exempt under 101 (6) must file a Form 990 (a), which includes a statement of name and purpose and capitalization and expenditures, and those 990 (a) reports are available to the public under suitable restrictions. There is also a set of them in the Treasury Department here but, I believe, that is open only on Presidential order.

Mr. KEELE. All right.

Now, just a point about their being open to the public. Where are they available to the public?

Mr. ANDREWS. They are available in the collectors' offices. Are they still called collectors' offices? I think that may have been changed lately.

Mr. KEELE. Well, prior to any change it was known as the collector's office in the various districts, is that right?

Mr. ANDREWS. Yes, and there are about 64 of those.

Mr. KEELE. So that anyone wishing to examine those returns would be obligated to go to the various offices in the 64 offices where those returns were filed, is that right?

Mr. ANDREWS. That is correct.

I ought to add that the American Foundations Information Service is now doing precisely that, is making photographic copies of both the 990 (a) and the trust reports on 1041 (a) which also are available on a similar basis, and that they hope to publish a reasonably complete directory some time in 1953.

Mr. KEELE. But that material, except in fragmentary form, is not available as yet, is it?

Mr. ANDREWS. No summations have been made, and several of the collectors' offices have not yet been visited.

Mr. KEELE. Can you tell us what tests or criteria are being applied by the American Foundations Service in assembling this material?

Mr. ANDREWS. Their definition is very close to ours. We consulted somewhat on it.

Mr. KEELE. So that they are proceeding on approximately the same basis that you have given us here as your definition?

Mr. ANDREWS. That is correct.

Mr. KEELE. The definition of foundations, as stated in simple terms, is that which has an endowment fund or a capital fund from which they make grants or with which they operate in conjunction with making grants, is that correct?

Mr. ANDREWS. Yes, and a separate board. I think that point is important. Yale University we do not include in that list as a founda-

tion because, after all, its endowment is ruled by its ordinary trustees and not by a separate board of trustees.

Mr. KEELE. You were going to make some comparisons for us between the assets of the foundations and their income, with certain other figures, and I believe I interrupted you at that point. Will you resume.

Mr. ANDREWS. Yes. I do think that comparison is important. The American public, in general, regards foundations as a reservoir of almost unlimited funds, able to do almost anything they wish with these funds.

If our figures are reasonably accurate, on the definition of a foundation which we have given, these comparisons would seem to hold: The Department of Commerce, for example, has stated that the American bill for tobacco and its products, Mr. Keele, is approximately \$4.4 billion a year. In other words, the American people exhale in tobacco smoke every year more than the accumulated wealth of all the foundations in America.

Turn now to the expenditures. Many foundations, as Dr. Hollis has indicated, in their early years devoted their funds to relief; the aged were particularly a concern of some foundations.

Now, we spend out of tax funds under the social security program for old-age assistance approximately \$1.5 billion a year for the needy aged. It would take all the expenditures of the foundations that we have indicated for 11 years, simply to pay the cost of care of the needy aged, which now the Government handles out of tax funds.

Mr. KEELE. For 1 year?

Mr. ANDREWS. For 1 year.

Research has become the new focus of activity of many foundations, and occasionally substantial grants are made for research.

For example, the Rockefeller Foundation announced in its 1940 report that it had made a grant of \$1,150,000 for a 18.4-inch cyclotron for biological and medical research. As a matter of fact, that cyclotron, in its development, involved a major magnetic element which became, and I quote, "a key tool for the research which produced the atomic bomb," somewhat to the surprise and, I think, the mixed feelings of the Rockefeller trustees, but there it is.

Now, that \$1,000,000 spent in research is a little more than twice the total annual income of my own foundation. It is a very sizable sum as foundation grants go.

But this Congress, in one of its last laws, Public Law 547, which became a law on the 15th of July of this year, appropriated an additional amount of \$2,987,000,000 for the Atomic Energy Commission as sort of an outgrowth of this Rockefeller expenditure of \$1,000,000, roughly 3,000 times the amount that the Rockefeller grant in 1940 was.

There it is perfectly obvious that the foundation in the research field is able to do only the initial pioneering work, and that the grants foundations are able to make are relatively small in the economy of today.

One other comparison, perhaps, I ought to make. I said we did make a general study of philanthropy, and we found that foundation expenditures amount to approximately 3 cents of the philanthropic dollar in any given year in America today, roughly 3 percent of philanthropic expenditures.

Mr. KEELE. All right. May I ask you this: In calculating the philanthropic dollar are you talking now about private philanthropy?

Mr. ANDREWS. In the philanthropic dollar we include only private philanthropy, and we define philanthropy in terms of the Bureau of Internal Revenue; anything that is deductible on your private income tax we include in our figures.

Mr. KEELE. So that is exclusive of any moneys spent by the Government, either on research or for the alleviation of the aged or anything like that? You are talking now merely about private giving?

Mr. ANDREWS. I am, indeed.

Mr. KEELE. And the foundations' contribution to that philanthropic dollar is 3 cents; is that right?

Mr. ANDREWS. That is approximately correct.

Mr. KEELE. I would like to suggest that perhaps this might be a good time to adjourn for lunch.

Mr. HAYS. The committee will be in recess until 1:30.

(Whereupon, at 11:55 a. m., a recess was taken until 1:30 p. m. the same day.)

#### AFTERNOON SESSION

Mr. HAYS. The committee will be in order.

Mr. Keele, will you proceed, please.

Mr. KEELE. Yes, Mr. Chairman.

Mr. Andrews, when we adjourned for lunch, I think we had pretty well covered the question of the number of different-sized foundations and some illustrative comparisons of the amounts they have at their disposal with other amounts that are spent in various activities.

I wonder if we could move on, unless you have something more to add on that, to a description of the general types or chief types of foundations. Would you enlighten us on that, please?

#### STATEMENT OF F. EMERSON ANDREWS—Resumed

Mr. ANDREWS. Yes; I think it would be very helpful to describe various types of foundations. Now, these types run into one another to some extent. One foundation may be one type today and next year may drift into the other type, but they are quite different in their handling of problems, and our thinking will be clarified if we look into these various general types. I would mention six types in all.

The first is the general-research foundation. Most of the large foundations that are household words and most of those that Dr. Hollis was mentioning are of this general class.

The Rockefeller Foundation, the General Education Board, the Ford Foundation, the Carnegie Corp., the Carnegie Foundation for the Advancement of Education, the Markle Foundation, the Commonwealth Fund, and many others; there are altogether about 60 or 70 foundations, we figure, in the United States which have assets of \$10,000,000 and more, not many more than that; a foundation with assets of less than \$10,000,000, if it spends only its income, hasn't very much income to spend in any given year.

Most, substantially all, of these large foundations are in this one group of general-research foundations which we have been mentioning. They are the ones that are the heart of foundation activity and

practice. Substantially all of them do publish full descriptive annual reports. They operate in the goldfish bowl of public opinion. For the most part they are very well run.

No one individual, perhaps, would agree with all their decisions. I probably would not; you probably would not. But, so far as I have been able to observe them, their trustees do the best job that they collectively can do toward spending their funds for the purposes that the foundation was created to serve.

Mr. HAYS. Excuse me, Doctor. How many in this first group that you mentioned, approximately?

Mr. ANDREWS. Of the large foundations in this group, there are between 60 and 70 that have capital assets of \$10,000,000 or more.

Now, there are other smaller foundations that are also general-research foundations that belong in that group, but the 60 or 70 are the bellwethers, the leaders who do most of the work.

Mr. HAYS. Now, would you regard the Carnegie group as one, or the 22 as separate?

Mr. ANDREWS. Well, I think you would have to distinguish in the Carnegie group. For instance, the Carnegie Hero Fund would be smaller and specialized and doesn't belong in this group.

Mr. HAYS. Generally we think of the Carnegie funds as large foundations.

Mr. ANDREWS. But they are not all. Well, as to relative assets, in our study of 505 foundations, we discovered that the 30 largest foundations of the 505 held 48 percent of the assets of the whole 505.

Now, bringing that a little more to date and remembering that now the Ford Foundation has become active and its announced assets are in the neighborhood of \$502,000,000, I would suspect, though I cannot prove it, that close to 50 percent of the assets of all foundations are embraced in at least the top 60 foundations.

So much for perspective on the foundation problem, and so much, too, for that group of general-research foundations.

A second class is the special-purpose foundation. These are created to serve special individual purposes rather closely detailed, usually in their charters or at least in a letter of gift. For example, there is the LaVerne Noyes Scholarship Fund. These scholarships are available only to descendants of World War I veterans.

You have special purposes in two senses, only scholarships, and to a particular group.

Another one that illustrates not only special purpose but a special purpose which failed is the small Samuel G. Davis Fund of Mashpee, Mass. It was established in 1930 to be awarded to Mashpee students for "good, kind manners." By 1938 the trustees were petitioning the court to use their funds for school construction, because, said the trustees, and I quote: "We can't find enough mannerly boys to reward."

So, we have the small special-purpose foundations. Sometimes the purpose is highly desirable and is valid for a long period; sometimes the special purpose becomes obsolete and can no longer be fulfilled, or at least cannot be fulfilled effectively for society.

The third group is the family foundation. That is a generic term. They aren't all family foundations. Some of them are individual foundations, but characteristically a family foundation is established by a living donor.

He may contribute to it year after year instead of making a single grant—perhaps in his will. Other members of his family may also contribute to it.

To a large extent it serves as a channel for current giving. Its corpus may be built up, or it may not be built up very rapidly and it may simply be a convenient channel for his current giving.

Now, as you know, individuals are now allowed to deduct 20 percent of their income from their income tax if contributed to charitable purposes. Very large estates are not being built up today to the extent that they used to be. We thought at first when the high tax rates came in, that there might be an end to the creation of substantial foundations. The family foundation is to some extent a counterinfluence. It seems quite possible that substantial foundations can be created by these year-by-year accretions from individuals and families.

The family foundation has also some unfortunate aspects. In our surveys we very often found that the family foundation had no address but a lawyer's office, and that it was quite reticent about its funds and what it spent them for, if indeed it did spend them.

We think that many family foundations are completely legitimate and highly desirable organizations. We suspect that this committee may discover some others which function mainly as a means of tax avoidance or even evasion. We have no documentation on that because we have no right of subpoena, and simply received the information foundations were willing to give us. I need not say that information that may be damaging to the foundation ordinarily did not come to our hands.

Mr. KEELE. May I interrupt you there a moment, Mr. Andrews, to ask you what your experience has been in attempting to get information from foundations, whether you met with reluctance or sometimes refusal in your efforts to learn. I am speaking now of the general range of the foundations.

Mr. ANDREWS. With respect to the large foundations in class 1, almost without exception we received all the information we requested promptly and fully.

With respect to the small foundations, we frequently experienced difficulties in getting any information; information was declined, or our letters were not even answered.

One word ought to be put in as to why some of these foundations are legitimately not eager to have their names included in such lists as we published in our study. A man who contributes to a family foundation, and desires it merely to serve as his personal giving agent, realizes that if it ever gets in a directory, every money-seeking organization in the country is going to bombard him with appeals, and he will be under great secretarial expense and considerable bad public relations in refusing these appeals, which his fund cannot possibly meet in any event. That is one reason for their not desiring to be in a general directory, such as the Russell Sage Foundation study presented, but that is perhaps only one reason.

Mr. KEELE. All right; I think that answers it.

Mr. ANDREWS. It should be said that family foundations have in the past, and also will in the future, grow into class 1 foundations, the general-research foundations.

Perhaps even the Rockefeller Foundation when it was initiated might be regarded as a family foundation. The trustees were all close



friends of Mr. Rockefeller, and the foundation offices were pretty much combined with his own offices, and it is only in relatively more recent years that the trustees have been much more diversified and the program of the foundation often has very little relation, perhaps, to some of the primary interests that were Mr. Rockefeller's.

In other words, the family foundation can grow into a general-research and service foundation, and many of them will in the course of time. They will lose the characteristics of contributing only to the charities of the donor.

The next classification is an exceedingly interesting one and a fairly recent development, the corporation foundation; that is to say, the foundation established by a business corporation for charitable purposes but, once established, legally distinct from the corporation.

To understand these corporation foundations which have been a mushroom growth of the last 4 or 5 years, we perhaps have to look at corporation giving for just a few minutes.

In 1936, the first year corporations were permitted to deduct up to 5 percent of their net profits if contributed to a philanthropic purpose, and thereby avoid the corporation tax, corporation giving was reported at \$30,000,000 and remained in that low range for a number of years. By 1945, however, corporation giving had leaped to \$266,000,000.

Indeed, since 1944 American business corporations made reported gifts to philanthropic objectives which exceed in each year the total collections of community chests, that is one measure of what corporation giving has become.

Mr. KEELE. May we have that statement again. I would like to catch that.

Mr. ANDREWS. American corporations since 1944 have each year given for philanthropic purposes more dollars than the total collections in those years of all the community chests in America. That is a measure of how corporation giving has grown.

There have been tax factors in that, of course. I think I need not remind the Members of Congress here, but perhaps the audience, that the corporation tax rate is currently 30 percent on the first 25,000 of net income, 52 percent on the rest, and then there is an excess-profits tax for some corporations which adds 30 percent more, or 82 percent on some portions of corporate income, so that a corporation in the excess-profits bracket can usually contribute up to its 5 percent on the basis of 82-percent tax reduction on that contribution.

It spends 18-cent dollars for charity, which is a charitable bargain of which corporations are glad to take advantage.

Many corporations, in order to organize and systematize their charitable giving, have organized corporation foundations. These foundations may or may not have the same name as the corporation. They may or may not receive also gifts from members of the firm.

For example, the Bulova Watch Co. does have a Bulova Foundation. It receives the contributions of the corporation and also contributions from members of the firm.

The Rich Foundation, of the Rich Department Store in Atlanta, was set up by members of the Rich family but has become also a channel for the corporation giving of the Rich Department Store.

These corporation foundations have certain definite advantages for the corporation. For example, a corporation does not know what its

profits are apt to be until pretty close to the end of the corporate year. It is then perhaps too late to give wisely the amount the corporation decides to give.

It can, however, with a single check, place that money in the corporation foundation, and it can then be spent with a little more consideration of objectives and with more time to investigate the applicants for the foundation's funds.

Also, social agencies as well as corporations have been worried at the possibility that, if they are relying heavily upon corporation gifts and a period of depression or decreased income does come along, corporation gifts may nearly vanish.

We have not had a major red-ink period since 1936, when corporation giving first began to be tabulated and known; so, we don't know precisely what will happen. But, recognizing this probability, some corporations have in part organized their foundations as banks.

The International Harvester Corp. told me that the International Harvester Foundation is to a considerable extent a "peaks-and-valleys" foundation to which they can contribute in good years and equalize their giving in bad years when they cannot contribute heavily from current income. That seems to me an entirely legitimate and desirable use of the foundation forms.

We tried to find out how many corporation foundations there were. We were aware of a tremendous growth in their formation. We did a sampling study in our general survey of corporation giving, and if the percentage which held for that sample does hold for all American corporations—and there are 600,000 of them; we were unable to question the whole 600,000, obviously—then there may be now not less than 1,500 corporation foundations, most of them organized within the past 3 or 4 years.

In January of this year there came across my desk alone, in Russell Sage Foundation, 162 letters in that single month from corporation executives or from their lawyers asking about ways and means of establishing corporation foundations, and I am sure there were activities in various other places where people who know something about foundations could help them.

So this is a development which is recent and is exceedingly active at the present time. In my opinion, it is on the whole a good development. It takes advantage of the tax situation, of course.

I would like to say one other thing while I am on the subject of the tax situation, footnoting a remark of Dr. Hollis this morning.

You will remember that question was raised with respect to New York University and the Mueller Spaghetti Co. in the avoidance of taxation on the profits of the Mueller Spaghetti Co. because it was being contributed to the Law School of New York University.

That was, I am sure, intended as a historical note. It is no longer true. The members of this committee, I am sure know that the Congress passed in 1950 a revenue act which paid considerable attention, and needed attention, to abuses or potential abuses in foundations. It enacted in that year a provision that the profits of a foundation would be taxed if the foundation engaged in activities not substantially related to its exempt purposes. I think I ought to get this fairly accurately, since it is important. Tax exemption is denied on income in excess of \$1,000 of a business enterprise not substantially related to the organization's tax-free activities.

The making of spaghetti is not substantially related to the making of lawyers, and the income of the Mueller Spaghetti Co. is taxed as is the income of any other spaghetti company, currently. That is by way of a footnote on the morning, to avoid what may have been a slight misunderstanding with respect to the tax position of foundations at the current time.

Now one other item on taxation which I ought to mention. Foundations also are no longer allowed to accumulate sums unreasonable in amount or duration.

That is an item which foundation executives have been puzzled over a great deal, that word "unreasonable." It has not been very closely defined as yet.

From the viewpoint of the foundation executive, most would agree, I think, that foundations ought to spend their current income. However, it sometimes is difficult to spend that current income in a particular year.

Plans may be laid for a major project which does actually require the income of 2 or 3 years before it can be put on foot, or a plan which seemed to be going through and for which an appropriation was put on the book can actually not be spent because something goes wrong. Perhaps a man dies or the project can't be pushed forward as rapidly as expected.

There has been some fear among some foundation executives that the interpretation of this "unreasonable" would be quite close and they would suddenly find their tax exemption removed. There is danger that through this fear they may be pushed into making expenditures which are not as wise as they could have devised, had they expected a bit more time, and could be sure of a liberal interpretation of this term.

This from the viewpoint of the foundations with respect to a provision that in its general respects most foundations approve, and would be glad to abide by. All they need is an interpretation of the term that will recognize the practical difficulties of spending money usefully and constructively.

I return now to groups of foundations, having been thrown off into this tax angle by the fact that corporation foundations are to a considerable extent benefiting from tax rates at the present time.

The next general class of foundations is the community trust. Dr. Hollis mentioned the community trust this morning. It was pointed out that the Cleveland Foundation was the first of these. They are means of accumulating in one fund a great many small sums.

We have been concerned by the inefficiencies of the creation of quite small foundations. We think that a foundation that has an income of perhaps less than \$100,000 a year can scarcely afford the office machinery and the capable trustees, who usually serve without pay, to spend that money wisely; that smaller funds, with less than this amount to spend per year, might well consider the possibilities of uniting in some larger unit so that administrative expenses would be minimized and there would be an opportunity on the part of this larger unit to look more carefully into the possibilities of effective expenditure of the combined funds.

And, of course, the community trust is one such device. There are about 90 functioning community trusts at the present time. Most of them are in individual cities and usually bear the name of that city.

Most of them have been organized largely at the instance of banks which hold their funds and turn over the income from those funds to the distribution committee of the community trust.

Nearly all of them have one important and useful provision, that if the purpose for which the individual fund was set aside can no longer be effectively fulfilled, the donor agrees that the community trust distribution committee shall have the right to change that distribution into a channel as close as possible to the original purpose. It is a sort of in-built *Cy pres* provision, and in our opinion a very wise one.

As to the size of the community trust movement, the largest of the community trusts is the New York Community Trust, which has over 100 separate funds. The assets of all the community trusts, according to a survey conducted by the New York Community Trust, were in the beginning of this year \$110 million, their expenditures for last year were approximately \$5 million.

They are not yet a very large element in the foundation field, they are a useful example. They are subject to a degree of community control that for trusts organized for community purposes is important and desirable.

Perhaps one should mention the so-called Common Good funds in Scotland, by way of comparison. In Scotland there have been organized for now many years what are called the Common Good funds. They function for general community purposes in the Scottish towns in which they are organized and they become the recipients of the funds that come to the court from persons dying intestate with no heirs, unclaimed funds in banks, and the recipients, too, of funds which persons may will to them.

They are community funds, too, and it might be that in American law the community trusts could also become the recipients of some of these wayward funds for which now distribution is somewhat difficult.

The final and sixth of the group of foundations is a unique example, the National Science Foundation, the only foundation that is organized and supported solely by the United States Government. The Smithsonian Institution has certain governmental entanglements, shall I say. The United States Government has its funds and pays interest and has certain memberships in its board of trustees.

But the National Science Foundation survives on appropriations by the Congress and is the only national foundation. Obviously it does not come within the proper purview of this committee, since its tax exemption is not a question to be raised; it lives on tax funds.

But nevertheless something should be said about it because of its potential effect in helping organize the foundation field. The National Science Foundation was established on the 10th of May 1950, for, and I quote from the act, "research in the mathematical, physical, medical, biological, engineering and other sciences, and so forth."

There is in that list a significant omission. The social sciences do not appear.

Many of you remember the long debates, when the National Science Foundation was in progress of organization, on the inclusion of social sciences. There was considerable resistance in the Congress to their inclusion, and the final decision appears to have been reached not to include them by name, but not to exclude them. They could in the

future be included under other sciences. But in fact the program of the National Science Foundation currently is concentrated upon the physical sciences.

The act limits the annual income of the National Science Foundation to \$15 million. The appropriation for the current year, I believe, was \$4,750,000.

The National Science Foundation is in a key position to do an exceedingly useful job of coordinating research activities among the general foundations. It is already doing useful work in compiling a directory of research personnel, and it could very easily become a center for clearing on projects which the independent foundations are undertaking so that unnecessary duplication would not occur.

That covers what I call the six groups of foundations. You will see they are not necessarily distinct and separate groups. They slide over one to the other, but they do have quite different characteristics in operation, and I thought it might clear up our thinking, if we pointed out these major divisions.

Mr. KEELE. Mr. Andrews, you spoke of the fact that the first group, they limited their activities largely to research. And in the second group you spoke of those with special purposes.

Are you in a position to say what the majority, if there is a majority, trend at least in the family foundation as to the line of endeavor they take in their activities?

Mr. ANDREWS. We do not have enough information about enough of the many family foundations to give you proportional statistics. Our impression from observing some of them in action is that such a foundation usually starts as a personal organ of giving, and its gifts can scarcely be distinguished from the sort of giving that any individual makes.

It will probably contribute to the community chest and to the American Red Cross and to polio and to heart and to cancer and the like.

As its funds grow and as perhaps its trustees grow in experience, it may branch into somewhat more, shall I say, sophisticated giving, that is, giving which looks a little more at the roots of social disaster.

Let's think of three possibilities in giving. One is to get people out of trouble once they are in. The second is to keep people from getting into trouble. The third is to get at the roots of things which would cause them to fall into trouble, and to give people the possibility of developing to the full all their potentialities for useful, happy, creative living.

Mr. KEELE. I take it from what you have said here that the family foundations in their first phases at least are apt to contribute to the first group or method of giving, that is, palliative giving rather than the prophylaxis or the preventive basis.

Mr. ANDREWS. Yes.

Mr. KEELE. All right. Now what with reference to the corporation foundations? Have you been able to determine any trend in the type of activity in which they are engaged?

Mr. ANDREWS. Yes; there we have quite detailed figures. Unfortunately the figures apply to corporation giving rather than specifically corporation foundations, but I think it may be said that the same proportions probably follow in general.

Corporations at present are still giving to rather traditional causes for the most part. We even have percentage figures which I will read in half a second.

The corporations in our random sample gave 44 percent of their total reported gifts to welfare agencies, and nearly all of that went directly to community chests. Indeed, 36.2 cents on the dollar of corporation giving went directly to community chests.

Health agencies received a little more than a quarter of the corporate dollar, 26.6 cents of the corporate dollar. Education received about a fifth, 21.2 percent, of the corporate dollar.

Religious agencies received only 4 cents of the corporate dollar, and the reason for that, I think, is obvious to you. A corporation has in its board of directors and among its stockholders persons of diverse faiths, and they find it difficult, at least, to contribute to sectarian religion, and do not contribute very much.

This is unlike the individual. Individual giving, we find goes nearly 50 percent to religious agencies, corporation giving 4 percent.

Then we were unable to pinpoint the remaining 4 percent, 3.8 cents of the corporate dollar.

We believe that the corporation foundations follow this pattern to a considerable degree, but because it now is a foundation and may have on its board of trustees not only the corporate directors, but may draw in from the outside persons familiar with the areas in which the corporation desires to contribute, that segment of corporation giving may be beginning to change.

Every corporation has certain areas in which it has special knowledge and where it could make a gift that could not be duplicated by perhaps any individual or any other corporation. Let me give you one example.

I have already mentioned the Bulova Foundation set up by the Bulova Watch Company. The Bulova Foundation has set up the Joseph Bulova School of Watchmaking in Long Island. That school trains watch repairers. It takes as students and gives free tuition to only disabled veterans.

I visited the school and found many wheel-chair cases, paraplegics, being trained in that school. Now watch repairing is one of the few jobs that a wheel-chair case can handle as efficiently as a man with all his normal limbs. These disabled veterans are being given a trade at which they can work effectively instead of being wards of the Government for the rest of their lives, having to live in a wheel chair with no active means of self-support. They are being returned to useful lives, they are becoming taxpayers all over again. True, they do continue to receive disability pensions, but they are also beginning to pay taxes.

Now, only the Bulova Company and two or three other watch manufacturing companies in this country would have been able to undertake that particular philanthropy. They have the know-how, others do not.

Similarly one would hope that as corporations grow in experience in giving, the corporations which have a particular concern for transportation, the motor companies, the railroads, the airlines, might have a particular concern for city planning, for studies of parking, for Travelers Aid and other philanthropies in their area.

We hope that private business enterprise as it contributes to private welfare enterprise will use the imagination which has brought private business enterprise so far in devising new and constructive ways of contributing to private welfare, making that imaginative and creative and effective. And the corporation foundation is a well-devised instrument for this purpose if it is well run with trustees who have time and facilities for doing the extra study that is necessary for such creative programs.

Mr. SIMPSON. Mr. Andrews, I am very much interested in your summary. It is educational to all of us, I believe.

I am concerned about several matters I need some more information on, and one of the first has to do with this trend toward corporation giving.

You mentioned that one advantage of a corporation giving to a foundation was that perchance there might be a bad year economically, there would then be a reserve which could be dispersed more timely. Our tax law in denying the right to accumulation under that subjective interpretation as to reasonableness could, if interpreted strictly, eliminate that possibility of delaying benefits by voiding accumulation necessary for hard times.

Mr. ANDREWS. Mr. Simpson, I think not. The gift of the corporation to the corporation foundation is not income to the foundation. It is an addition to corpus, and therefore, does not come under, in my opinion, this rule against accumulation.

Now when that corpus begins to realize income, then the income from the corpus must be spent.

Mr. SIMPSON. Then when you referred to that figure of 46 percent, I believe it was, to which the corporations are now contributing, were you referring to a corpus contribution?

Mr. ANDREWS. No, that was actual expenditure.

Mr. SIMPSON. By the corporation?

Mr. ANDREWS. By the corporation or its foundation. In our questionnaire both items were reported as expenditure.

Mr. SIMPSON. Then you think this matter of interpretation as to reasonableness would not affect the distribution in hard times?

Mr. ANDREWS. It will not affect the distribution when the corporation gives money to a separate corporation foundation, because it then becomes corpus and not income.

Mr. SIMPSON. Can we agree that when times get bad the corporation would be far less likely to make a contribution?

Mr. ANDREWS. I think we certainly can agree on that.

Now I have talked to many corporation executives on that subject and pointed out the dangers, and they all recognize them, and most of them say, "Oh, no, our philanthropic contribution is one of the last things we will reduce."

But I have also examined the records of corporations which happened to have a bad year, even though the country as a whole was not having a bad year, and it is my opinion that philanthropic contributions in a bad year for that particular corporation will be heavily reduced in most corporations.

Mr. SIMPSON. Of course, I think you are right on that. I think that is a practical approach and it is the approach that would probably be used.

Well, now the money that a corporation gives for charity comes either from what would otherwise go, in the final analysis, as dividends, or as taxes to the Federal Government.

Mr. ANDREWS. Well, it may be useful to give you two extremes we met in our study of corporation giving in that respect. The president of one corporation wrote us a very warm letter and said, "Corporation giving doesn't make any sense at all. Any money we would give has to come either from dividends of stockholders, the wages of employees, or be reflected in a higher price for our product."

Now, that has a certain amount of logic in it. I think it is not the whole story, however, and let me give you an opposite extreme. This comes from the person in charge of corporation giving of one of our largest corporations. He does not wish to be named. He said: "If we establish an operation in a remote section in Brazil, we must set up all the welfare services ourselves. We build a school, we build a hospital, we supply the nurses, we pay the doctors, we may even build the church, we build the roads, and we do this not because we are philanthropists at heart but because we know we cannot have a profitable business operation in a community where these services are not available. And," said he, "in America, of course, we don't occupy this whole 360-degree circle of philanthropy. At present we occupy perhaps 45 degrees of the circle but in my opinion American corporations for their own good need to occupy a great deal more of that circle, perhaps as much as 180 degrees of that circle, because the large private donor is being so hit by taxes that his contributions are diminishing, and corporations have to help to fill that gap."

So there are these two points of view, and one is that corporation gifts benefit the corporation so that it is not a deduction, or not wholly a deduction, from corporate profits.

Mr. SIMPSON. You touched on the matter of corporation as a part of a training program, creating a foundation which tends to serve that corporation or that business in which that corporation is engaged.

Do you commend that as a policy; and if so, how would you limit it? To help give you an idea of what I am driving at, you said with respect to the watch industry it is good where a crippled veteran is involved. I ask you would you apply that same reasoning to a railroad company which wanted to train flagmen or engineers or track workers? Where would you limit the corporation in getting a deduction on account of contributions for charity when used under those circumstances?

Mr. ANDREWS. I think, sir, that no deduction should be granted if it is training its own employees, and I erred in not making clear the very careful distinction on the part of this watchmaking school.

No graduates of this school are employed by the watchmaking company. They are watch repairers who go out in various independent watch-repair shops all over the country, but because of this difficulty which you foresee no employees of that watchmaking school are employed by the Bulova Co.

Mr. SIMPSON. Are they barred from employment by that company?

Mr. ANDREWS. I don't know that they are barred. There are four-hundred-odd graduates and none of them has been employed. I think the company would discourage employment for the reason that you stated.



Mr. SIMPSON. Now, one other general subject. What relationship, if any, have you discovered between the effect of Government upon the use of foundation funds; that is to say, does Government influence what foundations spend?

Mr. ANDREWS. Yes. The things that Government does foundations don't need to do.

Mr. SIMPSON. Let's take it the other way. What the foundation may do Government frequently can't do. Now, to what extent does Government influence foundations to do what Government can't do? If I don't make clear what I am driving at, I will try to rephrase it.

Mr. KEELE. Let me interject this: I think that I may have given the impression that Mr. Andrews had finished with his testimony. It was only that phase of it, Mr. Simpson, and I think he is later going to discuss the fields.

Mr. ANDREWS. I plan to discuss that fairly extensively.

Mr. KEELE. A little later.

Mr. SIMPSON. All right. Let him go ahead.

Mr. KEELE. I did give that impression. It was only on that phase, and I think it is well that you put your questions as you did, but on that particular question I think you are going to cover that, are you not, Mr. Andrews, in a later period?

Mr. ANDREWS. Yes, sir.

Mr. KEELE. Any other questions from the committee on this phase?

Mr. GOODWIN. Mr. Chairman, one question with relation to category 5, community trusts, whether or not there is a tendency of any segments of the ordinary Community Chest or community-fund movement to assume the characteristics of the community trust.

Mr. ANDREWS. Yes, sir; there is some tendency.

In Rochester, N. Y., the Community Chest is substantially a community trust, and there are Community Chests in various cities which have accumulated some funds, and to that extent they are serving the same function as the community trust.

I personally think that Community Chests and community trusts should work in quite close collaboration, and usually they do. A Community Chest, for instance, is sometimes asked to handle such a fund, and for the most part they have said, if there is a community trust available, "Yes; we want your contribution, but won't you please make it to the community trust and they will give the income each year to us."

But the two do serve the same purpose, except that the chest is for current expenditure and the trust for accumulation of funds of which the income shall be spent. They should be closely correlated, and Community Chests and Councils, the national organization, is making great efforts at that proper correlation.

Mr. HAYS. Just to clear up the figures you quoted, corporation contributions, you said that sum exceeded last year the contributions to the community chests of the country?

Mr. ANDREWS. Yes, even though corporations give the community chest nearly 40 percent of what the community chest received, even so the total—

Mr. HAYS. That figure shows up in both figures?

Mr. ANDREWS. That is correct.

Mr. HAYS. The Community Chest total includes that 40 percent of the corporation gifts—

Mr. ANDREWS. That is correct.

Mr. HAYS. Go ahead, Mr. Keele.

Mr. KEELE. Supposing, then, we move to the manner of setting up foundations, Mr. Andrews.

Mr. ANDREWS. Dr. Hollis has already given you some of the facts there. I will briefly review them.

There are in general three ways of setting up a foundation. The first and least usual one is by special act of Congress.

Only a few foundations have such special acts, and I imagine the Congress would not be eager to indulge in the many special acts which would be required if all foundations had such acts. Examples are the Carnegie Institution of Washington, the General Education Board, the Carnegie Foundation for the Advancement of Teaching.

A second way of setting up a foundation fund is to organize it as a charitable trust under a will, resolution, or instrument of trust.

An example of that is the community trust we have just been discussing. These trusts are set up under State laws. They take advantage of the Internal Revenue Code provision 162 (a) rather than 101 (6) for their tax exemption. Most of them are smaller than the third class I shall discuss soon, but there is no reason why they can't be large also. There are certain advantages in the trust form, certain other advantages in the membership corporation form.

By far the commonest form of organization is incorporation under the laws of a particular State, as a membership nonprofit corporation. Most of the foundations we have been discussing are so organized.

The incorporators are usually the original board of trustees. They secure exemption by submitting to the collector of internal revenue their charter and any other pertinent documents, a record of their finances, their expenditures for a year. Usually they do not succeed in getting that exemption until 1 year of operation has taken effect. That is the commonest form of foundation organization.

I, perhaps, ought to add that such foundations may be organized by living donors or they may be testamentary, or they may be testamentary with delayed effectiveness. That is to say, the will may set up the foundation but living beneficiaries may have its income for a period of years until their deaths.

Mr. KEELE. Now let's move on to the question of methods of handling endowments.

By that I mean a discussion of those which are in perpetuity, those where there is an optional disbursement of endowment or principal as well as endowments, and those which are limited specifically.

Mr. ANDREWS. Well, I should like to begin with one variation of the first, the accumulating foundation. This was mentioned briefly this morning.

A very few foundations are required to accumulate their income and to maintain their capital for a period of years. Dr. Hollis mentioned the Franklin Foundation and what it has done. I would like to give you a few financial statistics on what happened.

As you know, many people have been fascinated by the theoretical possibilities of compound interest over long terms of years. Here we have one example. Let's take only the Boston experience. We could add the Philadelphia one, but let's abbreviate it.

As you heard this morning, Benjamin Franklin bequeathed to the town of Boston £1,000 sterling, roughly \$5,000. The first part of that

sum, one hundred one-hundred-and-thirty-firsts of it, the large part, was to accumulate for 100 years, from 1791 to 1891. For some reason they didn't get around to totting it up until 1894 at which time that original sum, about \$3,800 of the original \$5,000, had grown to \$329,300.

The Franklin Technical Institute was begun in 1906, and by the time it was completed the funds available were \$438,000. That is part 1 of that Franklin fund.

Now, part 2 was a small sum, only thirty-one one-hundred-and-thirty-firsts of the original \$5,000, only \$1,200 roughly in 1791. That, however is to keep on accumulating until 1991.

I checked with the director of that fund last week, asking him what the accumulation now was from this \$1,200. He had figures only for the first of the year. \$1,200 had grown to \$1,077,185. In 1991, whatever that sum may be by that time is to be divided between the town of Boston and the government of the State.

The Duke endowment also was required to accumulate 20 percent of its income until it should have an additional \$40 million.

Looking at the theoretical side, of course, such accumulations over long periods of years make absolute nonsense. Invest \$1 at interest compounded annually at 5 percent, in 100 years it becomes \$131.50, in 500 years it becomes \$39 billion, in 1,000 years it becomes theoretically a figure 22 digits long.

Obviously we cannot have accumulations over long periods of years. Either the principal has to be dissipated or chances for investment disappear, so probably wisely there is this rule that we have referred to several times against unreasonable accumulation.

MR. KEELE. There was a limitation, was there not, on the length of time that the Duke funds should accumulate, until it reached a certain figure?

MR. ANDREWS. Yes; it was toward a figure rather than a year. So much for accumulating foundations.

I assume none of them are now being set up because of the 1950 Revenue Act. I don't know what effect that revenue act may eventually have on the Franklin Foundation. I have not found out whether it has any effect on that.

We go to perpetuities. As Dr. Hollis said this morning, many of the older foundations are set up as perpetuities. In them the trustees are permitted to spend only the income. And under the 1950 Revenue Act they are compelled to spend substantially the income.

Then we have the half-way group which are sometimes called discretionary perpetuities. They are set up so that they can be perpetuities but under various provisions the trustees have the right to spend out of principal. The first important discretionary perpetuity was the Peabody Education Fund established in 1867.

In that case Mr. Peabody provided that after 30 years the trustees by a two-thirds vote could spend the principal and in fact the Peabody fund has been dissipated and no longer exists.

Most of the Rockefeller benefactions are discretionary perpetuities, any in many cases the trustees have been spending heavily out of capital. I believe all of the Carnegie benefactions are perpetuities. Other foundations differ.

If there is a trend, it is toward discretionary perpetuity so that the trustees have at least the privilege of spending capital if conditions change.

Conceivably, for example, interest rates might heavily drop, and of course a perpetuity is of no value whatever if interest rates approach zero, because it has no income. Or the value of the dollar may change drastically, and if the dollar depreciates in value, then the income of the perpetuity decreases in effectiveness.

Finally there are the liquidating funds. Those are foundations in which the trustees are obliged to spend both capital and income by a stated period.

Mr. Julius Rosenwald was perhaps the most vocal of the proponents of liquidating funds. He thought that the present could not foresee the needs of the future, and that present profits should be spent largely to take care of present needs. He provided that his trustees should liquidate the Rosenwald Fund within 25 years of his death, and the Rosenwald Fund was in fact ended in June 1948, and no longer exists.

Mr. KEELE. I would like to have you discuss for the committee here some of the problems of the staffing and administration that confront the foundations. How do they go about their business? How do they get their trustees? How do they get their operating staff, and related problems of administration?

Mr. ANDREWS. The trustees of a foundation are the foundation legally. If it is a membership corporation, they are usually the only members of the corporation. The whole power of the foundation resides in their hands.

The trustees are appointed by the original donor if he is living, or often the manner of their appointment is indicated in his will. How they organize thereafter depends upon the purposes and the size of the foundation.

Mr. KEELE. Mr. Andrews, if I may interrupt, I have suggested to the committee that we take say a 5-minute break. I think there is a good hour yet before you go, and my guess is that you would like a 5-minute recess. If so, we will take a 5-minute recess.

(There was a short recess.)

Mr. HAYS. The committee will be in order.

Mr. KEELE. All right, Mr. Andrews, will you resume at the place where I interrupted you?

Mr. ANDREWS. We had started to talk about staffing and administration, and I had said that the trustees are the foundation and the way they organize thereafter depends in part upon the purposes of the foundation and in part upon its size.

If it is a foundation which makes grants primarily and is a small foundation, then the trustees themselves may be the whole foundation. They perhaps meet two or three times a year, consider all the requests for grants that have come in to them or any ideas they themselves have. They may not even hire a secretary. There may be no expenses literally. The foundation is run just by the trustees.

I ought to say at this point that the trustees usually are not paid. That is not the universal case, but payment of trustees is frowned upon in general.

The Carnegie Corp. trustees originally were paid \$5,000 a year. They themselves voted against such payment. There are exceptions.

The trustees of the Duke Endowment receive 3 percent of the income of that foundation, divided among themselves. There are a few other similar instances.

One hopes that a trustee has sound business judgment, experience in various fields in which the foundation may operate, and social vision. They are not very different in character from the trustees of colleges and universities and museums. They are the same sort of people and sometimes they are the same persons as I think Dr. Hollis pointed out this morning.

For the larger foundation, the trustees cannot perform all the functions themselves or, if they try, they are perhaps being unwise.

For the slightly larger foundation, they need an executive and perhaps a secretary who will handle routine correspondence, who will pass first judgment on requests for contributions, and bring to them the more promising of the proposals for their decision, and do the final work of sending out the checks and reporting on results.

For the large foundation, even though all its funds may go in grants, a considerable staff is advisable and necessary. A very large foundation may get as many as 1,000 requests for grants in a week. That was the experience of the Ford Foundation recently, I believe.

In addition to the sheer mechanics of handling those grants, the large foundation has a responsibility for looking into the fields in which it ought to be operating, in some cases initiating projects that need to be done, because not all the necessary projects come in the form of requests from the outside. A foundation may often need to initiate some of these projects, find the right people to do them and the right organizations to control their doing.

There is no training school for foundation executives that I know of. Training has come about almost by accident. Men are drawn from a wide variety of fields, but chiefly from education. They are, as I know them, a fine group. There are exceptions, of course.

A foundation may operate in one of three ways, or a combination of them. It may be a grant-giving foundation, and most foundations are that. They do not direct operations themselves except preliminary research to explore the possibilities. If so, their problems are relatively simple.

Or it may have an ad hoc staff. It may collect staff for particular projects as it sees those projects necessary, and disband that staff when the project is completed.

Or it may be a full operating foundation which makes no grants. That is true of Twentieth Century Fund, with one or two exceptions. It is currently true of my own foundation and of several others.

In that case the foundation initiates the project, carries it through with its own staff, and has at least a nucleus of permanent staff.

There are various advantages and disadvantages to all these forms of operation. The purpose a foundation has in mind is probably the deciding factor.

In the case of the grant-giving foundation; there is a certain discontinuity. Once the project is completed, it might have been useful to give that little additional push in that field that might have resulted in major accomplishment. But the project is completed, and by the time the trustees meet and the wheels begin to roll again, the opportunity is lost.

On the other hand, the operating foundation sometimes finds that research staff gets so tangled up in committee responsibilities and putting on this extra push I have been speaking about, that a good research man becomes a public speaker and a committeeman, and there are losses there as well.

With respect to the grant-giving foundation, great care must be taken, in my opinion, as to the handling of these grants. Once the grant has been made, the foundation should keep its hands off. It should not attempt to control the findings.

It should take care to select a problem it wishes studied. It should take care to select competent personnel to study the problem. But then in my opinion it should keep hands off; it should not attempt to control the findings or in any sense limit the distribution of those findings when made. It should exercise what we have come to call academic freedom with respect to its grantees.

Mr. KEELE. Might I ask what the practice has been with reference to allowing the grantee complete freedom once the grant has been made. You said that should be their policy. Do you know what the policy generally has been with foundations in that respect?

Mr. ANDREWS. In general that has been their policy. There are degrees, however. Each foundation has a responsibility to see that its funds are not wasted. It does need to follow up its grants to the extent of seeing that the funds are applied to the purposes originally intended.

And there is therefore a very fine line between the follow-up which the foundation ought to do both for efficiency and to guide its own policies in the future, and this academic freedom which I think is important.

Most foundations have come fairly close to what I would define as that line. Others might place the line a little to the right or the left of where I would place it.

Mr. KEELE. In other words, it is not an effort to control the results so much as to ascertain whether or not they have wisely allocated that money, and to avoid waste or obvious waste of their funds; is that not the case?

Mr. ANDREWS. Yes.

Mr. KEELE. It is not an attempt on their part as I understand it so much to arrive at a result or a preconceived goal, but rather merely to police the matter in the question of the wise expenditure of the money, and for their own information for future action; is that correct?

Mr. ANDREWS. Yes.

Mr. SIMPSON. Mr. Keele, I have a question there. I am concerned about this point right here. I just can't conceive that millions of dollars could be spent without their being a mistake made somewhere.

Do I understand that even if a mistake is recognized on the part of the grantor with respect to the use of the money, that they shouldn't interfere once having made the grant?

Mr. ANDREWS. I think we have to define that word "mistake."

Mr. SIMPSON. May I attempt to, to bring to a head what I have in mind.

A grant is made to some kind of a study and the chap who is doing the work turns out to have misrepresented and to be writing some literature which greatly praises the Communist form of government, and the directors of the fund learn that, and they did not intend that.

Would you or would you not think that they should follow through and interfere there?

Mr. ANDREWS. I think in an extreme case of that sort the right to interfere probably should be reserved to them.

Mr. SIMPSON. Then this academic freedom does have a limit?

Mr. ANDREWS. Yes; a practical limit.

Mr. SIMPSON. That's all.

Mr. KEELE. But if they make a mistake in the sense that they see that it is not going to turn out as they had hoped, aside now from the ideological point of view, but if the practical results may not be what they had hoped they would be, so long as the research is carried along the lines they had expected, they probably would not interfere, would they?

Mr. ANDREWS. They should not. Let me give an example. The Ford Foundation is at present financing an experiment in teacher training. People have been very much concerned about teacher training for some years. One group feels that there has been an overemphasis on the technical training of teachers to teach, but not enough emphasis on giving them something to teach. In other words, the courses on educational psychology and the like have been overemphasized.

In the State of Arkansas at the present time the Ford Foundation is financing an experiment whereby teachers receive 4 years of substantially liberal arts education, background information, and 1 year of what amounts to an apprenticeship in teaching.

That is something of a departure from past practice when teachers in training received a majority of courses in the field of technical education itself. It may work, it may not work. I think the Ford Foundation would not have adopted the program if they had not felt that it would work. But I think, too, that if it does not work, they are bound to accept the results that occur, and to carry the program through until there is convincing evidence whether it does or does not work.

Mr. KEELE. Mr. Andrews, the foundations usually have a wide latitude, I gather, from examining their charters, in the activities in which they wish to engage. Will you tell us from your experience and knowledge of the subject the areas within which they have chosen to work so far as the trends are concerned.

Mr. ANDREWS. Various attempts have been made to put dollar values on these fields, and I think that is a mistaken effort. For instance, a foundation might contribute \$10,000 to a laboratory in a college in Tokyo. Now is that a contribution to research or to education or, if it is a medical laboratory, to medicine, or to international relations?

It is obviously all of those things, and where we classify it depends upon the judgment of the person who is doing the designating.

So when we did our survey of foundations, we didn't attempt to put dollar labels on these fields, but we asked each of the foundations to what particular fields they devoted at least 15 percent of either their money or their efforts, in case there were operating foundations. I will give you those figures.

You will recognize that these are percentage figures and that they will run way over 100 percent, because a foundation might have had three or four 15-percent choices in its programming.

We did not include physical sciences in our survey, because our study was called American Foundations for Social Welfare, and we

excluded the foundations devoted solely to the physical sciences. However, you will have the physical sciences discussed by Mr. Bush in a day or two so that that won't be a permanent exclusion, but it is for my figures.

Of the foundations, 335 in number and including most of the large foundations who filled out our questionnaire, 48.7 percent said education was a major interest, a major interest demanding anywhere from 15 percent to 100 percent of their attention. That was the highest.

Social welfare was claimed by 44.8 percent. Social welfare, however, was something of a catch-all. Obviously the foundation that took care of crippled children or administered relief probably used that as its catch-all.

Health, 38.5 percent, and I am certain that the foundations which supported health gave more money to that purpose than the social-welfare group because of examining the names of the foundations concerned and knowing the concentration of their program.

However, these three are the only three important areas selected by any of the foundations—education, health, social welfare.

Minor items: Recreation, 15.2 percent. Many of the community trusts selected recreation, for obvious reasons, since they are community foundations, and care of parks and children's activities, account for a good portion of their funds.

Religion, 11 percent; international relations, about 8 percent; race relations, about 8 percent; government and public administration, about 6 percent; economics, about 6 percent; miscellaneous, some 4 percent, and that covered items that I couldn't include in these other categories, such as public opinion polls and forestry and the like.

It is likewise significant that out of these 335 foundations, 29 were changing programs at the time our questionnaire reached them, so that they could not specify their program. That is an indication of substantial changes in programs to meet what the foundations regard as new needs on the part of nearly 10 percent of the replying foundations.

Mr. KEELE. What have been the chief fields of activity of the larger foundations during the past years since their inception?

Let us say that beginning with the Carnegie Foundation or the Carnegie philanthropies about the turn of the century, what have been the primary fields of endeavor of the larger foundations?

Mr. ANDREWS. If we have to summarize in very broad terms, medicine and health received tremendous emphasis among early foundations, and to a large extent still do, though funds for those purposes are now available increasingly from other sources.

Education from the very beginning was a great money recipient from foundations, and still is. Then in the field of welfare, there has been a swing. In the early days welfare was interpreted as taking care of individual needs, care of the aged, care of widows, children, cripples, and the like.

More recently those needs have been increasingly met out of Government funds and out of contributions of private donors and foundations have increasingly turned to welfare research, to finding the causes of these difficulties.

Perhaps this is the moment for the cliff story which seems to me to illustrate this shift. This is an old story and not mine, though



I have never found where it originated. It is about people living in a village underneath a great cliff. At the top of the cliff there was a busy highway. People were always falling off the highway down to the bottom of the cliff, and the villagers took care of them. They even bought an ambulance to take care of them better, and they were very busy.

One day an old man said, "Why don't you go up to the top of the cliff and build a fence?" But they were so busy taking care of the wounded, their cries were sharp in their ears, that they just didn't have time to get to the top of the cliff and build that fence.

Well, now Government in the Social Security Act and other measures is to a large extent taking care of the people who fall off the cliff, and running the ambulance at the bottom. Increasingly foundations are getting to the top of the cliff and trying to build some of that fence of prevention.

Mr. KEELE. Well, I think that leads naturally into a discussion of what we might call foundation doctrine on methods.

The shift has taken place, as I understand it, in the grants made, or the general trend of the grants made, by the foundations, which you have just indicated in generic terms, and I wish you would discuss with us the foundation doctrine, shall we call it, the risk- or venture-capital theory of philanthropy, in very general terms.

Mr. ANDREWS. At this point I would like to make it perfectly clear that, as far as facts are concerned, they are facts from Russell Sage Foundation studies. We now enter opinion, and the opinions have to be mine. The foundation financed my studies in this area, but I would hesitate to make it responsible for all my opinions. These are individual opinions.

I do think that foundation funds are venture capital, venture capital in the sense that few other funds in society today can claim to be.

The nature of that venture capital has somewhat changed. I have already suggested the shift from relief to research. It is also now important to distinguish between kinds of research, perhaps. Again a few figures.

These are taken from the Steelman report, the Government report Science and Public Policy, by Mr. Steelman, and they concern research funds in the natural sciences. I will try not to give you statistical indigestion and therefore confine them to just 2 years.

In 1930 the Federal Government contributed to research in the natural sciences \$23,000,000. In 1947, excluding Atomic Energy sums, the Federal Government was reported to have contributed \$625,000,000—quite a sharp jump.

In those same years industry contributed, in 1930, \$116,000,000, at that time nearly five times the amount Government contributed. In 1947 the industry sum had quadrupled to \$450,000,000, but was then considerably less than the Federal Government.

Total reported contributions for the natural sciences were in 1930 reported at \$166,000,000; by 1947 to seven times that amount, \$1,160,000,000.

Now, we do not have social-science figures. Unfortunately, no reliable figures seem to be available. I tried hard to collect them, and I have fragmentary figures, but not complete ones, but they are small. The amount spent for research in the social sciences are still minor. There are reasons for that.

Mr. Frederick Keppel, whose book I referred to earlier as one of the interesting books on foundations, said in 1936:

The average man is far from comfortable in the presence of any deep-lying social problems and in no mood to contribute toward their solution by supporting the very steps he extols when they are applied to problems in the natural sciences.

That is an attitude which you all recognize. That is an attitude which Government recognized in the creation of the National Science Foundation. The social sciences deal with explosive issues.

It is difficult for an agency which is supported by taxpayers to enter that field, or for an agency which is supported by contributors to enter that field. For however objective the findings may be, they will be explosive in some of their implications.

There is in American society substantially only one fairly independent source of funds—the foundations, independent in the sense that the money is there, the persons who do the research do not have to worry about future contributions, do not have to shape their findings to please the contributor, do not have to shape their findings because of something that may not be politic.

Perhaps this single example may say what I mean. Let us suppose a professor in a dairy State wishes to investigate the comparative virtues of oleomargarine and butter. If he is in a State institution he will have great difficulty if his findings should happen to favor oleomargarine. Those are problems, practical problems, which research faces in the social sciences, because they are explosive issues.

For that reason I think that foundations perhaps have an extra mandate, an extra duty to enter the fields where money is lacking, for obvious reasons which I have suggested. It is a dangerous mandate, of course.

The social sciences are now in the Galileo stage when it is not comfortable, when it may be dangerous, to announce that certain things move which were thought stationary before. But if they do move, it is time we found it out. And perhaps the foundations can with their venture capital contribute toward finding out the explosive facts of how to get along with each other, how to get along with other nations.

There are also certain responsibilities in setting up pilot projects in areas that are occupied perhaps by Government or by long institutionalized organizations to see if those are being run efficiently, to discover new methods. This needs venture capital.

Such capital should not, in my opinion, be applied to long-continuing projects simply for their support. It should not be applied to meet deficits, to meet ordinary running expenses. There isn't enough of it. As I tried to indicate, it really is pretty limited. It is unusual money in the freedom that it now has, in the freedom that I hope it always will have. It is venture capital. It should be used for the long-term projects, the projects which may fail.

I would like to read a statement from the Ford Foundation report of its study committee. I quote:

The problems and opportunities of our time arise out of man's relations to man rather than his relations to the physical world.

As to the difficulties in this field of research, perhaps we might take the testimony of a commercial corporation, the du Pont Co., in a recent statement to its stockholders about its own research:

As in games of chance, the problem really is to spread the company's research risks over a great many possible winners while retaining sufficient reserve in funds and manpower to increase the stakes when the deal looks good. \* \* \* In the end, the winning project must more than make up for all the losses or the entire game must be abandoned. \* \* \* The odds are set by a combination of factors: The wisdom of management, the inventive genius of the scientists, the dollars and facilities available for research. There is no advance guaranty then, that 1 in 20 or even 1 in 40 projects will pay off. Rather the test of successful research is management's ability to fashion odds under which winnings will exceed losses by a profitable margin.

If a corporation designed for the making of profits is willing to take odds at 1 in 40, I think you can see some of the difficulties facing research in so difficult a field as the social sciences.

I think that foundations would be ill-advised to pick only the blue chips. Indeed, I hope that this investigation may clarify the areas in which foundations work and the areas in which they might work. I hope that neither this investigation nor any other current activities will make foundations so sensitive to criticism that they will return to studies of a common cold, much as we need a cure for that.

Mr. SIMPSON. Mr. Keele, I wonder if I might ask a question.

Mr. ANDREWS. Yes, sir.

Mr. SIMPSON. I don't think you meant to say that Congress should impose a limitation upon the use of foundation funds.

Mr. ANDREWS. Should not?

Mr. SIMPSON. They should not.

Mr. ANDREWS. They should not impose controls over the use of the funds; accountability, yes.

Mr. KEELE. I am going to ask before we finish, if I may say so, Mr. Simpson—

Mr. SIMPSON. How is that?

Mr. KEELE. I am going to ask Mr. Andrews to tell us the position of his own foundation with reference to governmental regulation or control.

Mr. SIMPSON. I may have misheard him, but I think that he said he hoped before these hearings ended we would clarify the methods under which foundations should function.

Mr. KEELE. I thought so, too. I did not understand that.

Mr. SIMPSON. I want you to clarify that if you do not mean that.

Mr. ANDREWS. I did not mean that at all, Mr. Simpson, and thank you for calling attention to a misunderstanding.

What I did say was I hoped that out of these hearings we should get a broad picture of what foundations are doing and might do so that they would have a better basis for judgment as to the areas of need, and it was my hope that out of this broad picture they would not return to the so-called "blue chips" studies which everyone is for, but for which money is available elsewhere; but that they would continue to devote this relatively small sum at their command for the long-term, difficult projects that I have been discussing.

Mr. KEELE. Does that clarify it, Mr. Simpson?

Mr. SIMPSON. Yes.

Mr. KEELE. I think so, too. It was a little misleading as you put it.

Mr. Andrews, is it not a fact that there was some apprehension expressed, and otherwise, at one time lest mere investigation of the activities of foundations, such as have been undertaken by this committee, might conceivably tend to drive it, the venture capital,

back into the "blue chips" rather than into the areas of experimentation, pioneering, perimeters, and so forth? Is that not true? Has not that fear been expressed?

Mr. ANDREWS. That fear has been expressed.

Mr. KEELE. I take it you were touching on that when you said that you would hope that we could clarify the areas within which foundations were working—I believe you used some such language as that but I am sure that, as Mr. Young, I think, the head of your foundation, expressed to me one day, they did hope that this investigation would not frighten or tend to frighten the trustees into retreating into safe investments, as it were. Isn't that something of the theory that we were talking about?

Mr. ANDREWS. That is a fair expression of it, yes.

Mr. KEELE. In other words, I think it was expressed well, was it not, in Mr. Embree's article in Harper's in 1949 on Timid Billions?

Mr. ANDREWS. Timid Billions?

Mr. KEELE. Where he said that the metier of the foundations was really to use this capital in experimenting in the frontiers, shall we say, of human knowledge, breaking through the perimeters, rather than to aid that which was already known to be sound.

I wish you would talk to us a little about that, that philosophy of the "blue chip." You have touched on it, but I do not know that you have made it entirely clear, at least in my mind, as to the real value of foundations, as it is viewed by the people most interested in foundations, that is, in operating them.

Mr. ANDREWS. Perhaps that is all involved in our question of how to make foundation funds go farthest.

Mr. KEELE. All right.

Mr. ANDREWS. The foundation is the only giver in the world who often has the gift of eternal life, if that be a gift, and he spends all of his time in trying to learn how to give effectively.

Now, giving is a difficult business. Mr. Rosenwald once said that he found it "nearly always easier to make \$1,000,000 honestly than to dispose of it wisely." It really is a difficult business.

I said earlier today that people do come before my desk asking advice on how to spend \$50,000, \$100,000, \$2,000,000, and it is not a task that I can accomplish with much satisfaction to myself. It is difficult to advise them. That is the reason I asked the trustees to let me continue with studies in this field.

But the foundation does accumulate experience. The same trustees do not go on forever, but the board does not wholly change; what they have learned in the past is available for their future knowledge. Out of this experience they have learned to make relatively small sums go far.

They have gained contacts in various fields which enable them to find key personnel to develop projects which those without the experience would not be able to even discover; so that the first reason for foundation funds going pretty far, in my opinion, is because they have experienced administration.

Secondly, pilot projects and demonstrations—I have touched on that. Here a foundation might even do any of these "blue chip" things. It might set up a demonstration hospital, but it ought to do it only once or only enough times to prove that certain processes are good

or bad. Then it should abandon the project, and let it be carried on by other sources of funds.

We have a good example of this—I almost said—double standard except for the unfortunate implications of that word, in public and private higher education.

Public educational institutions do a grand job. I should hate, however, to see all of our institutions of higher education public. They need the variety, the diversity, the standards-setting, the mistakes, the successes, the ingenuity, the creative ability of the private institutions.

Similarly, the foundation can act as an exploratory standard-setting institution, but it must desert its experiment when the experiment succeeds. That is one of the anomalies of working for a foundation. You no sooner thoroughly succeed in a project than the foundation abandons it, and properly.

Mr. KEELE. I assume it moves on to other fields in which it will attempt to repeat the process of setting up a pilot project demonstrating the value of it, and then allowing other authorities to take over?

Mr. ANDREWS. Yes.

Mr. KEELE. Was that not really the way in which the Rockefeller philanthropies worked in demonstrating the value of worm control and treatment?

Mr. ANDREWS. Yes; approximately.

Mr. KEELE. Leaving it then for the local, State, and Federal Governments to follow through once they had demonstrated the value of the pilot project.

Mr. ANDREWS. Yes.

Mr. KEELE. And the same with erosion control, and various projects. In fact, they have followed that method pretty consistently, have they not, Mr. Andrews, that method?

Mr. ANDREWS. They seldom engage in a project in which there is not the prospect of local cooperation and another agency taking it over finally.

Mr. KEELE. I assume the Ford experiment in Arkansas is directed along the same lines; is it not? If it can be demonstrated there that the teacher training program they have is a good program, they will then leave it to the State to follow through, and hope that other States will adopt such a program.

Mr. ANDREWS. I am sure that is their intent.

Mr. KEELE. It is not their idea of staying there permanently.

Mr. ANDREWS. No, sir.

Another way that foundation funds are spread is one mentioned this morning, the conditional grants. Dr. Hollis gave you several examples of that. Some things can be said both for and against conditional grants, and there are various types of conditional grants.

One form of conditional grant I think he did not mention this morning is the one that simply says, "If we contribute \$10,000 your other contributors must contribute \$20,000," conditional in these terms. "Once the \$20,000 has been raised our \$10,000 will make it \$30,000." That is a practice which many individual donors and many foundations have tried out with a view to expanding the influence of the moneys they are able to apportion. Some things can be said for it and some things can be said against it.

It does mean that the foundation contribution, sometimes a small part of the whole, has an influence on the direction of a development out of proportion to the money value contributed. That could be bad—the influence is there.

Then, the other type of conditional grants are those which set up standards, and Dr. Hollis very properly mentioned the very famous one of the Carnegie pensions.

Another might be the Carnegie Libraries. Mr. Carnegie did not give books to local communities, he gave a library building. He did not give library buildings without strings attached. Before the building was given a community had to promise out of tax funds or other sources a certain definite sum for annual maintenance of that library, and for book collections. It was a conditional grant. By the time of his death in 1919, 2,811 library buildings had been constructed at a cost of \$60,000,000 in conditional grants.

Then, some foundations act on the principle that the most effective way to spend money is not to concentrate on particular projects but to find and support superior individuals.

Mr. Carnegie had that idea. He said the thing to do is to supply "ladders upon which the aspiring can rise." His library program was part of that; scholarship programs are part of that. But beyond supplying those ladders on which the aspiring can rise, foundations are eager to find individuals of unusual competence for the projects in which they are interested, and such individuals are scarce. Training programs have to be instituted in many cases. The ideal arrangement is to find the competent individual, give him freedom and give him tools. In the opinion of many foundation executives, that is the most useful employment of their funds.

These are various ways in which funds of the foundations are amplified and given social utility.

Mr. KEELE. Mr. Andrews, would you give us the view of Russell Sage Foundation with reference to governmental regulation? I believe it was well set forth in the answer to the questionnaire which the committee submitted to you, and I would like to have you read that, if you would. I assume that is official, that is the view of Russell Sage Foundation on that point; is that right?

Mr. ANDREWS. Yes. The questionnaire was prepared by a few of us in the foundation, gone over by the executive committee and seen by the whole board of trustees.

Mr. KEELE. Would you read that section for us.

Mr. ANDREWS. I would be very glad to. This really begins with question G-4, for those familiar with the questionnaire. We say, in answer to your questionnaire:

Foundations and charitable trusts receive from society certain privileges of which tax exemption is the most tangible. In return for such solid advantages, and also in view of the fact that the ultimate beneficiary is society itself, however particularly the gift may be directed, it seems wholly proper that the foundation or trust should be held accountable for its stewardship. Society should have the means of protecting itself against the theft, squandering or unreasonable withholding of this promised benefit.

Government regulation is undesirable except insofar as necessary to achieve the degree of accountability suggested above. This need for public accountability should not result in governmental control of program. Self-policing would not seem adequate for the very small minority of small "foundations" which may be set up for tax or other personal advantages. Abuses proved against such

foundations might injure the reputation and curtail the freedom of action (their most crucial asset) of the many legitimate foundations.

A program to insure accountability for all foundations might include:

1. A registry of all foundations and charitable trusts, presumably through uniform legislation in all the States, under the laws of which such organizations are usually originated. The registry should be public, segregated, and kept current.

2. Compulsory annual reporting, including a full financial statement and a description of activities. These reports should be open to the public. To some extent this purpose is already accomplished on the Federal level through compulsory filing of Form 990a.

3. Provision for regular review of such reports by a public authority possessing power to correct abuses. Presumably such power resides in the States, which were the constituting authorities, and would be exercised through the office of the respective attorneys general.

These measures do not envisage control of program, which is regarded as unwarranted and dangerous. The mere existence of power to divert such funds into only such channels as might receive wide public support at a given moment would both discourage new gifts of thoughtful donors, and threaten the essential ingredients in the success of the foundation movement, freedom to experiment.

Mr. SIMPSON. Mr. Andrews, I would like to review the question that I was talking about, phrasing it this way: In your experience, to what extent, if at all, does Government influence the granting of funds by any foundation?

Mr. ANDREWS. The influence is in several directions, I am sure. No. 1, the things that Government does the foundation does not need to do except on a pilot project basis.

No. 2. There is another use of foundation venture capital which I did not mention before, and I think ought to be mentioned because it does deal with Government. In many cases Government programs arouse a good bit of discussion as to how efficient or how desirable they are. The WPA might be an example. It is difficult to arrive at a survey of such a program which people will take seriously if it is done either by a taxpayers' league which is interested in cutting down on taxes or by a Government agency which may be interested in defending the status quo.

In that area foundations can usefully serve in making such surveys of public administration.

Mr. SIMPSON. In that latter area, where Government may be interested in a program but Congress has not given it the money to conduct certain investigations which the officials may desire, do I understand that they may approach a foundation to have that survey conducted?

Mr. ANDREWS. Yes.

Mr. SIMPSON. To what extent does that take place?

Mr. ANDREWS. Let me give you an example.

Mr. SIMPSON. Let me add just one thing. Congress, having refused to grant that department of Government authority to conduct the said investigation, if those officials go to a foundation and seek to have the foundation make that investigation, I would like to know that.

Mr. ANDREWS. I would have difficulty in giving you a specific example there. I think that those officials in private capacity could go to a foundation and say, "This is an area which we think needs study; Government is not now able to undertake it. Will you?"

Then it would go on its own. The sponsorship of Government officials would not greatly influence the decision of the foundation. It would be the virtues of the project itself.

Mr. SIMPSON. Is it true that as Federal moneys are increased for the research work in the social- or the natural-science field the area in which the foundations may do original work is curtailed?

Mr. ANDREWS. That might be true if research were not itself an expanding universe, expanding so fast that any attempt to keep up with it must fail.

Mr. SIMPSON. If it is done at the Government level, I mean, as indicated by these vastly increased funds for investigation into the natural-science field between 1937 and 1947, it would seem to me that by this expansion we limit the area in which the foundations can do original research.

Mr. ANDREWS. I think we might use a different figure of speech there and say that the area of desired research is a large virgin territory, and as the Government occupies certain areas of it foundations are able to occupy still other areas, but that there remain vast important areas that lie open for discovery.

Mr. SIMPSON. Well, the area that Government may go is limited by constitutional limitations; you mentioned political limitations; there are others; I do not recall them. Consequently, Government, having expanded its expenditures within the area where it is permitted, those others are the highly controversial fields, and the effect of Government greatly increasing its expenditures is to force the foundations into these controversial fields.

Mr. ANDREWS. I think that is a point, to the extent that the non-controversial fields are taken care of either by Government or by private philanthropy. Foundations have even more of a mandate to go into the controversial fields.

Mr. SIMPSON. Then, if that is true, Government itself can be forcing the foundations to enter these controversial fields, which many people object to as being too far to the left.

Mr. ANDREWS. I would rather say that the Government occupancy of those other important fields gives the foundation some wider latitude for choice.

Mr. SIMPSON. It gives them what?

Mr. ANDREWS. A wider latitude for choice.

Mr. SIMPSON. It gives them a much narrower area unless they want to duplicate what Government is doing.

Mr. ANDREWS. Let me put it this way: Cancer is such a dreadful disease that quite a few foundations were organized solely for investigation of or care of cancer patients. If and when the Public Health Service and the American Cancer Society and individual contributors contribute all the funds that can usefully be employed in either taking care of patients or in research in cancer, then the foundations now set up with a primary concern for cancer will logically be forced out of that field and will have to look for new areas; yes.

Mr. SIMPSON. You mentioned "blue chips" awhile ago. Can't we agree that Government can force the foundation away from the "blue chip" field and into still more theoretical and experimental areas, if Government should take it over?

Mr. ANDREWS. Yes; if all the "blue chips" were taken over by Government.

Mr. SIMPSON. They are going to take over only the ones that the Constitution and the political considerations and other things permit. It seems to me that foundations are gradually being forced, so far as



original research is concerned, to go into that marginal area that Government cannot do because of political considerations.

Mr. ANDREWS. I would complain only about the word "forced" there. There still are vast numbers of projects that are in the "blue chip" areas, which foundations can take if they want to, and for the foreseeable future that will remain the case.

Mr. KEELE. As an example of that, they could give all their money to schools or colleges and universities. They consider those "blue chips."

Mr. ANDREWS. Scholarships.

Mr. KEELE. Or "blue chip" investments.

Mr. ANDREWS. Yes. At present it costs about \$2,000 a year to put a boy through college. Now, foundations could spend their whole income each year from here on into the foreseeable future in cutting that down to \$1,000 per year, and thereby broadening the basis for democratic education.

Mr. SIMPSON. Of course, I was referring to the area of research work.

Mr. ANDREWS. Yes.

Mr. SIMPSON. In those areas, as Government expands, it seems to me, they limit the area that the foundation can go into for pure research unless they duplicate the Government.

Mr. ANDREWS. Again, as Dr. Bush is sure to tell you, the opportunities for research in noncontroversial fields are almost endless. Well, we have been talking about atomic research. The Government is doing quite a job there, but there are still areas in atomic research which are being done privately. The University of Chicago has a very large project in nuclear studies for which they are collecting considerable sums.

Mr. SIMPSON. What I am trying to get to is that I think we are in the foundations recognizing an area of independent mind which it has been doing in a field that Government cannot get into, and I think it desirable that the foundations be permitted to continue that, to which I add that, I think, as Government follows along behind the foundations, where experimental work has proved beneficial, and takes it over, that they narrow the field down—and this is the end of it—so that we can expect more and more controversy if the foundations continue to delve into the experimental field left open to them.

I think that the foundations are sort of advance agents for progress as they get into new fields and fulfill their duty, which devolves upon them because they have an independent source of funds.

Mr. ANDREWS. I think I would agree with you.

Mr. SIMPSON. Over which Government has no control, and over which they should not.

Mr. ANDREWS. I think I would wholly agree with that statement, Mr. Simpson.

Mr. SIMPSON. That is all, sir.

Mr. HAYS. Mr. Forand?

Mr. FORAND. No questions.

Mr. HAYS. Mr. Goodwin?

Mr. GOODWIN. No questions, Mr. Chairman, but I do feel that I would like to commend Mr. Andrews for a very masterly presentation.

Mr. ANDREWS. Thank you, sir.

Mr. HAYS. I would like to pursue one point that Mr. Simpson has dealt with. That has to do with this overlapping area of Government and private-agency functioning. I suppose we are agreed, in the light of our history with this problem, that Government should and will stay out of the controversial area, meaning chiefly—you used the expression “the explosive type” of social science studies. There are certain types of research, you might say, that get into that category.

Are you familiar, for example, with the social studies made by the Bureau of Agricultural Economics some years ago?

Mr. ANDREWS. Not in detail.

Mr. HAYS. I think that is a good illustration of the point you made, and probably our experience there is helpful—and I was on the legal staff of the Department of Agriculture—it seemed to me, as a layman, that those studies were rather objective, and yet Congress said, “This gets into a field that fails to recognize the political limitations,” and prohibited those studies.

Well, I accepted that as a sound governmental policy, but it left this vacuum that you speak of, and I am just wondering if we do not need a warning in our report—I would like your judgment on it—if we do not need to be on guard against the doctrinaire approach which erects too strong a wall between Government functioning and private-agency functioning, so that we stop progress by failing to recognize the interrelationship of the two. That is a broad statement, but you see the problem that I am getting at.

I think the Ford Foundation project in Arkansas is a good illustration of the fact that if you get into one of these research ventures, these experiments that are designed to aid teaching, for example, you must have a degree of Government action and Government decision. In that case it was the State government. The State of Arkansas had to agree with certain things, and they did it through their official agencies.

Your statements about the communities, for example—in any number of cases there are decisions officially made by political units that gear Government to the foundation and private-charity projects. That is true; is it not?

Mr. ANDREWS. I think it is highly important that foundations do cooperate with Government in the ways that you indicate when boundaries appear in the field to which Government can extend.

Mr. HAYS. And have we not come to that place really in 1952 where we have got to explore that problem and find if possible the right basis? This is all anticipating legislation that is something more than regulatory; that is what I am getting at. I am thinking of a recognition of the need for positive and cooperative action rather than just restrictive action; private enterprise restricting Government, Government restricting private enterprise. This is, perhaps, a bit philosophical, but I would like your views and your advice on that point.

Mr. ANDREWS. I think that positive and cooperative action is highly desirable. I think it should not be imposed from the top. Perhaps one or two examples may clarify it.

During the depression, communities all over the United States gave relief to the unemployed and the starving. They adopted various methods. They had not looked back on previous depressions, and they made all over again the mistakes they made before.

At the request of various communities and various State relief agencies and, perhaps, the Federal Government—I have forgotten—the Russell Sage Foundation did several studies. One of them was entitled “Emergency Work Relief.”

It studied the programs in 26 different types of communities. It went back to experience in previous depressions. A report was done, speedily put into the hands of relief directors in all these communities so that they could benefit from this combined experience. No Government agency was at that moment ready to undertake such a job. We did it at their suggestion.

Mr. HAYS. I am thinking of a very fine experience we had with aid for some of the stricken areas of Europe right after the war, when CARE did such a good job.

Now, we provided in one of the bills ocean freight at Government expense, and I thought that was very wise because, with \$4 million, something like \$75 million worth of food was sent; but the \$75 million were voluntarily given, and that had so much more significance in terms of the recipient, you see—I mean, in terms of their friendly and grateful reactions, their attitude toward America than Government largesse—and I think that is the example really that I want to use as an illustration of Government and private charity working together.

Mr. ANDREWS. I think that is a splendid example.

Mr. HAYS. I do not want to prolong this, but I would like to get to the Arkansas experiment for just a moment, to ask you at what stage that has advanced now. You spoke of the 4-year liberal-arts program. Is that being inaugurated this fall; can you tell us?

Mr. ANDREWS. That is my impression; but, without the documents before me, I would not like to state it as a fact.

Mr. HAYS. The Ford Foundation project in Arkansas has attracted considerable attention. It is experimental; is that right?

Mr. ANDREWS. It has attracted a great deal of attention; yes.

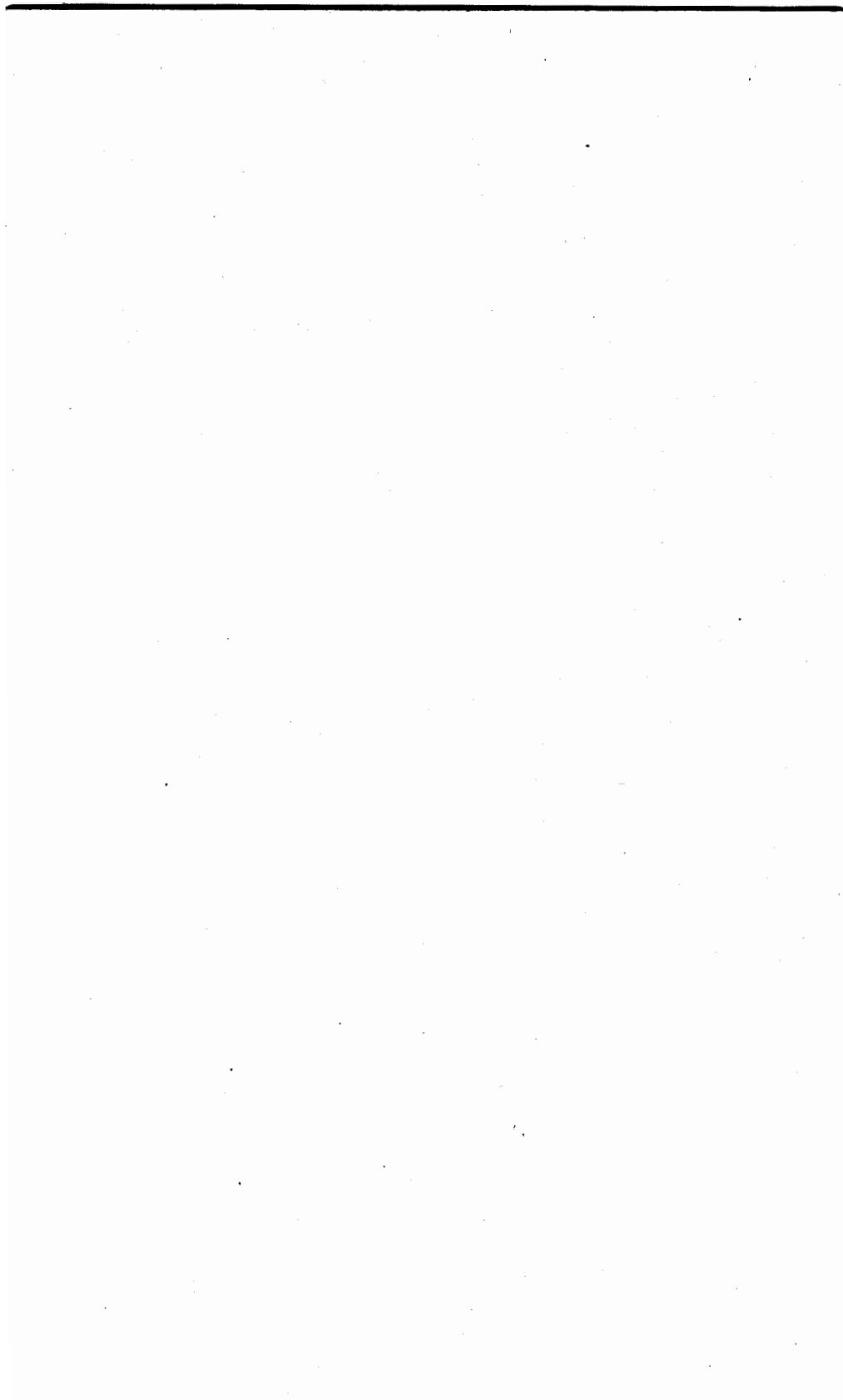
Mr. HAYS. Mr. Keele, do you have any other questions?

Mr. KEELE. I do not have any further questions.

Mr. HAYS. Dr. Andrews, we are very grateful for your very helpful testimony. It is an extremely valuable contribution.

The committee will be in recess until 10 o'clock in the morning.

(Whereupon, at 3:50 p. m., the committee recessed to reconvene at 10 a. m. Wednesday, November 19, 1952.)



## TAX-EXEMPT FOUNDATIONS

WEDNESDAY, NOVEMBER 19, 1952

HOUSE OF REPRESENTATIVES, SELECT  
COMMITTEE TO INVESTIGATE TAX-EXEMPT  
FOUNDATIONS AND COMPARABLE ORGANIZATIONS,  
*Washington, D. C.*

The select committee met, pursuant to recess, at 10:05 a. m., in room 1301, New House Office Building, Hon. Brooks Hays presiding.

Present: Representatives Cox (chairman), Hays (presiding), Ford, Simpson of Pennsylvania, and Goodwin.

Also present: Harold M. Keele, counsel to the committee.

Mr. HAYS. The committee will come to order.

Mr. KEELE, will you call your witness, please.

Mr. KEELE. Mr. Sugarman, will you take the witness chair, please.

Mr. HAYS. Mr. Sugarman, we are glad to have you as a witness, sir. Mr. Keele will interrogate you.

### STATEMENT OF NORMAN A. SUGARMAN, ASSISTANT COMMISSIONER OF INTERNAL REVENUE

Mr. KEELE. Mr. Sugarman, will you identify yourself for the record, please.

Mr. SUGARMAN. Norman A. Sugarman, Assistant Commissioner, Bureau of Internal Revenue.

Mr. KEELE. Mr. Sugarman, will you please state for the information of the committee the existing tax laws and tax procedures relative to tax-exempt organizations.

Mr. SUGARMAN. Mr. Keele, I will be glad to do that. I have a statement which, with the permission of the committee, I would like to read at this time.

Mr. HAYS. You may proceed.

Mr. KEELE. We may have some questions to ask you later. I think, if you prefer to read your statement, that may be done, in accordance with the chairman's ruling.

Mr. SUGARMAN. I would like to read the statement. I hope it will answer your questions, and I shall be glad to answer any that you may ask.

Mr. KEELE. We will try to withhold our questions, Mr. Sugarman, until you have finished your statement.

Mr. SUGARMAN. Mr. Chairman and members of the committee, I am appearing today in response to the request of your committee for a representative of the Bureau of Internal Revenue to testify before the committee as to the existing tax laws and regulations relative to tax-exempt organizations. Since the first part of September, officials

of the Bureau have met frequently with staff members of your committee for the purpose of giving such information and other assistance as may be provided under the present laws and regulations governing the administration of the Federal tax statutes.

The Bureau of Internal Revenue is charged with the responsibility of seeing that the taxes levied by the Congress are paid. There are about 80 different kinds of Federal internal revenue taxes imposed by law. For each of these taxes we must draw up the rules and issue interpretations to assist taxpayers in complying with the law.

It is equally our responsibility to draw up the rules and apply the law fairly under the provisions of the law imposing tax as well as under the provisions providing for exemption from tax. Our approach in both instances is the same: To interpret the tax laws fairly and evenly, to render every possible assistance to individuals and organizations in determining their rights and liabilities, and to provide effective enforcement, through the manpower available to us, in those instances where the law is not being properly adhered to.

In fulfilling its obligation to the American people, the Bureau of Internal Revenue acts as a service agency rather than as a regulatory agency. We are not unmindful of the tremendous economic impact of taxes in shaping business and other transactions, but the business or economic decisions made are those of the private citizen or of other organizations and not those of the Bureau of Internal Revenue. Our job is to determine the tax consequences of the decisions and actions of others.

With your permission I would now like to describe the role of the Bureau of Internal Revenue in administering the tax laws as they relate to organizations with which this committee is concerned.

The revenue laws contain numerous provisions relating to and affecting the exemption of many kinds of organizations from Federal taxes.

I have attached to my statement, which I shall be glad to submit for the record of this committee, the text of the many statutory provisions that are involved under the revenue laws.

The compilation of these revenue provisions shows the volume and scope of the statutes on this subject administered by the Bureau of Internal Revenue. However, since the provisions of law relating to exemption of organizations from the income tax are the most important, I shall confine my remarks principally to that subject.

In the interest of clarification it may be said that the statutory picture is generally as follows:

The granting of exemption to certain organizations;

The allowance of related tax benefits in the form of deductions for contributions;

Limitations imposed on exemption and related tax benefits; and  
Filing and publicity requirements.

The principal provisions of the present law governing exemption from tax of organizations, including foundations, are found in section 101 of the Internal Revenue Code (title 26 of the United States Code). This section exempts from the income tax 18 types of organizations which come within the limitations stated in the statute. These organizations may be generally described as follows:

Labor and agricultural organizations,  
Fraternal beneficiary societies,

Credit union and certain mutual reserve-fund organizations,  
 Cemetery companies,  
 Business leagues, chambers of commerce, real-estate boards, and boards of trade,  
 Civic leagues and local associations of employees with charitable or educational purposes,  
 Clubs organized for recreation and pleasure,  
 Local benevolent life-insurance associations, and mutual ditch, irrigation, or telephone companies,  
 Mutual nonlife insurance companies with gross income of \$75,000 or under,  
 Farmers' cooperatives (which are subject to tax, however, on income not allocated to patrons),  
 Crop-financing organizations for farmers' cooperatives.  
 Corporations organized to hold title to property for any other exempt organization,  
 Corporation instrumentalities of the United States specifically exempted by Congress,  
 Voluntary employees' beneficiary associations,  
 Local teachers' retirement-fund associations,  
 Religious or apostolic associations,  
 Voluntary Federal employees' beneficiary associations, and  
 Religious, charitable, scientific, literary, or educational organizations.

The last category—that is, the religious, charitable, scientific, literary, or educational organizations—contains the general classification in which it is believed this committee is most interested. This category is provided in paragraph (6) of section 101 as follows, and here I quote:

Corporations, and any community chest, fund, or foundation, organized and operated exclusively for religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals, no part of the net earnings of which inures to the benefit of any private shareholder or individual, and no substantial part of the activities of which is carrying on propaganda, or otherwise attempting, to influence legislation.

Religious, charitable, and educational organizations have been exempt from income tax in all revenue acts. The language of the present provisions of section 101 (6) has been in effect since 1934. In passing, it may be noted that exemption from income tax carries with it exemption from personal holding company and excess-profits taxes. Elective treatment is also provided such organizations as to whether they and their employees will be subject to the social-security taxes, and they are exempt from the Federal unemployment tax.

It will be noted that section 101 (6) applies to corporations, community chests, funds, and foundations which qualify under the statute. The term "foundation" is not defined in the statute; and for tax purposes a so-called foundation may be an "association" treated as a corporation or may be a trust. The Internal Revenue Code does not seek, nor make it necessary, to distinguish between so-called foundations and other organizations for purposes of the exemption statutes.

The full meaning of exemption from income tax as a religious, charitable, et cetera, organization under section 101 (6) is not apparent without a consideration of those sections of the Internal Revenue Code granting deductions from the income, estate, and gift taxes

for contributions to certain organizations. The principal provisions are sections 23 (o), 23 (q), and 162 (a) with respect to the income tax, sections 812 (d) and 861 (a) (3) with respect to the estate tax, and sections 1004 (a) (2) (B) and 1004 (b) (2) and (3) with respect to the gift tax. These are all included in the compilation of the statutory provisions which will be available for the records of the committee.

In general, an exempt status as an educational, charitable, et cetera, organization will, under the above-noted provisions, permit contributions to the organization to be deductible for purposes of income, estate, and gift taxes.

For income-tax purposes, the deduction is generally limited in the case of an individual to 20 percent of his adjusted gross income and in the case of a corporation to 5 percent of its net income. The 20-percent limitation, in place of a previous 15-percent limitation, was provided by legislation enacted this year effective for taxable years beginning after December 31, 1951. This is provided by Public Law 465, Eighty-second Congress, section 4.

These percentage limitations do not apply to trusts if they comply with certain conditions under section 162 (a) and section 162 (g). A trust which satisfies the conditions may deduct the full amount of its gross income which is paid, permanently set aside, or used for purposes equivalent to those under section 101 (6). This may actually render the trust not taxable for a period of time, although it does not seek classification as an exempt organization.

Legislation enacted in 1950 provides rules under which both exempt organizations and trusts may lose, in whole or in part, the tax advantages heretofore available to them.

The basic limitations on the tax exemption privilege are stated in section 101 (6) itself, which requires that, to qualify for exemption under that subsection, no part of the net earnings of the organization may inure to the benefit of any private shareholder or individual, and no substantial part of its activities may be devoted to carrying on propaganda, or otherwise attempting, to influence legislation. Section 101, as amended by the Revenue Act of 1950, also provides that if an organization is operated primarily to carry on a trade or business for profit, it shall not be exempt on the grounds that its profits are payable to an exempt organization.

Supplement U of the Internal Revenue Code also provides that if an organization exempt under section 101 (6)—other than a church—does carry on a trade or business which is unrelated to its exempt function, its exemption is not lost but the income from such business is subject to the income tax, but not the excess profits tax. Supplement U was added to the Internal Revenue Code by the Revenue Act of 1950 and was first effective for taxable years beginning in 1951.

Additional restrictions are provided in sections 3813 and 3814 of the Internal Revenue Code, which were also added by the Revenue Act of 1950 and which first became effective for taxable years beginning in 1951. Section 3813 provides that, with certain exceptions, organizations exempt under section 101 (6) shall lose their exemption if they engage in specified "prohibited transaction." It should be understood that the transactions are not actually outlawed by the revenue laws but are "prohibited" only in the sense of being inconsistent with continued tax privileges. These provisions prohibit the



creator of the organization, a substantial contributor thereto, or a member of the family of either, or a corporation controlled by either, (1) from receiving a loan of income or corpus of the organization without giving adequate security and reasonable interest, (2) from receiving compensation from the organization except a reasonable allowance for personal services actually rendered, (3) from receiving services from the organization on a preferential basis, (4) from selling a substantial amount of securities or property to the organization for more than adequate consideration, (5) from buying a substantial amount of securities or property from the organization for less than adequate consideration, and (6) from participating with the organization in any other transaction which diverts a substantial amount of income or corpus to such person. Provision is made for appropriate disallowance of deductions for contributions to an organization engaging in such transactions and for subsequent restoration of its exemption where appropriate.

Section 3814 provides that an organization may lose its exemption under section 101 (6) if, in view of its exempt purposes, its total accumulations of income are unreasonable in amount or duration, or are used to a substantial degree for other than exempt purposes, or are invested in such a manner as to jeopardize the carrying out of such purposes.

It should be noted that the prohibitions on certain transactions and against accumulations under sections 3813 and 3814 are not applicable to those organizations exempt under section 101 (6) which are religious organizations, educational organizations with a faculty curriculum and pupils in attendance at the place of education, publicly supported organizations, and organizations to provide medical or hospital care or medical education or research.

Another statutory restriction is imposed by the Internal Security Act of 1950, which denies exemption to any organization, including organizations under section 101 (6), if at any time during its taxable year it is registered under section 7 of such act—requiring registration of Communist-action and Communist-front organizations—or if there is in effect a final order of the Subversive Activities Control Board requiring such registration. Contributions to such organizations so denied exemption are not deductible.

In general, organizations exempt under section 101 (6) are not required to file income tax returns like taxable corporations. Section 54 (f) of the Internal Revenue Code does require, with certain exceptions, that section 101 (6) organizations file annual information returns. No return is required to be filed in the case of a religious organization, an educational organization with a curriculum and a body of students present at the place of education, and a charitable organization supported primarily by the general public.

Section 153 of the code also provides that each section 101 (6) organization required to file the annual information return shall also furnish information showing (1) its gross income, (2) its expenses, (3) its disbursements from income for exempt purposes, (4) its accumulation of income in the year, (5) its aggregate accumulations of income at the beginning of the year, (6) its disbursements of principal in current and prior years for exempt purposes, and (7) a balance sheet as of the beginning of the year. The statute requires the

above-listed information to be made available by the Department for public inspection.

These requirements of section 153 of the code were added by the Revenue Act of 1950 and first became effective for taxable years beginning in 1950.

The administration of section 101 and related provisions of the Internal Revenue Code is divided between the Washington and field offices of the internal revenue service. The field offices receive and process exemption applications and information returns, and also make investigations relating to these applications and returns. The headquarters office in Washington makes rulings and determinations as to the exempt status of foundations and organizations required to file the applications and returns. In Washington, this administrative work is performed by the Exempt Organizations Branch of the Special Technical Services Division under the supervision of the Assistant Commissioner (Technical). In the field, the work is performed by the offices of Directors of Internal Revenue.

The administrative procedures are probably best explained by tracing the actual steps involved in the filing of applications and returns by foundations and other organizations.

In regard to applications and rulings on exempt status, the long-standing practice of the Bureau of Internal Revenue has been to issue rulings or to make determinations with respect to each organization seeking exemption under section 101 (6) of the Internal Revenue Code. These rulings or determinations are made in the Washington headquarters.

Accordingly, Treasury regulations provide that organizations file exemption applications when claiming exemption. The application must be filed in the office of the director of internal revenue in whose district the headquarters of the organization is located. A copy of the application required to be filed for exemption under section 101 (6) of the Internal Revenue Code will be offered to the committee as an exhibit, and I believe you have that exhibit in front of you with the statement as exhibit B.

After certain processing, involving control and examination for completeness, the director of internal revenue forwards the application to Washington for the attention of the Exempt Organizations Branch.

The Exempt Organizations Branch performs one of the following administrative actions in connection with these applications:

1. If the organization has not operated at least 12 months for purposes for which created, it is usually advised by letter that the Bureau is unable, at this time, to rule on its application owing to the absence of substantial operations which would establish its right to exemption under the law. If, however, the organization making application is a charitable one with community-wide participation of a public character, or an educational organization such as a school, college, et cetera, having a student body with a regular curriculum, a tentative ruling is issued indicating that the organization will be exempt if it operates in accordance with the stated purposes, but requiring that it resubmit its application, with complete data, after a year's actual operations. After study of the organization's operations, a formal ruling is issued.

2. If the organization has been operating for at least 12 months and the facts supplied with its application establish that it is clearly exempt under the law, a ruling is issued which establishes the fact of tax exemption so long as the organization continues to operate in accordance with the statute and with the purposes stated in the application. However, if additional information is needed, an investigation of the organization's operations is made either by direct communication with the organization by the Washington headquarters, or through the director's office in the field, or by both methods. Upon consideration of all established facts, a ruling is issued either granting or denying the exemption.

In connection with the examination of applications and the determination of the exempt status of an organization, one source of information is the Attorney General's subversive lists, issued under the provisions of Executive Orders 9300 and 9835. It is the practice to deny exemption to any organization appearing on such lists.

Cases involving complex legal principles or unprecedented issues are referred for legal advice to the Office of the Chief Counsel for the Bureau. In these cases, the Chief Counsel either approves the proposed ruling on which his advice is requested, or he expresses his views and recommendations by memorandum to the Assistant Commissioner.

An organization which applies for tax exemption, but which is denied such status, is required to file an income-tax return. Copies of letters denying exempt status are sent to the director of internal revenue in whose district the organization is located, thereby permitting the field office to establish whether the income-tax return of the organization is filed.

As previously stated, organizations entitled to tax exemption under section 101 of the code are, with certain exceptions, required to file information returns as provided in section 54 (f). The information return required of most exempt organizations is designated as Form 990; but for organizations under section 101 (6) a return designated as Form 990-A is prescribed. I shall offer as exhibit C and as exhibit D Forms 990 and 990-A.

Beginning with the 1950 tax year, Form 990-A has been used for section 101 (6) organizations required to file information returns. This Form 990-A was prescribed in compliance with the requirements of section 153 of the code, as added by the Revenue Act of 1950, which requires the furnishing of information which the Bureau is to make public. The second sheet of Form 990-A, pages 3 and 4, calls for such information.

The Form 990-A is filed with the director of internal revenue who retains the second sheet on file for public inspection. The director forwards the first sheet of the Form 990-A, together with any attachments, schedules, and other information supplied by the organization, to Washington for consideration by the Exempt Organizations Branch. This Branch surveys the returns and selects for further examination those which disclose doubtful items or activities. The examination of the doubtful items or activities begins by obtaining, either directly from the organization or through the director's office, the additional information needed to determine the right of the organization to continue to enjoy its exempt status. The procedure for making this determination is similar to that used in making the original determination on application of the organization for an exempt status.

If, after examination, the organization is determined to be entitled to continue exemption, it has been the Bureau practice so to notify the organization. If, however, the examination discloses that the organization is no longer entitled to exemption, the exemption is revoked and the taxpayer is notified to file income-tax returns. The appropriate director's office is also notified of the revocation so that it can determine whether an income-tax return is filed. In connection with the examination of Forms 990-A, consideration is given to information received from all sources as to whether an organization previously ruled exempt is still entitled to exemption. Such information may be received in letters from informants, or from hearings before congressional committees, and from items which appear in newspapers and other publications.

As previously stated, some organizations exempt under section 101 (6) of the Internal Revenue Code may also be subject to the tax imposed by supplement U on income from an unrelated business. Exempt organizations subject to tax under supplement U are required to file the tax returns, Form 990-T, in addition to Form 990-A. A copy of Form 990-T, which is a return much like the ordinary income-tax return filed by corporations and other businesses, is shown as exhibit E. The Form 990-T tax return is processed differently from the exemption application and the information returns, Forms 990 and 990-A. Briefly, the Form 990-T return is processed in the same manner as other taxable returns. That is, the selection of returns for examination and the investigations are conducted by the Audit Division in the Office of the Director of Internal Revenue which is responsible for determining the correctness of the tax return and the taxpayer's liability.

An additional check on the 990-T returns is provided through the survey and selection for examination of Forms 990-A in the Exempt Organizations Branch in Washington. As described above, it is the practice of the Bureau to investigate doubtful items in Forms 990-A, and those investigations may lead to the requirement that the organization file a Form 990-T in addition to the Form 990-A.

There remains for a full understanding of the statutory provisions and their administration to consider the role of the courts in interpreting the tax-exemption provisions.

The Bureau of Internal Revenue, of course, does not have the final word as to whether an organization is exempt under section 101 and the related provisions of the Internal Revenue Code. Where the Bureau asserts that a tax is owing, its determination may be appealed to one of several courts. The appeal may be taken either by the organization which is ruled taxable rather than exempt, or by a person who asserts his right to deduct contributions made. In either event, appeal to the courts may be made by either of the following procedures: The organization, or the person making the contribution, may pay the disputed tax liability and then bring suit for refund in a United States district court or in the United States Court of Claims. On the other hand, the organization or person making the contribution has the right under existing law to choose to appeal an asserted income, estate or gift tax deficiency prior to paying the tax, in which case an appeal is taken to the Tax Court of the United States. An adverse decision rendered by a district court, the Court of Claims or the Tax Court may be appealed to a higher court in such cases as in other tax controversies.

Accordingly, the judicial interpretations play an important role in the determining of the course of administration of the exemption provisions. A brief summary of the trend of judicial thinking under section 101 (6) may therefore be helpful.

In general, the courts have indicated that while normally provisions exempting taxpayers from tax are to be strictly construed, the exemption under section 101 (6) for religious and charitable organizations is to be liberally construed. This was determined in the Supreme Court case of *Helvering v. Bliss* (293 U. S. 144).

This approach appears to dominate judicial thinking in the area. Thus, it has been decided that the exemption under section 101 (6) from the corporate tax applies to charitable trusts which, if taxable, would be taxed as individuals. This was decided in the *Fifth-third Union Trust Company v. Commissioner* case (56 Fed. 2d 767).

To be exempt as religious, it is necessary that the organization be engaged in furtherance of one of the major religious faiths or be a recognized part of one of those bodies. This was the decision in the *Unity School of Christianity* (4 Board of Tax Appeals 61).

While charitable acts normally are considered as being done without recompense or profit, it is not necessary for exemption as charitable that an organization provide its services free of charge. This was the decision in *Salem Lutheran Home Association*, a Tax Court memorandum opinion of May 26, 1943.

The term "educational" is broader than mere activities such as those of schools and colleges; it includes the encouragement of good citizenship, the discussion of industrial, political, and economic questions, and the distribution of information on alcoholism. These were decisions rendered in *Rose D. Forbes* (7 Board of Tax Appeals 209); *Weyl v. Commissioner* (48 Fed. 2d 811); and *Cochran v. Commissioner* (78 Fed. 2d 176).

The term "scientific" is broader than the basic sciences and includes improvement of motion-picture photography, as decided in the *American Society of Cinematographers* (42 Board of Tax Appeals 675).

The fact that upon the remote contingency of dissolution accumulated earnings might inure to private stockholders does not violate the precept that no part of the net earnings may inure to the benefit of private shareholders or individuals.

III. Summary: This summarizes the statutory provisions, the Bureau's administrative procedures, and the judicial interpretations. A final word needs to be said as to the Bureau's workload and the scope of its task of administering the tax-exemption provisions.

As previously indicated, the task of making determinations and rulings as to exempt status is performed in the Washington headquarters by the Exempt Organizations Branch. This Branch is composed of 65 employees, of whom 47 are technical personnel qualified to prepare and review rulings and make determinations on returns filed.

During the fiscal year ended June 30, 1952, the Exempt Organizations Branch issued approximately 14,000 exemption-status rulings, of which approximately 10 percent were denials of exemption. It also issued 2,500 advisory letters which did not rule on the exempt status of the organization. These issuances, of course, involve all organizations claiming exemption under section 101 and not solely those within the scope of this committee's study. During the 2-year

period ending June 30, 1952, the exemption under section 101 (6) of approximately 55 organizations was revoked.

More than 100,000 information returns are filed annually by all organizations exempt under section 101. A special study for 1946 indicated that about 14,000 of the returns for such year were filed by organizations exempt under section 101 (6). Moreover, this figure does not include all section 101 (6) organizations on which the Bureau must rule, for the reason that a large portion of such organizations, particularly in the religious and educational field, are not required to file returns. The size of the section 101 (6) group of organizations is shown generally by the Bureau's published cumulative list of charitable, religious, educational, and similar organizations, contributions to which are deductible from the taxable income of contributors. These lists are published periodically and show the following totals of such organizations:

As of June 30, 1939.....	12,500
As of June 30, 1946.....	27,500
As of June 30, 1950.....	32,000

There has not been time to obtain sufficient experience under the provisions of the Revenue Act of 1950 to determine the effect on organizations claiming exemption. The provisions of the Revenue Act relating to prohibited transactions and unrelated business income generally would first be reflected in returns filed only this year.

Mr. Chairman, this completes my statement and with your permission I would now like to submit for the records of your committee the matters previously referred to as exhibits A, B, C, D, and E.

Mr. HAYS. Without objection, the exhibits will be received and made a part of the record.

(Exhibit A referred to is on file with the Select Committee. Exhibits B, C, D, and E are as follows:)

Form 1023  
U. S. TREASURY DEPARTMENT  
INTERNAL REVENUE SERVICE  
(Revised March 1951)

### EXEMPTION APPLICATION

FOR USE OF RELIGIOUS, CHARITABLE, SCIENTIFIC, LITERARY, OR EDUCATIONAL ORGANIZATIONS

CLAIMING EXEMPTION FROM FEDERAL INCOME TAX UNDER SECTION 101(6) OF THE INTERNAL REVENUE CODE AND THE  
CORRESPONDING PROVISIONS OF PRIOR REVENUE ACTS

(To be made only by a principal officer of the organization claiming the exemption)

.....  
(Date)

I, ....., declare under the penalties  
(Name of declarant)  
of perjury that I am the ..... of the  
(Title of declarant—as president, secretary, etc.)  
....., located at  
(Full name of organization)  
.....  
(Complete address, including street and number—post office box, etc.)

and that the following answers and statements, including all statements attached hereto, are complete  
and true to the best of my knowledge and belief:

1. Is the organization incorporated? ..... If so, under the laws of what State? .....  
(Yes or no) (Name of State)  
When? ..... If not incorporated, state the manner of organization and the date thereof  
(Date of incorporation)

2. Is the organization the outgrowth or continuation of any form of predecessor? ..... If so, state the  
(Yes or no)  
name of such predecessor and the period during which it was in existence .....

3. Has the organization filed Federal income tax returns? ..... If so, state return form number and year or  
(Yes or no)  
years. ....

4. State briefly the specific purposes for which the organization was formed. (Do not quote from, or make  
reference to, the articles of incorporation or bylaws for this purpose.) .....

5. Is the organization authorized to issue capital stock? ..... If so, state (1) the class or classes of such stock, (2) the number and par value of shares of each class outstanding, and (3) the consideration paid for outstanding shares .....

6. If capital stock is outstanding, state whether any dividends or interest has been or may be paid thereon ..... If so, give facts in detail .....

7. If any distribution of corporate property of any character has ever been made to shareholders or members, attach hereto a separate statement containing full details thereof, including (1) amounts or value, (2) source of funds or property distributed, and (3) basis of and authority for distribution.

8. State all sources from which the organization's income is derived .....

9. Does any part of the receipts represent payment for services of any character rendered by the organization? ..... If so, explain in detail .....

10. State all the activities in which the organization is presently engaged. (Explain in detail, using additional sheets as required—See footnote.) .....

11. What, if any, specific activities of the organization have been discontinued? (Explain fully, giving dates of commencement and termination and the reason for discontinuance.) .....



12. Is the organization now, or has it ever been, engaged in carrying on propaganda, or otherwise either advocating or opposing pending or proposed legislation? ..... If so, furnish a detailed explanation of such activities, and furnish copies of literature, if any, distributed by the organization. (Use additional sheets as required—See footnote.) .....

13. (a) For what purposes, other than in payment for services rendered or supplies furnished, are the organization's funds expended? .....

(b) If any payments are made to members or shareholders for services rendered the organization, attach a separate statement showing the amounts so paid and the character of the services rendered.

14. Does any part of the net income of the organization inure to the benefit of any private shareholder or individual? .....

15. If the organization is a hospital, attach a separate statement showing the number of full-pay, the number of part-pay, and the number of nonpay patients treated during the last complete year of operation.

16. In the event of the dissolution of the organization, what disposition would be made of its property? .....

17. After July 1, 1950, did—  
 The creator of your organization, or  
 A contributor to your organization, or  
 A brother or sister (whole or half blood), spouse, ancestor, or lineal descendant of such creator or contributor, or  
 A corporation owned (50 percent or more of voting stock or 50 percent or more of value of all stock) directly or indirectly by such creator or contributor
- (a) Borrow any part of your income or corpus? . . . . . (Yes or no)
  - (b) Receive any compensation for personal services from you? . . . . . (Yes or no)
  - (c) Have any part of your services made available to him? . . . . . (Yes or no)
  - (d) Purchase any securities or other property from you? . . . . . (Yes or no)
  - (e) Sell any securities or other property to you? . . . . . (Yes or no)
  - (f) Have any part of your income or corpus diverted to him by any transaction? . . . . . (Yes or no)

If answer to any question is "yes," attach detailed statement.

18. Attach to this application a classified statement of the receipts and expenditures of the organization during the last complete year of operation and a complete statement of the assets and liabilities as of the end of that year; a copy of the articles of incorporation, if incorporated, or if not incorporated, a copy of the constitution, articles of association, declaration of trust, or other document setting forth the aims and purposes of the organization; and a copy of the bylaws, or other similar code of regulations. If exemption is claimed as an exclusively educational organization and a regular curriculum and faculty are not normally maintained and a regularly organized body of pupils or students is not normally in attendance at the place where the educational activities are regularly carried on, there should also be attached specimen copies of any books, pamphlets, leaflets, or other printed matter issued or distributed during the latest complete year of operations.

-----  
(Signature of officer making declaration)

(If the space provided for the insertion of information or data under any of the above questions is inadequate for the purposes, additional sheets may be used which should be properly identified and securely attached hereto.)

#### IMPORTANT

A mere claim or contention by an organization that it is exempt from income tax under section 101 of the Internal Revenue Code and the corresponding provisions of prior revenue acts will not relieve the organization from filing income tax returns and paying the tax. Unless the Commissioner has determined that an organization is exempt, it must prepare and file a complete income tax return for each taxable year of its existence. Accordingly, every organization that claims to be exempt should furnish the information and data specified herein, together with any other facts deemed material to the question, with the least possible delay, in order that the Commissioner can determine whether or not it is exempt. As soon as practicable after the information and data are received, the organization will be advised of the Commissioner's determination, and, if it is held to be exempt, no further income tax returns will be required.

Form 990  
U. S. TREASURY DEPARTMENT  
INTERNAL REVENUE SERVICE  
(Revised March 1961)

Page 1

UNITED STATES  
RETURN OF ORGANIZATION EXEMPT FROM TAX UNDER SECTION 101 OF THE  
INTERNAL REVENUE CODE (EXCEPT UNDER SUBSECTION 6)  
(As required under Section 54 (f) of the Internal Revenue Code)

For Calendar Year \_\_\_\_\_

or Fiscal Year Beginning \_\_\_\_\_, and Ending \_\_\_\_\_

<p>This return must be filed on or before the 15th day of the 5th month following the close of the annual accounting period. Returns must be filed with the Collector of Internal Revenue for the district in which is located the principal place of business or principal office of the organization.</p>	<p>PRINT PLAINLY LEGAL NAME AND ADDRESS OF THE ORGANIZATION</p>		<p>Serial No.</p>
	<p>(Give name in full)</p>		<p>District</p>
	<p>(Street and number)</p>		<p>(Date Received)</p>
	<p>(City or town)</p>	<p>(Postal zone number)</p>	<p>(State)</p>
	<p>Date of Bureau exemption letter and subsection of section 101 under which you are exempt: _____</p>		

- State nature of activities \_\_\_\_\_
- Have you filed a tax return on Form 990-T for this year? (Applicable only to years beginning after Dec. 31, 1950)  
(Yes or No) If so, where filed? \_\_\_\_\_  
Unrelated business gross income reported, \$ \_\_\_\_\_
- What is the legal form of your organization (corporation, trust, unincorporated association, etc.)? \_\_\_\_\_
- In what year was your organization formed? \_\_\_\_\_  
In what State or country? \_\_\_\_\_
- If you are successor to previously existing organization(s), give name(s) and address(es) of the predecessor organization(s) \_\_\_\_\_
- If you have capital stock issued and outstanding, state with respect to each class of stock (a) the number of shares outstanding, (b) the number of shares held by individuals, (c) the number of shares held by organizations, (d) the number of shareholders at end of year, and (e) whether any dividends may be paid \_\_\_\_\_
- Have any changes not previously reported to the Bureau been made in your articles of incorporation or bylaws or other instruments of similar import? (Yes or No) If so, attach a copy of the amendments.
- Have you had any sources of income or engaged in any activities which have not previously been reported to the Bureau? (Yes or No) If so, attach detailed statement.
- If you were held exempt under section 101(4), state the total amount of mortgage loans made during the year to (a) members, \$ \_\_\_\_\_; (b) nonmembers, \$ \_\_\_\_\_
- Did you lease or rent any real property to or from a person or groups of persons directly associated with you? (Yes or No)  
If so, attach a detailed statement.
- Did you hold any real property for rental purposes on which there is an indebtedness incurred in acquiring the property or in making improvements thereto? (Yes or No)  
If so, attach detailed statement.
- Farmers' cooperative marketing and purchasing organizations shall also state—
  - Number of shares of voting stock owned by
    - producers \_\_\_\_\_;
    - nonproducers \_\_\_\_\_
  - Were nonmembers charged the same as members for marketing and purchasing? (Yes or No) \_\_\_\_\_
  - Were patronage dividends paid to nonmembers on the same basis as to members? (Yes or No) \_\_\_\_\_
  - Value of agricultural products marketed (or handled) for members (1) actually produced by such members, \$ \_\_\_\_\_; (2) purchased or otherwise acquired by such members, \$ \_\_\_\_\_; for nonmembers (1) actually produced by such nonmembers, \$ \_\_\_\_\_; (2) purchased or otherwise acquired by such nonmembers, \$ \_\_\_\_\_
  - Value of supplies and equipment purchased for or sold to (1) members, \$ \_\_\_\_\_; (2) nonmembers who were producers, \$ \_\_\_\_\_; (3) nonmembers who were not producers, \$ \_\_\_\_\_
  - Amount of business done for United States Government or agencies thereof, \$ \_\_\_\_\_

Item No.	INCOME, DUES, CONTRIBUTIONS, ETC.	Page 2
1.	Dues, assessments, etc., from members, excluding service and other charges properly included under Item 7 (see Instruction 5).....	\$.....
2.	Dues, assessments, etc., from affiliated organizations (see Instruction 5).....	\$.....
3.	Contributions, gifts, grants, etc., received (see Instruction 5).....	\$.....
4.	Interest.....	\$.....
5.	Dividends.....	\$.....
6.	Rents.....	\$.....
7.	Gross receipts from business activities (state nature):	
	(a).....	\$.....
	(b).....	\$.....
	(c).....	\$.....
	(d).....	\$.....
8.	Patronage dividends (or patronage refunds) received.....	\$.....
9.	Gain (or loss) from sale of assets, excluding inventory items (see Instruction 10).....	\$.....
10.	Other income (if more than 10 percent of item 11, attach itemized schedule. Also see Instruction 5).....	\$.....
11.	Total of items 1 to 10, inclusive.....	\$.....
<b>DISPOSITION OF INCOME, DUES, CONTRIBUTIONS, ETC.</b>		
<b>A. Expenses attributable to income items 6 and 7 (See Instruction 6):</b>		
12.	Cost of goods sold (or, in the case of farmers' cooperatives, purchases for or advances to patrons).....	\$.....
13.	Compensation of officers, directors, trustees, etc.....	\$.....
14.	Wages, salaries, and commissions (other than compensation of officers, directors, trustees, etc.).....	\$.....
15.	Interest.....	\$.....
16.	Taxes (such as property, income, social security, unemployment taxes, etc.).....	\$.....
17.	Rent.....	\$.....
18.	Depreciation (and depletion).....	\$.....
19.	Miscellaneous expenses (state nature):	
	(a).....	\$.....
	(b).....	\$.....
	(c).....	\$.....
	(d).....	\$.....
<b>B. Other expenses:</b>		
20.	Dues, assessments, etc., to affiliated organizations.....	\$.....
21.	Compensation of officers, directors, trustees, etc. (not included under item 13).....	\$.....
22.	Wages, salaries, and commissions (not included under item 14).....	\$.....
23.	Interest (not included under item 15).....	\$.....
24.	Taxes (not included under item 16).....	\$.....
25.	Rent (not included under item 17).....	\$.....
26.	Miscellaneous expenses not elsewhere classified (state nature):	
	(a).....	\$.....
	(b).....	\$.....
	(c).....	\$.....
	(d).....	\$.....
<b>C. Contributions:</b>		
27.	Contributions, gifts, grants, etc., paid (state to whom paid):	
	(a).....	\$.....
	(b).....	\$.....
	(c).....	\$.....
	(d).....	\$.....
<b>D. Other dispositions:</b>		
28.	Benefit payments to or for members or their dependents:	
	(a) Death, sickness, hospitalization, disability, or pension benefits.....	\$.....
	(b) Other benefits.....	\$.....
29.	Dividends (other than patronage dividends) and other distributions to members, shareholders, or depositors.....	\$.....
30.	Cash patronage dividends (or patronage refunds) (for farmers' cooperatives only).....	\$.....
31.	Patronage dividends (or patronage refunds) in stock, notes, credits, or other evidence of equity or indebtedness (for farmers' cooperatives only).....	\$.....
32.	Additions to reserves (attach itemized schedule).....	\$.....
33.	Additions to surplus.....	\$.....
34.	Total of items 12 to 33, inclusive (see Instruction 7).....	\$.....

	BEGINNING OF YEAR		END OF YEAR	
	Amount	Total	Amount	Total
<b>ASSETS</b>				
1. Cash.....		\$.....		\$.....
2. Notes and accounts receivable.....	\$.....		\$.....	
Less: Reserve for bad debts.....				
3. Inventories.....				
4. Investments in governmental obligations.....				
5. Investments in nongovernmental bonds, etc.....				
6. Investments in corporate stocks (see Instruction 9).....				
7. Other investments (itemize).....	\$.....		\$.....	
8. Capital assets:				
(a) Depreciable (and depletable) assets (attach itemized schedule).....	\$.....		\$.....	
Less: Reserve for depreciation (and depletion).....				
(b) Land.....				
9. Other assets (itemize).....	\$.....		\$.....	
10. TOTAL ASSETS.....		\$.....		\$.....
<b>LIABILITIES</b>				
11. Accounts payable.....		\$.....		\$.....
12. Bonds, notes, and mortgages payable:				
(a) With original maturity of less than 1 year.....	\$.....		\$.....	
(b) With original maturity of 1 year or more.....				
13. Other liabilities (itemize).....	\$.....		\$.....	
14. TOTAL LIABILITIES.....		\$.....		\$.....
<b>NET WORTH</b>				
15. Capital Stock:				
(a) Preferred Stock.....	\$.....		\$.....	
(b) Common Stock.....				
16. Membership certificates.....				
17. Paid-in or capital surplus (or donated capital if a trust).....				
18. Surplus reserves (itemize).....	\$.....		\$.....	
19. Earned surplus and undivided profits.....				
20. TOTAL NET WORTH.....		\$.....		\$.....
21. TOTAL LIABILITIES AND NET WORTH.....		\$.....		\$.....

We, the undersigned, president (or vice president, or other principal officer) and treasurer (or assistant treasurer, or chief accounting officer) of the organization for or by which this return is made, each for himself declares under the penalties of perjury that this return has been examined by him and is to the best of his knowledge and belief a true, correct, and complete return.

[CORPORATE SEAL] (President or other principal officer) (State title) (Date) (Treasurer, Assistant Treasurer, or Chief Accounting Officer) (State title) (Date)

The following additional declaration shall be executed by the person other than an officer or employee of the organization actually preparing this return:

I declare under the penalties of perjury that I prepared this return for the organization(s) named herein and that this return is to the best of my knowledge and belief a true, correct, and complete return.

(Name of firm or employer, if any) (Signature of person preparing this return) (Date)

## GENERAL INSTRUCTIONS

1. An annual statement of gross income, receipts, disbursements, etc., on this form, is required by law of every organization which is exempt from tax under the provisions of section 101 of the Internal Revenue Code, excepting only a (1) fraternal beneficiary society, order, or association solely exempt under section 101 (3); (2) organization exempt under section 101 (6) (see Form 990-A); (3) religious or apostolic organization exempt under section 101 (18) (required to file Form 1065); or (4) corporation exempt under section 101 (15), if wholly owned by the United States or any agency or instrumentality thereof, or a wholly owned subsidiary of such corporation.

2. This form shall be prepared in accordance with the method of accounting regularly employed in keeping the books of your organization.

3. Fill in the items on pages 2 and 3 of this form to the extent that they apply to your organization.

4. A group return on this form may be filed by a central, parent, or like organization for two or more of its chartered, affiliated, or associated local organizations which (a) are subject to its general supervision and examination, (b) are exempt from tax under the same provision of revenue law as the central organization, (c) have authorized it in writing to include them in such return, and (d) have filed with it statements, verified under oath or affirmation, of the information required to be included in this return. Such group return shall be in addition to the separate return of the central organization, but in lieu of separate returns by the local organizations included in the group return. There shall be attached to such group return a schedule showing separately (a) the total number, names, and addresses of the local organizations included, and (b) the same information for those not included therein.

5. In all cases where item 1, 2, 3, or 10 includes money or property amounting to \$3,000 or more, which was received directly or indirectly from one person, in one or more transactions during the year, itemized schedules showing the total amount received from and the name and address of each such person shall be attached to this return. (The term "person"

includes individuals, fiduciaries, partnerships, corporations, associations, and other organizations.) Receipts by a "central" organization from organizations included in a group return need not be itemized in the "central" organization's separate return.

6. If the total of income items 6 and 7 is not more than \$5,000, amounts includible in item 12 through item 19 may be entered under item 21 through item 26 under the appropriate headings. Where sections "A" and "B" must both be completed, items of expense may be divided between these sections on the basis of accounting records, or, if such records do not provide for this division, any items of expense which fall wholly under either of these sections may be divided on any reasonable basis, such as an approximation of the use of a facility or the time spent by an individual.

7. If item 34 does not equal item 11, attach a schedule accounting for the difference.

8. The balance sheets, Schedule A, should agree with the books of account or any differences should be reconciled. All organizations reporting to any national, State, municipal, or other public officer may submit, in lieu of Schedule A, copies of their balance sheets prescribed by any such authority as of the beginning and end of the taxable year.

9. In all cases where line 6, Schedule A, included 10 percent or more of any class of stock of any corporation, attach a list showing the name of the corporation, the number of shares of each type of stock owned (including information indicating whether the stock is voting or nonvoting), and the book value of the stock included in line 6.

10. Attach a detailed statement showing with respect to each piece of property sold: (a) Date acquired and manner of acquisition; (b) Gross sales price; (c) Cost or other basis (value at time of acquisition, if donated); (d) Expense of sale and cost of improvements subsequent to acquisition; (e) Depreciation since acquisition; and (f) Gain or loss—(b) plus (e) minus (c) plus (d).

11. For further information see regulations under sections 54 (f) and 101 of the Internal Revenue Code.

**Form 990-T.**—The Revenue Act of 1950 imposes a tax, with respect to taxable years beginning after December 31, 1950, in the case of certain organizations exempt from tax under section 101 (1), (6), (7), and (14) of the Internal Revenue Code on income derived (a) from operation of a business enterprise which is unrelated to the purpose for which such organization received an exemption or (b) from certain rentals from property leased to others on a long-term basis. Such income and tax are to be reported on Form 990-T, copies of which may be obtained from the Collector of Internal Revenue.

Form 990-A  
U. S. TREASURY DEPARTMENT  
INTERNAL REVENUE SERVICE

PAGE 1

UNITED STATES  
RETURN OF ORGANIZATION EXEMPT FROM TAX UNDER SECTION 101(6) OF INTERNAL REVENUE CODE

NOTICE: The law requires that certain information required on this return be made available to the public. Pages 3 and 4 are designed for this purpose and may be prepared by carbon process, if desired

FOR CALENDAR YEAR \_\_\_\_\_

or Fiscal Year Beginning \_\_\_\_\_, and Ending \_\_\_\_\_

This return must be filed on or before the 15th day of the fifth month following the close of the annual accounting period. Return must be filed with the Collector of Internal Revenue for the district in which is located the principal place of business or principal office of the organization.

PRINT PLAINLY LEGAL NAME AND ADDRESS OF ORGANIZATION

(Give name in full)

(Street and number)

(City or town) (Postal zone number) (State)

Serial No. \_\_\_\_\_  
District \_\_\_\_\_  
(Date received)

Date of Bureau exemption letter: \_\_\_\_\_

GROSS INCOME		
1. Gross sales or receipts from business activities.....	\$.....	
2. Less: Cost of goods sold or of operations (attach itemized statement).....	\$.....	
3. Gross profit from business activities.....	\$.....	
4. Interest.....	\$.....	
5. Dividends.....	\$.....	
6. Rents and royalties.....	\$.....	
7. Gain (or loss) from sale of assets, excluding inventory items (see instruction 2).....	\$.....	
8. Other income (attach itemized statement).....	\$.....	
9. Total gross income (Items 1 to 8, incl.).....	\$.....	
INCURRED EXPENSES ATTRIBUTABLE TO GROSS INCOME		
10. Compensation of officers, directors, trustees, etc.....	\$.....	
11. Salaries and wages (other than amounts shown in Item 10).....	\$.....	
12. Interest.....	\$.....	
13. Taxes.....	\$.....	
14. Rent.....	\$.....	
15. Depreciation.....	\$.....	
16. Miscellaneous expenses (attach itemized statement).....	\$.....	
17. Total expenses (Items 10 to 16, incl.).....	\$.....	
DISBURSEMENTS MADE WITHIN THE YEAR OUT OF CURRENT OR ACCUMULATED INCOME FOR PURPOSES FOR WHICH EXEMPT, AND ACCUMULATION OF INCOME		
18. Administrative and operating expenses (not included above).....	\$.....	
19. Contributions, gifts, grants, etc. (List each class of activity for which disbursements were made and show separate total for each. Also attach list showing to whom paid):	\$.....	
20. Accumulation of income within the year (Item 9 less the sum of Items 17, 18, and 19).....	\$.....	
21. Aggregate accumulation of income at beginning of the year (computed for prior years as under Item 20).....	\$.....	
22. Accumulation of income at end of the year (Item 20 plus Item 21).....	\$.....	
DISBURSEMENTS MADE OUT OF PRINCIPAL FOR PURPOSES FOR WHICH EXEMPT		
23. Administrative and operating expenses.....	\$.....	
24. Contributions, gifts, grants, etc.:	\$.....	
(a) Paid out in prior years.....	\$.....	
(b) Paid out within the year (List each class of activity for which disbursements were made and show separate total for each. Also attach list showing to whom paid):	\$.....	
RECEIPTS NOT REPORTED ELSEWHERE ON THIS FORM		
25. Contributions, gifts, grants, etc., received.....	\$.....	

DECLARATION

We, the undersigned, president (or vice president, or other principal officer) and treasurer (or assistant treasurer, or chief accounting officer) of the organization for or by which this return is made, each for himself declares under the penalties of perjury that this return (including any accompanying schedules and statements) has been examined by him and is to the best of his knowledge and belief a true, correct, and complete return.

[ CORPORATE ]  
 [ SEAL ] (President or other principal officer) (State title) (Date) (Treasurer, assistant treasurer, or chief accounting officer) (State title) (Date)

The following additional declaration shall be executed by the person other than an officer or employee of the organization actually preparing this return:  
 I declare under the penalties of perjury that I prepared this return for the organization named herein and that this return (including any accompanying schedules and statements) is to the best of my knowledge and belief a true, correct, and complete return.

(Name of firm or employer, if any) (Signature of person preparing this return) (Date)

Schedule A.—BALANCE SHEET AS OF THE BEGINNING OF THE YEAR

ASSETS				
1. Cash			\$	
2. Notes and accounts receivable		\$		
Less: Reserve for bad debts				
3. Inventories				
4. Investments in governmental obligations				
5. Investments in nongovernmental bonds, etc.				
6. Investments in corporate stocks				
7. Other investments (itemize)		\$		
8. Capital assets:				
(a) Depreciable (and depletable) assets (attach itemized schedule)		\$		
Less: Reserve for depreciation (and depletion)				
(b) Land				
9. Other assets (itemize)		\$		
10. Total assets			\$	
LIABILITIES				
11. Accounts payable			\$	
12. Bonds, notes, and mortgages payable:				
(a) With original maturity of less than 1 year		\$		
(b) With original maturity of 1 year or more				
13. Other liabilities (itemize)		\$		
14. Total liabilities			\$	
NET WORTH				
15. Capital stock:				
(a) Preferred stock		\$		
(b) Common stock		\$		
16. Membership certificates				
17. Paid-in or capital surplus (or donated capital if a trust)				
18. Surplus reserves (itemize)		\$		
19. Earned surplus and undivided profits				
20. Total net worth			\$	
21. Total liabilities and net worth			\$	

- State nature of activities
  - Have you filed a tax return on Form 990-T for this year? (Applicable only to years beginning after Dec. 31, 1960)
    - If so, where filed?
    - (Yes or No)
    - Unrelated business gross income reported \$
  - What is the legal form for your organization (corporation, trust, unincorporated association, etc.)?
  - In what year was your organization formed?
    - In what State or country?
  - If successor to previously existing organization(s), give name(s) and address(es) of the predecessor organization(s)
  - If you have capital stock issued and outstanding, state with respect to each class of stock (a) the number of shares outstanding, (b) the number of shares held by individuals, (c) the number of shares held by organizations, (d) the number of shareholders at end of year, and (e) whether any dividends may be paid
  - Have any changes not previously reported to the Bureau been made in your articles of incorporation or bylaws or other instruments of similar import? If so, attach a copy of the amendments.
    - (Yes or No)
  - Have you had any sources of income or engaged in any activities which have not previously been reported to the Bureau? If so, attach detailed statement.
    - (Yes or No)
  - Did you hold any real property for rental purposes on which there is an indebtedness incurred in acquiring the property or in making improvements thereto? If so, attach detailed statement.
    - (Yes or No)
  - After July 1, 1950, did—
    - The creator of your organization, or
    - A contributor to your organization, or
    - A brother or sister (whole or half blood), spouse, ancestor, or lineal descendant of such creator or contributor, or
    - A corporation owned (50 percent or more of voting stock or 50 percent or more of value of all stock) directly or indirectly by such creator or contributor
    - (a) Borrow any part of your income or corpus? (Yes or No)
    - (b) Receive any compensation for personal services from you? (Yes or No)
    - (c) Have any part of your services made available to him? (Yes or No)
    - (d) Purchase any securities or other property from you? (Yes or No)
    - (e) Sell any securities or other property to you? (Yes or No)
    - (f) Have any part of your income or corpus diverted to him by any transaction? (Yes or No)
- If answer to any question is "yes," attach detailed statement.



UNITED STATES  
RETURN OF ORGANIZATION EXEMPT FROM TAX UNDER SECTION 101(6) OF INTERNAL REVENUE CODE

(To be made available to the public as required by section 153 (c) of the Code)

FOR CALENDAR YEAR  
or Fiscal Year Beginning \_\_\_\_\_, and Ending \_\_\_\_\_

This return must be filed on or before the 15th day of the fifth month following the close of the annual accounting period. Return must be filed with the Collector of Internal Revenue for the district in which is located the principal place of business or principal office of the organization.	PRINT PLAINLY LEGAL NAME AND ADDRESS OF ORGANIZATION _____ (Give name in full)	Serial No. _____ District _____ (Date received)
	_____ (Street and number)	
	_____ (City or town)      (Postal zone number)      (State)	
	Date of Bureau exemption letter: _____	

GROSS INCOME		
Item No.		
1. Gross sales or receipts from business activities	\$ _____	
2. Less: Cost of goods sold or of operations	_____	
3. Gross profit from business activities	\$ _____	
4. Interest	_____	
5. Dividends	_____	
6. Rents and royalties	_____	
7. Gain (or loss) from sale of assets, excluding inventory items	_____	
8. Other income	_____	
9. Total gross income (items 1 to 8, incl.)	\$ _____	
INCURRED EXPENSES ATTRIBUTABLE TO GROSS INCOME		
10. Compensation of officers, directors, trustees, etc.	\$ _____	
11. Salaries and wages (other than amounts shown in item 10)	_____	
12. Interest	_____	
13. Taxes	_____	
14. Rent	_____	
15. Depreciation	_____	
16. Miscellaneous expenses	_____	
17. Total expenses (items 10 to 16, incl.)	\$ _____	
DISBURSEMENTS MADE WITHIN THE YEAR OUT OF CURRENT OR ACCUMULATED INCOME FOR PURPOSES FOR WHICH EXEMPT, AND ACCUMULATION OF INCOME		
18. Administrative and operating expenses (not included above)	\$ _____	
19. Contributions, gifts, grants, etc. (List each class of activity for which disbursements were made and show separate total for each):	\$ _____	
20. Accumulation of income within the year (item 9 less the sum of items 17, 18, and 19)	\$ _____	
21. Aggregate accumulation of income at beginning of the year (computed for prior years as under item 20)	\$ _____	
22. Accumulation of income at end of the year (item 20 plus item 21)	\$ _____	
DISBURSEMENTS MADE OUT OF PRINCIPAL FOR PURPOSES FOR WHICH EXEMPT		
23. Administrative and operating expenses	\$ _____	
24. Contributions, gifts, grants, etc.:	\$ _____	
(a) Paid out in prior years	_____	
(b) Paid out within the year (List each class of activity for which disbursements were made and show separate total for each):	\$ _____	

Schedule A.—BALANCE SHEET AS OF THE BEGINNING OF THE YEAR

PAGE 4

ASSETS			
1. Cash			\$
2. Notes and accounts receivable	\$		
Less: Reserve for bad debts			
3. Inventories			
4. Investments in governmental obligations			
5. Investments in nongovernmental bonds, etc.			
6. Investments in corporate stocks			
7. Other investments (itemize)	\$		
8. Capital assets:			
(a) Depreciable (and depletable) assets (attach itemized schedule)	\$		
Less: Reserve for depreciation (and depletion)			
(b) Land			
9. Other assets (itemize)	\$		
10. Total assets			\$
LIABILITIES			
11. Accounts payable			\$
12. Bonds, notes, and mortgages payable:			
(a) With original maturity of less than 1 year	\$		
(b) With original maturity of 1 year or more			
13. Other liabilities (itemize)	\$		
14. Total liabilities			\$
NET WORTH			
15. Capital stock:			
(a) Preferred stock	\$		
(b) Common stock	\$		
16. Membership certificates			
17. Paid-in or capital surplus (or donated capital if a trust)			
18. Surplus reserves (itemize)	\$		
19. Earned surplus and undivided profits			
20. Total net worth			\$
21. Total liabilities and net worth			\$

GENERAL INSTRUCTIONS

- An annual statement of gross income, receipts, disbursements, etc., on this form, is required by law of every organization which is exempt from tax under the provisions of section 101 (6) of the Internal Revenue Code, excepting only (1) a religious organization; (2) an educational organization if it normally maintains a regular faculty and curriculum and normally has a regularly organized body of pupils or students in attendance at the place where its educational activities are regularly carried on; (3) a charitable organization, or an organization for the prevention of cruelty to children or animals, if supported in whole or in part, by funds contributed by the United States or any State or political subdivision thereof, or primarily supported by contributions of the general public; (4) or an organization operated, supervised, or controlled by or in connection with a religious organization exempt under section 101 (6). The law also requires that every such organization furnish the information called for on pages 3 and 4 and that such information be made available to the public. The law provides penalties for failure to furnish this information.
- Attach a detailed statement showing with respect to each piece of property sold: (a) Date acquired and manner of acquisition; (b) Gross sales price; (c) Cost or other basis (value at time of acquisition, if donated); (d) Expense of sale and cost of improvements subsequent to acquisition; (e) Depreciation since acquisition; and (f) Gain or loss—(b) plus (e) minus (d) plus (f).
- In all cases where item 8 or 25 includes money or property amounting to \$2,000 or more, which was received directly or indirectly from one person, in one or more transactions during the year, itemized schedules showing the total amount received from and the name and address of each such person shall be attached to this return. (The term "person" includes individuals, fiduciaries, partnerships, corporations, associations, and other organizations.)
- Expenses may be divided between items 10 through 16 and items 18 and 23 on the basis of accounting records. If such records do not provide for this division, expenses may be divided on any reasonable basis, such as an approximation of the use of a facility or the time spent by an individual.
- Activities in items 19 and 24 (b) should be classified according to purpose in greater detail than merely charitable, educational, religious, or scientific. For example, payments for nursing service, for laboratory construction, for fellowships, or for assistance to indigent families should be so identified. The detailed list of organizations and individuals to whom payments were made as well as other itemized statements called for on page 1 should be attached to page 2. Duplicates are not required in connection with pages 3 and 4.
- The balance sheet, Schedule A, should agree with the books of account or any differences should be reconciled.
- In all cases where line 6, Schedule A, includes 10 percent or more of any class of stock of any corporation, attach a list showing the name of the corporation, the number of shares of each type of stock owned (including information indicating whether the stock is voting or nonvoting), and the book value of the stock included in line 6.
- For further information see regulations under sections 54(f), 101, and 158 of the Internal Revenue Code.

Form 990-T.—The Revenue Act of 1950 imposes a tax, with respect to taxable years beginning after December 31, 1950, in the case of certain organizations exempt from tax under section 101 (1), (6), (7), and (14) of the Internal Revenue Code on income derived (a) from operation of a business enterprise which is unrelated to the purpose for which such organization received an exemption or (b) from certain rentals from property leased to others on a long-term basis. Such income and tax shall be reported on Form 990-T, copies of which may be obtained from the Collector of Internal Revenue.

FORM 990-T  
U. S. Treasury Department  
Internal Revenue Service

UNITED STATES  
EXEMPT ORGANIZATION BUSINESS INCOME TAX RETURN  
(Under Supplement U, Chapter 1, Internal Revenue Code)

1951

FOR CALENDAR YEAR 1951  
or fiscal year beginning 1951, and ending 1952

PRINT PLAINLY NAME AND ADDRESS OF ORGANIZATION OR TRUST  
(Name)  
(Street and number)  
(City or town, postal zone number) (State)

Name and address of trust's fiduciary

Nature of trade or business activity

Date of Bureau exemption letter and subsection of section 181 under which you are exempt

Serial No.

District (Cable's Sheet)

Cash Check M. O.  
Pre Payment

SUPPLEMENT U NET INCOME COMPUTATION

Table with columns for item number, description, and amount. Includes sections for UNRELATED TRADE OR BUSINESS GROSS INCOME, DEDUCTIONS, and TAX COMPUTATION FOR CALENDAR YEAR 1951.

TAX COMPUTATION FOR CALENDAR YEAR 1951. (For other taxable years attach Form 990-T-FY.)

Table for ORGANIZATIONS TAXABLE AS CORPORATIONS. Includes items 31, 32, 33, 34, and 35.

Table for TRUSTS TAXABLE AT INDIVIDUAL RATES. Includes items 36, 37, 38, 39, and 40.

DECLARATION

I (we), the undersigned, fiduciary of the trust or president (or vice president, or other principal officer) and treasurer (or assistant treasurer, or chief accounting officer) of the organization for or by which this return is made, each for himself declares under the penalties of perjury that this return has been examined by him and is to the best of his knowledge and belief a true, correct, and complete return.

Signature lines for fiduciary, president, and treasurer/assistant treasurer.



The following additional declaration shall be executed by the person other than the fiduciary or an officer or employee of the organization actually preparing this return: I declare under the penalties of perjury that I prepared this return for the trust or organization named herein and that this return is to the best of my knowledge and belief a true, correct, and complete return.

Signature lines for preparer and preparer's address.

Page 2

Schedule A.—COST OF GOODS SOLD. (See Instruction 2)		Schedule B.—COST OF OPERATIONS	
(Where inventories are an income-determining factor)		(Where inventories are not an income-determining factor)	
Inventory at beginning of year	\$	Salaries and wages	\$
Material or merchandise bought for manufacture or sale		Other costs (to be detailed):	
Salaries and wages		(a)	
Other costs per books. (Attach itemized schedule)		(b)	
Total	\$	(c)	
Less: Inventory at end of year	\$	(d)	
Cost of goods sold (enter as item 2, page 1)	\$	Total (enter as item 5, page 1)	\$

Schedule C.—INCOME FROM PARTNERSHIPS (See Instruction 8)	
Name and Address of Partnership	\$
Total (enter as item 8, page 1)	\$

Schedule D.—SUPPLEMENT U LEASE RENTS (See Instruction 9)				
1. Description of Leased Property	2. Total Rent Received	3. Taxes and Other Expenses	4. Interest	5. Depreciation (Explain in Schedule I)
	\$	\$	\$	\$

Continuation of Schedule D					
6. Amount of Unpaid Indebtedness	7. Adjusted Basis of Leased Property (Attach statement)	8. Percentage which Col. 6 is of Col. 7	9. Gross Rental Income (Column 2 x Column 8)	10. Allowable Deductions (Total of Columns 3, 4, and 5 x Column 8)	11. Net Rental Income (or loss) (Column 9 less Column 10)
\$	\$	%	\$	\$	\$
Total (enter as item 9, page 1)					

Schedule E.—COMPENSATION OF OFFICERS					
1. Name and Address of Officer	2. Official Title	3. Time Devoted to Business	4. Percentage of Organization's Stock Owned		5. Amount of Compensation
			a. Common	b. Preferred	
					\$
Total compensation of officers. (Enter as item 11, page 1)					

Schedule F.—BAD DEBTS. (See Instruction 15)							
1. Taxable Year	Amount of Notes and Accounts Receivable Outstanding at—		4. Net Income Reported	5. Sales on Account	6. Bad Debts or Organizations if No Reserve is Carried on Books	7. If Organization Carries a Reserve	
	2. Beginning of Year	3. End of Year				7. Gross Amount Added to Reserve	8. Amount Charged Against Reserve
1947	\$	\$	\$	\$	\$	\$	\$
1948							
1949							
1950							
1951							

Schedule G.—TAXES. (See Instruction 17)		Schedule H.—CONTRIBUTIONS OR GIFTS PAID. (See Instruction 18)	
Nature	Amount	Name and Address of Organization	Amount
	\$		\$
Total. (Enter as item 17, page 1)		Total. (Enter as item 18, page 1, subject to statutory limitation.) (See Instruction 18)	

Schedule I.—DEPRECIATION. (See Instruction 19)							
1. Kind of Property (If buildings, state material of which constructed). Exclude land and other nondepreciable property	2. Date Acquired	3. Cost or Other Basis	4. Depreciation Allowed (or allowable) in Prior Years	5. Remaining Cost or Other Basis To Be Recovered	6. Life Used in Amortizing Depreciation	7. Estimated Life From Beginning of Year	8. Depreciating Allowable This Year
		\$	\$	\$			\$
Total. (Enter here and as item 19, page 1)							

Schedule J.—OTHER DEDUCTIONS. (See Instruction 24)

Mr. FORAND. May I ask a question, Mr. Chairman?

Mr. HAYS. Mr. Forand.

Mr. FORAND. Mr. Sugarman, who many of these reports did you say are filed now?

Mr. SUGARMAN. We have a total number of returns, forms 990 and 990-A—

Mr. FORAND. How many of those are there?

Mr. SUGARMAN. Slightly in excess of 100,000 per year.

Mr. FORAND. How many of those are examined? Are they all examined or do you make a spot check like they do with the income-tax returns?

Mr. SUGARMAN. We tend to make a spot check. We have a regular procedure for surveying and examining them, and under our procedure we are able to reach about a third of them each year.

Now, that means the spot check survey, checking examination of the returns—we go into a more intensive examination, which will include a field examination where there are doubtful items shown by this initial survey.

Mr. FORAND. Is it the idea of the Bureau to expand this operation so that there will be more returns examined, just like the process that is now developing regarding the income tax returns?

Mr. SUGARMAN. We have been making studies on that whole subject, partly in connection with the reorganization of the Bureau that is going on now, and partly as a result of the 1950 legislation which, of course, has introduced new elements that we must administer.

We are studying it from the standpoint of additional sampling techniques, and also from the standpoint of possibly decentralizing further aspects of the work, to provide an examination closer at the home of the organization.

I might say, of course, and I am sure you will realize, that we probably can never and probably should never, get to the point of examining every one of these returns because we do not have the manpower, and it probably is not necessary from the standpoint of the economy to look into every one of them, but we are developing scientific sampling techniques with a view to getting around to an audit of all the questionable returns, and to hit each one of these over a certain period of time.

Mr. FORAND. Thank you; that is all.

Mr. HAYS. Mr. Simpson?

Mr. SIMPSON. Well, you have a sentence in here which says, "During the 2-year period ending June 30, 1952, the exemptions under 101 (6) of approximately 55 organizations were revoked."

Mr. SUGARMAN. Yes, sir.

Mr. SIMPSON. That is 55 out of two times 14,000 would it be?

Mr. SUGARMAN. No, sir. It would be 55 out of the total 101 (6) category. Now, that is based upon a total of—well, your statement, I am sorry, your statement is approximately correct. It is 32,000, the figure I am referring to.

I might say that that 55 figure is based upon the events since the last cumulative report, which was 2 years ago.

Mr. SIMPSON. Yes; plus a very low figure percentagewise, is it not?

Mr. SUGARMAN. Percentagewise it is, yes, sir. You understand, of course, that the 32,000 include all of the organizations under 101 (6), all of those that are described actually in section 23 (o) and 23 (q)

of the Internal Revenue Code, which has, as you know, slightly different provisions.

Mr. SIMPSON. I just want to say, Mr. Chairman, this is a very fine summary; it is very helpful to the committee.

Mr. HAYS. Thank you.

Mr. Goodwin?

Mr. GOODWIN. No questions.

Mr. HAYS. Mr. Keele?

Mr. SIMPSON. I am curious on one other aspect. Under that section that is in the law now denying exemption where the group are on the Attorney General's list and are Communists, and so so, I am curious to know how frequently you have occasion to use that provision of law. In other words, will a group come in and admit that they are aiding the Communists?

Mr. SUGARMAN. I might say in regard to that, Mr. Simpson, that that law was enacted in 1950, of course, and is under the administration of the Department of Justice, and we have been following that very closely, and the present situation appears to be this: that the Department of Justice has instituted its first attempt to enforce it through, as I understand it, the Communist Party, and they have gotten into a legal wrangle on that.

As a result there have been actually no lists issued by the Attorney General under that statute. In other words, we have no information from that source, as yet, and I do not know when that will be, but apparently when they get the legal aspects of it clarified then we will be able to get our information.

I might add, however, separate from that which is under the Internal Security Act, we have available the lists which have been issued by the Attorney General under the loyalty program, and those have been issued under Executive orders, and certified to the Civil Service Commission.

Our procedure is to watch that very carefully and, of course, we do not have any organizations granted exemption which are on that list.

Mr. SIMPSON. Are there foundations which do not claim exemption which are for charitable purposes?

Mr. SUGARMAN. As I indicated earlier, there may be a number of trusts which will contribute a large part of their income to charitable purposes. They have an unlimited deduction, assuming they qualify under the statute, so they may be wholly or partly for charitable purposes but do not claim the exemption.

Mr. SIMPSON. Yes.

Mr. SUGARMAN. They are subject basically to the same rules, however, under the 1950 legislation. They are required to fill out a form, 1040 A, which has the same publicity requirements; that is also on file in the directors' offices.

Mr. SIMPSON. But is it possible that there would be a true foundation which does not claim the exemption, and may be using its money for Communist purposes?

Mr. SUGARMAN. Well, of course, I suppose that is always possible. The only answer I can give is that to the best of our knowledge, based on investigations, none of them are exempt at this time.

Mr. SIMPSON. You would not know about it, even about the existence of the foundation, unless it claimed the exemption, would you?

Mr. SUGARMAN. No; I would have to disagree on that, sir, for this reason: Through our directors' offices or the former offices of collectors and special agents and revenue agents-in-charge, we are, of course, attempting to keep aware of any items which will come to our attention.

The directors' offices also have the obligation to canvass for delinquent or failure to file returns, so that we have, based on our regular procedures, either an exemption return form 990 or 990-A, individual or also individual or corporate trust returns, from these organizations.

I might say, Mr. Simpson, if I can add one thought, of course, we are not able to have a policeman at every corner to dig out all of these organizations, but we have the sampling investigative techniques in which we attempt to obtain that information.

Mr. SIMPSON. I understand that.

Mr. KEELE. Mr. Sugarman, among those to whom questionnaires were sent was the Robert Marshall Foundation. We were advised by the foundation that they did not fall within the purview of the investigation because of the fact that their tax-exempt status had been revoked.

On investigation we found that to be the fact, and it would appear, therefore, that we have no jurisdiction over that foundation.

Do you recall that incident or the circumstances surrounding the revoking of the exemption of the Robert Marshall Foundation?

Mr. SUGARMAN. I personally do not. I was not in charge of that work at that time.

Mr. KEELE. Do you know of it from your work or experience?

Mr. SUGARMAN. I do know the exemption has been revoked. We will be glad to supply for the record of the committee the date or the year that exemption was revoked.

Mr. KEELE. Do you know the grounds on which it was revoked?

Mr. SUGARMAN. Our files will show that, Mr. Keele.

I was checking a release which we issued a number of years ago to see whether or not that name appeared on it. It did not.

I can say this, generally, that as to that organization, the denial of the exemption was, of course, based upon the fact that it was not operating in accordance with the exempt purposes. Now that, of course, is a matter of the section 101 (6) operations where it has to be charitable or educational.

Mr. KEELE. You do not know beyond that as to what it was doing? You say it was not doing that which it was required to do under the exemption. Do you know what it was doing or what the charges were that were brought against it as to its activities?

Mr. SUGARMAN. Mr. Keele, I have not reviewed that file, and I could not at this time describe that. I did not attempt to do that before these hearings.

Mr. KEELE. You were not asked to do that, I don't believe, and were not told that the question had arisen.

Do you have knowledge of any of the other cases where the 55 instances were instances where exemptions have been revoked, as to the circumstances surrounding those?

Mr. SUGARMAN. They would all be revoked on the same general ground of operating contrary to the provisions of section 101 (6).

Of course, that depends upon a detailed factual analysis of just what the organizations have been doing, and those are taken up as individual cases.

I wish to make it clear that in each of these instances where we revoke or deny exemption, it is a matter of determining the facts which we obtain from the organization or from our field investigation, and it is a case-by-case analysis.

Mr. KEELE. Mr. Sugarman, would you be in a position to express an opinion as to whether or not the Bureau is presently equipped from the point of view of workload and manpower to investigate with any degree of thoroughness those organizations which are or may be engaged in subversive activities?

Mr. SUGARMAN. I would have to answer your question this way and it, perhaps, is a typical answer: That we do not have enough people to do the job we would like to do. I am not sure we will ever be able to reach that point. The Revenue Act of 1950, of course, has added to the job we have to do in the sense of providing additional specific provisions as to the nature of activities of organizations which are to be granted exemption or denied exemption, including the related deduction provisions.

I will say this, however, that as I indicated, in answer to a previous question, we are studying this matter now with the view of providing a more effective enforcement through field offices. Now we are in the position, of course, of having the major responsibility for collecting taxes. Each of our front-line enforcement officers is, on the average, able to produce \$86,000 of additional tax revenue.

Every time we take one of those men off the job of examining taxable returns, and putting him into other fields of activities, we have a serious question of the proper use of our manpower.

We recognize the importance of this field, however, and that is the reason we are making this study at the present time of additional means we may use to give effect to the provisions of the Revenue Act of 1950. Those studies have not yet been completed, and for that reason I am unable to tell you at this time of the precise measures we will take, but I do wish to express that we do recognize the importance of it.

Mr. HAYS. Mr. Sugarman, we thank you very much, sir, for a very fine presentation.

Mr. SUGARMAN. Thank you very much.

Mr. HAYS. We appreciate the work you have done on this, and the members of the Ways and Means Committee are particularly interested in what you have submitted. It has been very helpful.

Mr. SUGARMAN. Thank you.

Mr. KEELE. I think it should be added, and I would like to say to the committee at this time, that they have been very helpful in conferences that we have held, numerous conferences we have held, with numbers of their staff, and they have been most helpful in supplying us with information and advice.

Mr. SUGARMAN. Thank you.

Mr. HAYS. Thank you.

Do you want to call Dr. Andrews back, Mr. Keele?

Mr. KEELE. Yes; if Dr. Andrews will take the stand.



STATEMENT OF F. EMERSON ANDREWS, RUSSELL SAGE  
FOUNDATION—Resumed

Mr. KEELE. Dr. Andrews, you testified yesterday, I believe, and one or two questions have occurred to the committee, or to the staff members since you left the stand.

One point that Dr. Hollis made is that, in response to a question from me, the foundations or their prototypes have from earliest times enjoyed tax exemption.

Is it not a fact that when the Rockefeller and Carnegie philanthropes were first instituted around the turn of the century, and in the first decade of this century there were no income-tax laws from which they could gain exemption? Is that correct?

Mr. ANDREWS. That is a fact which, I think, certainly ought to be emphasized. The personal income tax, I believe, began in 1914, so that most of the early large foundations were established by persons who received no exemption on their income as a result of their gifts to those foundations.

Mr. KEELE. The point is then that, as regards those early philanthropies, there was no question of tax benefits, or the tax incidents were not considered as a factor in the setting up of those foundations; is that not correct?

Mr. ANDREWS. Personally, that is a fact in regard to their personal taxes.

Mr. KEELE. Of course, that has changed with the advent of the income tax, and with the change of the tax structure.

Mr. ANDREWS. It might be said, too, that the corporation tax was at very low levels until 1936.

Mr. KEELE. Has your attention been directed in the course of your work to the activities of organizations which are taking advantage of the tax structure relative to tax-exempt philanthropies and charitable organizations, such as the Textron Corp., and that group of organizations with which Mr. Royal Little is concerned? Have you had occasion to look into their activities at all?

Mr. ANDREWS. We are, of course, with Mr. Royal Little's five foundations. We have seen the hearings that Senator Tobey presided over in the Senate, and I have some correspondence, although I have never personally talked to Mr. Little.

Mr. KEELE. Have you any views or suggestions or comments to make with reference to that group of organizations or organizations of that type, and as to the effect that their operations may have on the general feeling, the public view, shall we say, that is held with regard to foundations?

Mr. ANDREWS. I think Mr. Little's foundations are one example—and there are others—of foundations which were set up from quite mixed motives.

Mr. Little, I think, is thoroughly sincere in believing that he is a crusader in the field of getting income for business. He believes that present tax laws limit the amount of capital a business can accumulate so that it cannot expand as rapidly as private enterprise ought to expand, and he has, therefore, used the device of the foundation with the tax exemption that the foundation acquires, and with a charitable beneficiary, as one means of building up large sums of

capital which, at various times, have been borrowed for business enterprises.

He tells us that he does pay his trustees. I believe the trustees of the Rhode Island Charities Trust receive 1 percent of the corpus per year, and that is based upon the corpus, according to Mr. Little, so that they, too, shall have an interest in increasing that corpus as rapidly as possible. They are relieved from the restrictions on many trustees as to relatively safe investments.

They are supposed to use their money as venture capital in the business sense, to build up as large a corpus as quickly as possible, and they have done that, as you know. I think a \$100 original investment was kited to something like \$5 million in the case of one of these trusts.

Mr. FORAND. May I say right there, isn't that the Rayon Corp., of which Bayard Ewing is the sole trustee?

Mr. ANDREWS. I have been called here without previous warning, and I do not have the actual data in hand, and I cannot positively answer that.

Mr. FORAND. I am quite sure that is the one.

Now, so far as the Textron Foundation, or whatever it is called, is concerned, there has been a great deal of disturbance among the people in my home State of Rhode Island, because the money that was supposed to have been borrowed from the several foundations organized by Mr. Little was used to purchase textile plants that were in operation. Then he would liquidate these plants, sell the machinery, retain the trade-mark of the goods that were then manufactured, and close the plants down.

In fact, just within the last 6 months Textron took over the Lonsdale Co., closed down the Berkeley mill, which is in the very village in which I live, and in addition he is now working toward the closing of the Blackstone mill, formerly of the Lonsdale Co.

It is looked upon as a real abuse of the foundation in that case, in cases such as the one Mr. Little has developed, and we think it is mighty unfair to other foundations who are organized for real purposes of helping people rather than throwing people out of work and moving the capital from our State of Rhode Island to other parts of the country and to Puerto Rico, and I would like to have all the information that you possibly could give the committee on that type of corporation to see if the committee can do anything to correct such a thing.

Mr. ANDREWS. I do not quite see that legal means as yet—speaking personally, now, I have never been happy about foundations organized primarily for purposes other than public welfare. Legally, obviously, that can be done and, presumably, the charitable organizations will eventually benefit. But whenever a business purpose and a charitable purpose are combined in one organization, one always fears that the charitable purposes may come out at the short end.

Mr. FORAND. That is what is happening. It appears now that what has been done with the money of this foundation is that very little of it is going into these charitable organizations at the present moment. They are building up the corpus and using that corpus on loan to Textron and other similar organizations for strictly commercial purposes. So if you have an opportunity to give that some

thought or make some recommendations to the committee, I am sure the committee would appreciate it very much.

Mr. ANDREWS. I will consider it further.

Mr. FORAND. Thank you.

Mr. KEELE. Mr. Andrews, you spoke yesterday at the end of your testimony relative to public accountability or the requirement of, the possible requirement, of having foundations make full reporting of their activities. You are familiar with the forms now required to be filed by tax-exempt foundations?

Mr. ANDREWS. Yes, sir.

Mr. KEELE. Under the 1950 act, are you not?

Mr. ANDREWS. Yes, sir.

Mr. KEELE. Does the information cover—do the information returns cover—the ground that you had in mind when you spoke yesterday and read the answer of the Russell Sage Foundation, the answer to our questionnaire, relative to reporting?

Mr. ANDREWS. No, sir. I think more is needed. Those are primarily financial reports. It is true that in addition to the financial statistics they do require a listing of the persons receiving grants, but I should like to see in a report a much more complete report of activities, that is, the nature of the activities, what it is planned to accomplish, and probably personnel. None of those things are required in 990-A.

Mr. KEELE. That is all I have.

Mr. HAYS. Thank you very much, Mr. Andrews.

Mr. ANDREWS. Yes, sir.

Mr. KEELE. General Simmons, will you take the stand. Be seated, please.

**STATEMENT OF JAMES STEVENS SIMMONS, DEAN, HARVARD  
SCHOOL OF PUBLIC HEALTH**

Mr. KEELE. Will you tell the committee your name and your position at the present time.

Mr. SIMMONS. James S. Simmons, Brigadier General, United States Army, retired, and I am dean of the Harvard School of Public Health at the present time.

Mr. KEELE. All right.

We have asked you to come down here today, General Simmons, to discuss with us and to tell the committee what, from your work and experience, you know of the impact of the foundations and their work in the field of medicine and public health on our society today.

I wish you would proceed in your own way to discuss that subject with the committee.

Mr. SIMMONS. Mr. Keele, I have a prepared statement, and with the permission of the Chairman, I would like to read that.

Mr. HAYS. All right.

Mr. SIMMONS. I believe it will give you my views.

Mr. HAYS. We will be very glad to hear it, General.

Mr. KEELE. Very well.

Mr. SIMMONS. Mr. Chairman and members of the committee, I appreciate the honor of being invited to come here and give you my concept of the contribution which the philanthropic foundations have made to medicine and public health. I am glad to comply, but

first I must make it clear that I am not an expert on foundations. I am a physician and 30 years of my life were spent in the Medical Corps of the Regular Army, where I was engaged in teaching, research, and administration in the special fields of bacteriology and military preventive medicine. Since retirement from the Army 6 years ago, I have continued to work for both military and civilian health—as consultant to the Armed Forces and as dean of the Harvard School of Public Health. Therefore, I will have to talk with you not as a foundation expert, but as one whose life has been spent working for better military and civilian health.

Naturally, my work has brought me into contact with many foundations and I am keenly aware of the constructive job many of them have done in helping to finance education, research, and direct field service both in medicine and public health. I have served on the scientific advisory boards of several foundations, including the Gorgas Memorial Institute, the Leonard Wood Memorial for the control of leprosy, the National Foundation for Infantile Paralysis, the American Foundation for Tropical Medicine, and others. Also, I have worked in close contact with still others, including the Rockefeller Foundation, during my Army service and in my present position at Harvard, as dean of the School of Public Health.

There are, of course, many other foundations with which my personal experience has been limited, or with which I had no contact at all. This is obvious when we realize that in his book, entitled "American Foundations and Their Fields," Mr. Raymond Rich in 1940 listed 71 foundations that were spending money in the fields of medicine and public health.

I believe I can best give you my concept of the importance of the contribution which has been made by these philanthropic agencies by dividing this statement into four parts: First, I should like to mention certain advantages of nongovernmental financial support in the field of medicine and public health; second, I shall briefly indicate the rapid progress which has been made in the health sciences during the last generation; third, I shall give examples of the way in which at least one great foundation has contributed practically to this achievement; and, fourth, I should like to raise the question as to their future role in America's emergency health program.

Now for the advantages of foundation financing:

The money of a foundation can be considered as "risk" capital. It can be spent for the benefit of the public in many ways which are not permissible with public funds. Foundation money can be risked on exploratory activities, either in a basic effort to find the solution to unanswered questions or in the field trial of suggested methods, the usefulness of which has not yet been proven. In the field of my primary interest much foundation money has gone into education and into the investigation of basic problems. It has been used to train specialists, to search for the causes of disease, to discover methods for their prevention, and to find links in the chain of transmission that might be easily broken. Foundation money has also gone into the application of new knowledge and the use of the available information to secure practical results in the most direct and efficient manner possible through the administration of public health methods.

An index of the effectiveness of such pioneering work is the extent to which it has led to the subsequent general application of originally experimental methods on a broad scale with the support of public funds. In many instances Government has taken over health functions which were once financed entirely or partly by foundations. For example, the present structure of our local health agencies in the United States has grown to a large extent from the pioneering work of the Rockefeller Foundation's Sanitary Commission and its successors in the field of hookworm control and local health development.

The great wartime research program financed by the Armed Forces and the Committee on Medical Research of OSRD and the current programs of the Armed Forces and the Public Health Service have all been modeled, at least in part, on the experience furnished by foundation projects. It might be added that the foundations likewise have extended the earlier basic researches made by our military pioneers, as, for example, the programs of hookworm eradication and the control of malaria and yellow fever.

In brief, one of the important functions of foundation money has been to expedite the application of new knowledge quickly and on a broad scale. A great advantage of the private foundation in such exploratory work is its flexibility. It can change programs rapidly, add or subtract funds easily, shift personnel on short notice, and with more freedom than is usually possible for Government-controlled projects, which of necessity must be subject to more rigid controls. The president of one great foundation is said to have remarked, facetiously, that "the function of a foundation is to make mistakes." I believe this is true, because any foundation which is unduly worried about the possible failure of its programs of investigation is in no position to make a great and lasting contribution to the advancement of knowledge.

Thus, as I see it, the great advantage of foundation financing is its "risk" money. Efficient safeguarding of Government money, on the other hand, usually calls for more caution and for careful investment in surer opportunities. The foundations have helped enormously to strengthen Government programs of research and education and to extend their application to the people of the world. Also, they have made a unique contribution to international good will, since they have been able to operate in many foreign areas where help from our Government might not have been accepted.

A century of progress in public health: Now, I should like to indicate briefly the unique progress that has been made in medicine and public health during the last century, in order that we may visualize more clearly the contribution of the foundations to this progress. The great American foundations are a product of our modern age of rapid economic and social development and scientific discovery. The outstanding example is afforded by the philanthropic organizations established by Mr. John D. Rockefeller. When one recalls the period during which he lived, it is not surprising that so much of his wealth, like the funds of subsequent foundations, was invested in the constructive fields of medicine and public health.

At the time of Mr. Rockefeller's birth in 1839, the great pioneer Louis Pasteur was only 17 years old; and no living creature on the face of the earth was aware of the microscopic causes of the numerous infectious diseases that had always afflicted the human race. During the

98 years which passed before Mr. Rockefeller's death in 1937, he had accumulated his great fortune. Also, he was privileged to watch the birth and the phenomenal growth of the entire structure of modern medicine and public health. It therefore seems natural that he and his family, with their deep sense of social responsibility, should have been attracted to this exciting new venture which held so much promise for mankind, and that as his fortune grew he should have invested so heavily in the prevention of disease.

The basic sciences from which modern medicine developed were not born until after the Civil War. Even as late as 1872 when the American Public Health Association was established, Pasteur had only recently announced his discoveries on fermentation, his work on silkworm disease in France and his revolutionary new germ theory of disease, which was not generally accepted until much later. Lister had just started his so-called antiseptic surgery, Robert Koch had only begun his pioneer work in bacteriology and he had not then discovered the causes of anthrax, tuberculosis, or cholera. The whole science of microbiology was yet to be developed.

During the next three decades the basic medical sciences grew rapidly and the causes of many diseases were discovered. However, even at the turn of the century there was still an enormous lag in the development of epidemiology and in the application of all this new knowledge to the treatment and prevention of disease. In 1900 the death rate for the United States was still about 17 per thousand and the expectation of life at birth was about 47 years. The disease death rate among American troops in the Spanish-American War was around 25 per thousand per annum, and typhoid, as many of you know, was a serious cause of disability and death. The mosquito transmission of malaria had been announced 3 years earlier by Ross in England and by Grassi and his associates in Italy. But this information had not been applied for the control of the disease and Maj. Walter Reed had not yet completed his heroic experiments in Cuba on yellow fever.

Since 1900, truly remarkable progress has been made both in medicine and public health. Today our national death rate is less than 10 per thousand and the expected life span is more than 67 years. Many diseases are still too prevalent, but the mortality from childhood infections has been reduced about 97 percent. Likewise, the incidence and death rates for infections of the intestinal, respiratory, and insect-borne groups have been greatly decreased. In brief, our country's health now compares favorably with that of the other leading nations of the world.

Another good yardstick with which to measure this progress is afforded by the increasing effectiveness of military medicine and surgery, and especially the great advances made in military preventive medicine. These advances are indicated by the decreasing death rates from disease in the last three wars, and the Army rates are representative of the Armed Forces as a whole. These rates were as follows: Spanish-American War, 25 per thousand per annum; World War I, 16 per thousand; and World War II, 0.6 per thousand.

This brief review indicates that great progress has been made, and I am sure you will agree that the medical profession and all its allied professions can be proud of their accomplishment. Many charitable foundations have helped in the performance of this job, and I wish

it were possible to mention them all. Instead, however, I shall use the Rockefeller Foundation as an example of the type of contribution that has been made by these foundations.

**Rockefeller contributions:** It would be difficult to estimate the total professional contribution made by Mr. Rockefeller and his family to this great century of progress in public health. The expenditures of the various Rockefeller boards and agencies have approached \$1 billion and a large portion of this has been invested in human health. The Rockefeller Institute for Medical Research was formed in 1901; and the General Education Board, which was established in 1902, has spent large amounts for the support of our medical schools.

**Hookworm control and local health development:** Later, the Rockefeller Foundation's sanitary commission was formed, and in 1910 it began a campaign against hookworm in 11 Southern States. This program had a far-reaching effect on the evolution of American public health which is exemplified by the experience of my home State of North Carolina. In 1910, the year the campaign started, the total annual appropriation for the North Carolina State Health Department was only \$2,500. The sanitary commission put on an intensive campaign—going into every county and every township of the State. They found many cases of hookworm disease in the eastern section of the State. All of these people were treated, and a program of environmental sanitation was carried out. However, the most important result of this campaign was not the eradication of several thousand cases of hookworm, but the fact that it aroused the citizens of North Carolina and made them aware of the advantages of good health. They realized for the first time that they did not have to put up with preventable diseases and this spurred them on to work and vote for more effective public action in the protection of our people. As a result, my State rapidly expanded its health facilities and activities; and 11 years later it was spending approximately three quarters of a million dollars a year on public health. Today, North Carolina's annual health budget is over \$4½ million, and they have an excellent health department.

During this health campaign, another Rockefeller agency, the General Education Board, conducted an active program designed to teach the farmers and housewives of North Carolina better methods of farming and living. Farm agents demonstrated modern methods of cultivation and showed people how to improve the yield of their crops. Home-demonstration agents went into the homes and taught the people how to improve their living conditions—how to sew, how to can and preserve their food, and how to prepare healthful, nutritious, balanced meals for their families.

The combined influence of these two grass-roots Rockefeller programs did much to stimulate better health and the rapid economic development of North Carolina. Within 11 years the State had not only improved its health, but had increased enormously its agricultural productivity; and it is significant that most of this agricultural development took place largely in the eastern part of the State where hookworm disease had formerly been most prevalent.

**The Rockefeller International Health Board:** The next important Rockefeller contribution was begun in 1913 when members of the sanitary commission had completed their initial work in the South and were included in the new International Health Board as a part of

the Rockefeller Foundation. The latter board, under the direction of Mr. Wyckliffe Rose, began its work at a significant period in the evolution of American public health.

Postgraduate education in public health: The year 1913 represents an important milestone in American health. It marks the beginning of organized postgraduate education for civilian public-health workers in this country. The Army Medical School here in Washington had been available for training military preventive medicine since 1893. Some of the universities had provided advanced training for a few civilian health specialists, as for example, at the Harvard Medical School, which had organized a department of preventive medicine in 1909 under Dr. Milton J. Rosenau. However, prior to 1913 none of our present 10 schools of public health had been established and there was an urgent need for experts trained in this field. Many of the health officers of that time held political appointments and had little competence in this special field. Thus, the bottleneck to further progress in public health was the need to recruit and train adequate numbers of first-class health leaders and administrators.

This need for personnel, which is a perennial one, stimulated three great health educators to take action; and on July 30, 1913 Professors Rosenau and Whipple of Harvard University with Professor Sedgwick of the Massachusetts Institute of Technology organized in Boston the first postgraduate school of public health in the United States. This pioneer institution was first named the Harvard-MIT School for Health Officers, and, later, the Harvard-MIT School of Public Health. It was operated jointly until 1922 when it was taken over completely by Harvard and became the Harvard School of Public Health, of which I am now dean. During its 8 years of operation the Harvard-MIT School had a distinguished faculty and trained a total of 294 health specialists, including some of the most eminent leaders of our profession. It also stimulated the development of similar training centers in other parts of the country. According to Dr. Lewis Hackett, Rockefeller officials, including Rose and Flexner, came to Boston in 1913 to discuss with Rosenau and his staff the policies of the new International Health Board and to recruit personnel for it. At that time Dr. Hackett, who was Rosenau's first assistant, decided to join the foundation, and subsequently other distinguished Harvard graduates were added, including Dr. Mark J. Boyd, Dr. George K. Strode and Dr. Paul F. Russell.

Five years later, the foundation made available the second American training center for public health by endowing the Johns Hopkins School of Hygiene and Public Health, which opened its doors in Baltimore in 1918. Since that time, both the Harvard and Hopkins schools have received generous support from the foundation, as have many other public health schools and institutes in this country and abroad. In the period from 1913 to 1950 the total Rockefeller expenditures for this type of education amounted to more than \$21 million. This has been supplemented by an extensive fellowship program designed to recruit health specialists in all parts of the world and finance their training in world centers of medicine and public health. This fellowship program has operated for over 35 years at an added cost of about \$25 million.

As I look back on the total contributions of the Rockefeller Foundation and other American foundations to the education of health spe-



cialists, I am grateful; for, without their help, our Government could not, and probably would not, have done the job so well.

Special campaigns against disease: I shall not enumerate all the other contributions of the Rockefeller Foundation to public health. The total expenditures in this field are estimated at about \$100 million. Instead I will indicate how they have assisted our own and other governments through cooperation and the extension of existing knowledge concerning the control of certain diseases of international importance. The total amount spent for specific disease control has been about \$20 million, and this has been used for research and for the field investigations of many diseases. However, because of my interest in military preventive medicine, I shall only talk about three of these programs; namely, the campaigns against hookworm disease, malaria, and yellow fever—all of which extend the discoveries and field observations made by early military scientists.

To orient my story, I will start with George M. Sternberg—an early medical scientist of our Regular Army who served through the Civil War, and who, with Pasteur and Koch, was a pioneer in the development of the young science of bacteriology. General Sternberg published the first text on bacteriology in this country; and Robert Koch referred to him as “The father of American bacteriology.” We were fortunate in having him as Surgeon General of the Army from 1893 to 1902 and his first act was to establish the Army Medical School for postgraduate training with special emphasis on military preventive medicine and research. Walter Reed was the first professor of bacteriology at this school, which has produced a succession of distinguished early leaders in preventive medicine, including Carroll, Craig, Vedder, Darnell, Russell, Nichols, Siler, Whitmore, and others. Following the Spanish-American War, General Sternberg organized special Army research boards in Cuba, the Philippines, and Puerto Rico to study the diseases of these newly acquired possessions.

The Cuban board, under Maj. Walter Reed, furnished proof of the unconfirmed work of Carlos Findlay and showed that yellow fever is transmitted by *Aedes* mosquitoes. It also proved that the disease is caused by a filterable virus. This information was immediately applied by Gen. William C. Gorgas for the eradication of yellow fever in Habana, and later in the Panama Canal Zone. It provided a sound basis for the subsequent defense of the United States against the disease, and we have not had an invasion since 1905. Also, it led directly to the world-wide Rockefeller campaign against yellow fever. In fact, while he was Surgeon General, Gorgas was selected as Director of the Rockefeller Yellow Fever Commission in 1915, and was responsible for its organization and plans. During the last 30 years this great campaign, carried forward at a cost of about \$8 million, has uncovered much new information about yellow fever—its endemic jungle centers, its extensive roden reservoirs, and its numerous mosquito vectors.

Naturally, some mistakes have been made, as for example the unfortunate claim of Noguchi that *Leptospira Icteroides* was the etiologic agent, but the total contribution has been of enormous benefit to mankind. Since the discovery of jungle yellow fever, we know that General Gorgas' dream of early world eradication is still far from a reality; but we are now armed with more knowledge about the epidemiology and control of the disease and we now have an effective

vaccine produced by the Rockefeller Foundation with which to prevent it. Early in World War II, the Army began the use of this vaccine to protect troops sent through the endemic areas of South America or Africa, and it is still an important part of our military and civil defenses against yellow fever.

Next I will take up the Rockefeller hookworm campaign, already mentioned, in North Carolina, which likewise followed the earlier work of an Army scientist, Col. Bailey K. Ashford, who went to Puerto Rico after the Spanish-American War. Ashford, formerly a pupil of the helminthologist, Prof. Charles Waddell Stiles, discovered that a disease known as malignant Puerto Rican anemia or tropical chlorosis was in reality massive hookworm infection. The extensive treatment program which he began in 1899, improved the health of Puerto Ricans, and afforded a pattern for the later campaign of the Rockefeller Commission in the southern United States, and for the extended work of the Foundation in other parts of the world. In 1950 it was estimated that the Foundation had spent a total of almost \$4 million on its various hookworm programs.

A third great Rockefeller program has been its campaign for the investigation and control of malaria. Here again initiation of the program was influenced by various Army scientists. When General Gorgas started his attack on yellow-fever mosquitoes in Habana the English and Italian scientists had only recently discovered that malaria is transmitted by Anopheles mosquitoes. Therefore, he broadened his control methods in Cuba and later in Panama, to include both diseases. In the meantime, Col. Richard Pearson Strong, Col. Charles F. Craig, and their successors, working with the Army's Research Board in Manila and elsewhere, were adding to our knowledge of the military control of malaria; and officers of the United States Public Health Service were extending the control of malaria in our Southern States. Malaria had long been recognized as the most serious affliction of man in tropical and subtropical countries all around the world, and it was logical that the Rockefeller Foundation should decide to attack this world scourge. This program included both laboratory and field research on control. It was carried on by many distinguished malariologists, including Lewis W. Hackett, Samuel T. Darling, Mark F. Boyd, Paul F. Russell, Fred L. Soper, and others, and the results represent another triumph for public health.

Wartime cooperation with the United States Army: As an Army officer, I am of course keenly interested in these disease campaigns and in the close integration of the Army's program of preventive medicine and the health programs of the Rockefeller Foundation. Also, I am proud of the fact that Army scientists have helped in the development of the Foundation's health policies. I have already mentioned the fact that in 1915 Surgeon General Gorgas retired to direct the Rockefeller Yellow Fever Commission. In 1923, another Army scientist, Gen. Frederick F. Russell, was selected as director of the Rockefeller International Health Board. General Russell had taught bacteriology at the Army Medical School and had developed the effective triple-typhoid vaccine which has been used to protect American fighting men in two World Wars. During World War I, he directed the Army's preventive medicine program as Chief of the Division of Laboratories and Infectious Diseases in the Surgeon General's office. Under his dynamic direction the Rockefeller international

health program underwent a great expansion with increasing effectiveness. Since his retirement from the Board, his distinguished successors, Dr. Wilbur Sawyer, Dr. George K. Strode, and Dr. Andrew J. Warren, have ably continued and extended further the programs which he started.

This traditional relationship of the Rockefeller Foundation and the Army is further pointed up by the assistance afforded by the foundation to our armed services during World War II. As wartime Chief of the Preventive Medicine Service in the Office of the Surgeon General of the Army, I was privileged to act in the planning for the Army's program of prevention, and on the many occasions when we called on the foundation for help, it was always given freely and effectively. Various members of the foundation served as special consultants to our Preventive Medicine Service, including the present Director, Dr. Andrew J. Warren, who became a member of the Army Epidemiological Board, Dr. Wilbur Sawyer and his assistants, who helped in the manufacture of yellow-fever vaccine for American troops, Dr. Fred L. Soper and others who worked closely with our U. S. A. Typhus Commission in north Africa and Italy, and Dr. Paul F. Russell, who was commissioned as a colonel and joined my staff as Chief of our Malaria Control Division.

Some of the scientific discoveries of the war have helped to increase the effectiveness of the health work of the foundation. As you know, the great wartime program of medical research initiated by the Armed Forces through the National Research Council and the Committee on Medical Research (OSRD) and conducted by various governmental agencies and civilian institutions between 1940 and 1946, provided many new weapons with which to cure and prevent disease. Certain of these weapons, for example the new chemotherapeutic and chemoprophylactic drugs—especially the antibiotics—are now being used extensively for the improvement of civil health all over the world. Even more important, the new insecticides developed through the Army-initiated research program—especially DDT—have been used for the more economic control of such age-long scourges as typhus fever, bubonic plague and malaria.

The discovery of DDT has revolutionized malaria control. With this new weapon the United States Public Health Service has continued and extended the gigantic Army-initiated wartime program of military and extra-military mosquito control in the United States; and malaria is becoming a rare disease in this country. Likewise, the Rockefeller Foundation and other international agencies are using these new wartime agents in various parts of the world. As a result, the people of many malarious countries are being freed for the first time in history from the shackles of this disease.

Now that cheap and effective methods for the control of malaria and other insect-borne diseases are available, the major problem of the countries where these infections still exist is to apply these methods. This will require wise planning, adequate funds, expert personnel, and hard work.

The Rockefeller Foundation is still helping in this work, although they are gradually cutting down their emphasis on malaria because of the new discoveries.

The need for trained health personnel, however, goes much further than the international control of malaria. It is a basic requirement for future progress, both in this country and abroad. More trained research workers are needed to investigate the still unsolved problems of public health, and more trained health specialists are needed to translate this knowledge into action.

Public health as a weapon against communism: In presenting this statement about the contribution of the philanthropic foundations to medicine and public health, it is realized that I have not covered the broad field implied by the title. I have not even covered all the activities of the one foundation selected for discussion. However, the examples cited from the experience of this one great charitable organization are typical of the objectives of many of the 70 or more charitable agencies which have donated funds and helped so much in the development and support of American medicine and public health. This experience should be kept clearly in mind as we plan for better health in the future.

We now stand braced on the brink of a third world war. The decision as to whether this war will come is not ours; it will depend on the whim of our enemy. The whole world is again becoming an armed camp. Already there is bitter fighting in Korea and other places where communism has dared to take the risk. Russia, our former ally, has refused to help in the building of a peaceful world. Instead, she has enslaved her neighbor nations and is working frantically to strengthen her mighty military forces. There never was a time when our country needed so desperately to increase and conserve every ounce of its physical, mental, and moral health.

America's great strength is based on just one thing—the health of her men, women, and children. Therefore, as we mobilize our national resources to meet the present world crisis we must do everything possible to strengthen our national health program. This is necessary in order to safeguard the health of America's leaders, her workers, and her fighting men. We should also assist our allies in the better protection of their health and manpower. In fact, such assistance is just as important as sending them armaments for the simple reason that disease-ridden nations, like sickly individuals, are unable to plan wisely, work effectively, or win wars.

In order to build the strongest possible emergency health program for the Nation, we should ask ourselves two questions: First, what are the health hazards which we now face? Second, what action should be taken to protect the American people against these hazards?

The answer to the first question is afforded by the current records of death and disability caused by disease and accidents. Last year more than 2 million infections were reported by physicians in the United States. The preventable intestinal, insect-borne, and venereal diseases still occur. Millions of Americans are killed and injured annually by accidents, and our people are still handicapped by an enormous load of mental diseases, cancer, and the afflictions of advanced age. In brief, many of our peacetime health problems are still unsolved. Moreover, if global atomic war came tomorrow, it would bring with it new and unprecedented health problems which could easily overwhelm our present health defenses.

The answer to the second question is afforded by the lessons of the recent past. Further progress in public health calls for two things: The first is research—to discover new ways to prevent disease and maintain good health. The second is to take whatever action may be required to apply this knowledge. Those two things are the basic foundation for all of our progress in the last hundred years.

Another lesson pointed up by past experience is the fact that curative and preventive medicine are both important, but that the greatest health advances have come through preventive measures designed to keep large numbers of well people well. These are the lessons of the past and they are the principles which should guide us in meeting the future.

Before closing my statement I should like to mention certain things which I consider important to the present problem of strengthening the Nation's health program. The first of these is the need for united leadership by the profession of medicine and its new specialty, the profession of public health. Since VJ-day much valuable time has been lost in heated controversies between members of both professions about the side issues, such as socialized medicine and Federal health insurance, neither of which has any direct bearing on the prevention of disease. This conflict has confused our citizens and our lawmakers as to the true meaning of public health. Consequently, the Nation's health has become a political football, thus delaying sound national planning for an effective program of prevention. Fortunately, these political issues are now dead. I agree heartily with my distinguished friend and colleague, Maj. Gen. George F. Lull (U. S. Army, retired), secretary and general manager of the American Medical Association, in his postelection comment that "\* \* \* doctors can now devote their full time and energy to a sound, constructive, and unselfish program of better medical care for the people—a program completely divorced from politics." I am sure that General Lull will also share my feeling that for the total health program of the country we need the same type of united action, not only for medical care but for preventive medicine and public health.

Another important drawback has been the lack of sufficient numbers of trained health specialists to plan, organize, and operate the preventive services required by the Nation. At present, only about 65 percent of our population is served by local health units, and only about one-half of our counties are served by trained, full-time health officers. A recent survey showed that the 10 accredited postgraduate schools of public health in this country are training only about one-fifth of the health specialists needed under peacetime conditions and this did not include the requirements of the Armed Forces for experts in military preventive medicine, which is the military opposite number of civilian public health.

This points up graphically the present need to recruit and to provide additional facilities for training of health specialists.

Another need is for more research aimed directly at the early solution of the unsolved problems in preventive medicine and public health. The research programs of our Government agencies and of the foundations are helping to meet this need but there should be more top-level planning by men of imagination and broad vision, who can help to stimulate research in productive channels and put into action the new information as it becomes available.

It is also important that we adopt the preventive attitude as the spearhead for our national health program. The country is much better prepared to handle its problems in curative medicine and curative surgery than it has ever been. Our 80 medical schools are turning out good physicians and there are now approximately 200,000 doctors in the country. The deans of the medical schools report that many of these institutions need financial assistance and this is a problem which must be faced and solved. But the chief obstacle in the development of preventive services for the country as a whole is the inadequate numbers of medical-school graduates who enter our schools of public health, which are the only sources of postgraduate training in the planning, organization, and administration of health programs. Vigorous recruitment of promising young physicians for training in public health is necessary, but the bottleneck will still exist as long as the schools of public health remain in their presently precarious financial situation. These 10 schools, all of which are eager to increase their service to the Nation, are finding it difficult, if not impossible, to expand sufficiently to do so. Most of them are operating today largely on temporary grants for specific projects and are in serious need of firm and long-term financial support.

I believe it is of the utmost importance that the President and the Congress should take whatever steps are necessary to develop the strongest possible emergency health program with primary emphasis on the prevention of disease. They should select as their advisers physicians of broad vision who are also leaders of recognized competence, training, and experience in military preventive medicine and civilian public health. The fact that a doctor is a distinguished specialist in some branch of curative medicine does not of itself qualify him to play a constructive role in planning the Nation's program for disease prevention. To assume that a great surgeon, a renowned dermatologist, or a well-known obstetrician must also possess the special skills and experience required for national planning in preventive medicine and public health is as illogical as to expect that a chemical engineer could have planned and directed the construction of the Golden Gate Bridge or the Empire State Building.

It would also seem wise to set up an emergency Federal Department of Health headed by a Secretary of Health of Cabinet status and with the above qualifications. This Department could be similar to the one proposed on February 19, 1949, in the American Medical Association's 12-point program for improving the national health. The Secretary of Health should be responsible for the planning, coordination, and integration of all Federal health activities except those of the Armed Forces. The establishment of a strong Federal Department of Health would facilitate the rapid mobilization of America's resources to meet the present emergency. Its establishment at Cabinet level would provide for close cooperation and joint planning with the Secretary of Defense, and his policy-making health staff. That staff likewise should include not only eminent physicians and surgeons, but also recognized experts in preventive medicine and public health. With such strong top-level leadership it will be possible to develop a closely integrated national program aimed at the more effective conservation of the health of both the civil population and the Armed Forces.

And now we come back to the question of cost, which has to do with the question of foundations. It is believed that our national health program, including adequate provision for the education of specialists, could be reorganized along the lines suggested at a cost which is little more than the total now being spent for public health. Certainly, the additional cost would be insignificant compared with some of the enormous expenditures made by our Government in recent years for programs of much less value. The final question to be decided is: Who will pay for the Nation's future program of health? Will we continue to rely on the generosity of wealthy individuals for the partial support of research and education in medicine and public health? Can we expect our philanthropic foundations to continue their donations and to do a major portion of this job? Or must we look to the Government to finance the Nation's health program?

I shall not attempt to answer these important questions. They represent a great challenge to our new President. I am confident that he will meet this challenge as courageously, objectively, and successfully as he has met every other crisis in his constructive life. I am sure that he and the Congress will receive the full support of the united professions of medicine and public health and all of America's great institutions, including her philanthropic foundations, in whatever plan they may adopt to protect the Nation's health.

Mr. HAYS. General Simmons, I am sure the committee would want me to thank you for this very fine presentation. We have been eager to help you and to have these recommendations, and I can assure you that it will be exceedingly helpful.

Mr. SIMMONS. Thank you, sir.

Mr. HAYS. I am particularly interested in your reference to the Rockefeller Foundation work in hookworm control in the South, because I recall as a grammar-school pupil in a little town down in Arkansas that the same activity took place, and Arkansas' response was just as North Carolina's—very, very fine. The committee would like to go ahead with some questioning if we can.

Mr. SIMMONS. Yes, sir.

Mr. HAYS. With the thought of winding up, perhaps, and not having an afternoon session.

Mr. Chairman, do you have any questions?

The CHAIRMAN. I regret very much that I was not here to hear the general's full statement, but I shall, however, examine it with a good deal of interest.

I am wondering what, if anything, could be done to stimulate the youth of the country for the kind of education and training, the need of which is so great, as the general has indicated.

In other words, what are the returns, what is the compensation that a young man or a young woman might expect as a reward of dedicating their lives to just the type of work about which the general has been talking?

I take it that we have too few institutions, schools, you understand, which specialize in giving this type of training, and yet there may be insufficient number to accommodate the demands which are made under existing conditions. I take it that public opinion would not want the Government to obligate itself to furnish this kind of education and training at Government expense.

I do not mean by that that public opinion would not want to cooperate, would not want Government to help by way of making even large expenditures of money, but they would only want to help those who want to help themselves, in other words, make it some sort of cooperative undertaking.

Why is it that there has been an abatement, if I can put it that way, of interest on the part of young people who are endeavoring to equip themselves for the conflicts, the battles that lie ahead of them, if there has been a falling off of interest or an abatement of interest? What could the general suggest that might be done by Government and by the public to stimulate this hunger of theirs for this kind of knowledge and this kind of service?

Mr. SIMMONS. Sir, you have put your finger on a critical point. That is the need for recruitment of new personnel as well as the provision of adequate facilities for training, postgraduate training.

I think one difficulty in the past has been that public-health, Government public-health, positions have not paid salaries comparable to the income of doctors who go into private practice. And other things have influenced this failure.

I think another is that our medical schools in the past have not adequately explained to young medical students the great service that they can render and the stimulus they can receive out of rendering such service on a broad basis. That is being corrected today, sir.

There was a meeting held about a week ago of the deans of all the medical schools in this country which was preceded by a week's meeting of the professors of preventive medicine at the medical-school level, which is trying to build up better training in preventive medicine, which will lead into the postgraduate training in public health and increase the flow of experts who will be available to do Government jobs.

The question about finances I think requires at least one more word. While the medical school trains primarily practicing physicians who go out and practice and make money of their own, the majority of the graduates of the post graduate schools of public health go into Government work, either the Federal Government, the State governments, or the local governments running health departments.

And, as you know, their salaries are not comparable with the practicing physician. The fact that so many of them do go out to serve governments, this Government and other governments, I think, puts them in a category where some support to their education might be more easily justified by the Government than in the other case.

Does that answer your question, sir?

The CHAIRMAN. Well, it may not answer it to my complete satisfaction, but it helps me. I think I should say that it is a fair answer.

Mr. SIMMONS. I will add that to my mind the main recompense for a career in public health is the satisfaction that you get out of what service you think you can render, and I believe in that sense there are young men and young women in this country who still are attracted by a sense of service even to go out as preachers, as priests.

The CHAIRMAN. I was just about to ask you a question to develop that.

Mr. SIMMONS. For the same reason, I believe, if our recruitment is done more effectively, we will draw more people who are willing to come into public health regardless of the pay.



The CHAIRMAN. Is there not something of a tendency on the part of these fine young people who give themselves to this type of work, to forget the dollar, forget the pay?

Mr. SIMMONS. I am sure there is, or they wouldn't go into it.

The CHAIRMAN. Thank you, sir.

That is all, Mr. Chairman.

Mr. HAYS. Mr. Simpson?

Mr. SIMPSON. General, I wanted to inquire whether you believe that Government should do as was suggested in the latter part of your statement, take a directive position, cooperative, and so on, there would still remain a place for the foundations?

Mr. SIMMONS. I certainly do, sir. The reason I asked those three questions—and I don't know the answers—is that while you take the question of postgraduate education in public health—and I assume it is similar with their support to medical schools—but in the early days, take my school, for example, Harvard School of Public Health, they gave the original endowment which started our school in 1921, after it was turned over from the Harvard MIT. In 1927 they gave more endowment.

When I retired and went to Harvard they gave us another grant of \$1,000,000 which is being spent \$100,000 a year, but I have no reason to think this will continue, because I believe at least this one foundation is moving out of this field of origination of institutions, original support on the philosophic basis that what they want to do is to stimulate the production of new organizations, new research which can be free-wheeling.

And after they get them started, let someone else carry it on. And so I have no reason to think that this last grant to the Harvard School of Public Health won't be actually the last one from that source. Our budget is about—we have an endowment originally given by Rockefeller, a very minor part of our total support. I would say almost three-fourths of it comes right today from 19 foundations. I assume they would continue that type of support, but not the original basic support for operations but more for special research projects.

Mr. SIMPSON. But there would remain in the area of research and so on—

Mr. SIMMONS. Yes, I think so.

Mr. SIMPSON. You would continue to need the risk and venture capital, would you not?

Mr. SIMMONS. That is right, but the basic operations of the schools is where we are having trouble.

Mr. SIMPSON. Yes. You had that in the latter part of your statement primarily. Now have you found as your experience that there has been insufficient money available for this venture and risk capital work?

Mr. SIMMONS. No. You mean for research?

Mr. SIMPSON. Through the foundations; yes.

Mr. SIMMONS. No; I haven't. That is what I call soft money, money that you get for a specific research project, and it runs for 1 year or 2 years and then you have to renew it. We can get all of that we want.

What we need is money that will enable us to expand our teaching facilities and our training facilities which is free of that type of restriction.

Mr. SIMPSON. This question I want to ask now is basic to the retention of the independence that the schools value, I am sure. Do you care to comment whether that should come through an enlargement of the foundation, an improvement of the quantity of giving by the private citizen, or should that come through Government?

Mr. SIMMONS. I would prefer to see it come from the private citizen and the foundation, but I am not at all sanguine about that happening in the next 10 years.

Mr. SIMPSON. Government has a highly important part in making the foundation possible.

Mr. SIMMONS. Yes.

Mr. SIMPSON. Namely, through taxation.

Mr. SIMMONS. That is right.

Mr. SIMPSON. It wouldn't be out of the way if you saw fit to suggest that the tax laws be changed to make it more advantageous to the citizen to give to foundations.

Mr. SIMMONS. Well, some of the foundations are still giving for endowment, but very few of them that I know of.

Mr. SIMPSON. Of course, I refer to the individual who wants to give the money to the foundations rather than to the Government through taxation.

Mr. SIMMONS. Well, I have been looking for those individuals for the last 6 years, sir, and I find they are rather scarce with large amounts of money.

Mr. SIMPSON. There are some who give to the maximum they are allowed to give so far as deductions are concerned.

Mr. SIMMONS. That is right.

Mr. SIMPSON. It has been suggested—it may not be a subject of this committee—that we should increase that tax deduction.

Mr. SIMMONS. I think that might release more money for this purpose, and I think it would be a very helpful thing, sir.

Mr. SIMPSON. It would be interesting to follow the effect of the change that was made last year with respect to deductions.

That is all I have, Mr. Chairman.

Mr. HAYS. Mr. Goodwin?

Mr. GOODWIN. Am I right, General, in assuming that many of the epic-making advances in medical science and in public health that have come about in the last decades, the research leading up to those advances and the requirement of that knowledge, could probably never have been possible through the use of public funds?

Mr. SIMMONS. I am sure that that is correct, sir, especially in the past.

We now, since World War II, have a great reservoir of public funds, as you know, through the Public Health Service, the Armed Forces and now the National Science Foundation, available for that type of research, but we didn't have that kind of money appropriated for that purpose during the period we will say before World War I, or even after World War I.

Mr. HAYS. The problem, as I understand it, which you are pointing up, is to get adequate support for these public health schools?

Mr. SIMMONS. That is a part of my argument for showing what the foundations have contributed in the past and what they or somebody, I hope, will contribute in the future, sir.

Mr. HAYS. But that source is tending to dry up?

Mr. SIMMONS. It looks quite that way, sir.

Mr. HAYS. Now, are any of the States maintaining public health colleges at State expense?

Mr. SIMMONS. Yes, sir; North Carolina has a good public health school, Minnesota has one. The California school—I don't believe that is a State school. It may be, though I am not sure.

Mr. KEELE. Michigan has one, too, has it not?

Mr. SIMMONS. Michigan has a good school.

Mr. HAYS. And there are 10 public health schools in the United States?

Mr. SIMMONS. Yes, sir; that's right, 10 accredited postgraduate schools. These schools are really post-postgraduate because a man first gets his college, then his medicine, experience in the field, and then he comes to this type school for 1 or 2 years to fit himself to go out and organize and operate health programs, whether it is for county or State or for a nation.

Mr. HAYS. Do those States provide scholarships?

Mr. SIMMONS. Most of our people come on scholarships. Some are from States, but very few. We have a large load of foreign students who are distinguished health workers before they come to us.

They come usually on Rockefeller Foundation scholarships, or now we have Inter-American Affairs, World Health Organization, and various other agencies giving foreign scholarships. For this country the Polio Foundation has given a number, and the States, to the Public Health Service.

Mr. HAYS. Do you think the Federal Government should get into the scholarship field in a more substantial way?

Mr. SIMMONS. I think that would be helpful, provided they were less restrictive. For example, some of the State scholarships have a tag on it that the man has to agree to serve a certain number of years in a certain place.

What we would like to do is to stimulate men to come into public health who may not want to go and live in that one place in order to get a scholarship, so I think if the restrictions were taken off, it would be very helpful.

The CHAIRMAN. Let me ask this: Are there not conditional grants made by the foundations which are similar to aid extended by Government?

Mr. SIMMONS. Yes, sir; they have their restrictions, too. For example, the Rockefeller Foundation grants at the present time—

The CHAIRMAN. Is there a tendency to put grants on conditional basis which is increasing or falling off?

Mr. SIMMONS. They don't require that the man go back and practice in a certain place or practice public health, but they are restricted in the sense that they select only people from certain parts of the world. Most of them have some type of restriction of that sort.

The CHAIRMAN. I take it there are thousands of smaller foundations which taken in the aggregate lose a tremendous result, a tremendous benefit. For instance, are you acquainted with the Woodrow Foundation down in Georgia?

Mr. SIMMONS. I know of it but I am not acquainted with it, sir.

The CHAIRMAN. He is the Coca-Cola man.

Mr. SIMMONS. Yes; I know.

The CHAIRMAN. And he has taken a great part of his fortune, you understand, and set up a foundation for the support of medicine at Emory University, making a medical center out of a school, with relatively ambitious programs which cause deficits to pile up tremendously daily, and they have no funds except this small foundation, and that exhausts its entire earnings.

I do not know, but I think possibly the success they have had in that regard may have attracted the Rockefeller people who have recently gone down and set up a fund of about \$7 million to the school at Emory. Or there are many of the smaller foundations who devote their entire earnings, or their resources, to promoting some specialized work, as does the Woodrow Foundation, taking care of medicine at Emory University.

Mr. SIMMONS. They are doing a grand job at Emory. The director of research there is Dr. Dodd, a close friend of mine. I saw him last week in Texas.

Mr. HAYS. General Simmons, do you feel in the main that the expenditure of funds in foreign countries in this type of research work that you referred to in the early part of your statement is in our interest?

Mr. SIMMONS. It has been greatly in our interest, sir, for several reasons. One is that all these great programs that the Rockefeller Foundation has carried on in malaria, hookworm, and yellow fever have added to our total fund of knowledge about the epidemiology of these diseases in ways that we couldn't have done by working at home.

I will give you an example. When Gorgas first went on this Rockefeller Yellow Fever Commission in 1915, it looked then as though the mosquito, which Walter Reed had discovered as the cause of the transmission of yellow fever, was the only one concerned. It is a common house mosquito. And so far as we knew at that time, all the big epidemics in yellow fever and the ones imported into this country—and we had a hundred epidemics in this country in the hundred years before 1905, even as high up as Boston in the summertime—all those epidemics were carried by this one mosquito, and so it was assumed by Gorgas and by his successors that all they had to do was clean up this mosquito and what they thought were the epidemic yellow fever areas down South, and they could wipe it off the face of the earth.

There was great talk about the total conquest of yellow fever, until about in the 1930's when we found that there was another thing, they thought it was another disease, in the jungles of Brazil and further north. Finally it turned out that was yellow fever, too, and it was being carried around in the jungle with no people around. Sometimes a man would go in and come out and have this disease.

There were none of these *Aedes* mosquitoes there. To make it short, it was found that it wasn't just this one mosquito which only is a house-breeding mosquito in towns, but that this disease could be carried on by itself in the jungle away from man, and that the reservoir there was certain types of lower animals, and the mosquito transmitted it, a jungle mosquito. We still have these great smoldering endemic foci in the jungles of South America and central Africa, where I doubt that we will ever wipe the disease out. We couldn't have found that out working here in the United States.

The foundations couldn't have found out working here in the United States, but by coordinating this big program over this wide expanse of world territory, it brought the picture together, and now we know.

We knew when World War II came that we should protect soldiers going through those areas against yellow fever, while we had none here. That is the sort of thing that this has been able to do that we couldn't have done at home.

Mr. HAYS. The technical assistance program, as I understand it, particularly the Institute of Inter-American Affairs that you mentioned which pioneered technical assistance—

Mr. SIMMONS. I think it has done a wonderful job. I haven't mentioned what I think is important to all of us that has come out of all this international activity, and that is, these agencies have been able to cross national boundaries where nobody from our Public Health Service could have done it in certain instances.

I know the Rockefeller Foundation friends of mine have told me about being in South America when there was war between two countries, and they went across the line and served both countries on the common cause of typhus control. Well, our people couldn't do it. They would resent it. Somebody would say, "Get out," I mean our official people.

Mr. HAYS. Are you familiar with the Rockefeller experiment at Zumpango near Mexico City?

Mr. SIMMONS. No. You mean the agricultural one?

Mr. HAYS. Yes.

Mr. SIMMONS. I know a little about it, but I don't know any details. I met some of their people in 1947. You mean working on the hybrid corn?

Mr. HAYS. Yes.

Mr. SIMMONS. I was in Cuba and met one of their representatives there who was over at the Atkins Gardens discussing various seed, and they told about their experiment in Mexico, trying to find a hybrid corn, I believe it was, that was grown down there, in place of the crummy little corn that the Indians had been raising for 10,000 years, in order to increase the food supply. I don't know whether that is what you mean or not.

Mr. HAYS. Yes. It is, of course, only indirectly related to your public-health program.

Mr. SIMMONS. No, sir; in my book that is public health, too, because nutrition is the basis for public health.

Mr. HAYS. That was the point I had in mind. As a matter of fact, many of these public-health workers are not trained medical men at all. I am thinking of sanitary engineers.

Mr. SIMMONS. That's right.

Mr. HAYS. And related programs.

Mr. SIMMONS. In our school we have a wide spectrum of skills. The main group are doctors of medicine who come there for 1 year for what we call a master's in public health, but we also have in the same class with him expert sanitary engineers, public-health nurses, public-health educators, nutrition experts, bacteriologists, and a wide spectrum of people who are working in public health under the direction of health officers.

Mr. HAYS. General Simmons, we certainly are grateful to you, and I want to thank you again. This has given us a very fine view of the problem.

Mr. SIMMONS. I thank you, sir. I am glad to be here.

Mr. HAYS. The committee will be in recess until 10 o'clock in the morning. There will be no afternoon session.

(Whereupon, at 12:30 p. m., the select committee recessed, to reconvene at 10 a. m. Thursday, November 20, 1952.)

## TAX-EXEMPT FOUNDATIONS

THURSDAY, NOVEMBER 20, 1952

HOUSE OF REPRESENTATIVES,  
SELECT COMMITTEE TO INVESTIGATE TAX-EXEMPT  
FOUNDATIONS AND COMPARABLE ORGANIZATIONS,  
*Washington, D. C.*

The select committee met, pursuant to recess, at 10:15 a. m., in room 1301, New House Office Building, Hon. Brooks Hays presiding. Present: Representatives Hays (presiding), O'Toole, Forand, Cox (chairman), and Goodwin.

Also present: Harold M. Keele, general counsel to the committee.

Mr. HAYS. The committee will be in session.

We are happy to have as our first witness this morning Dr. Frederick Middlebush, president of the University of Missouri.

Mr. KEELE. Dr. Middlebush, we have asked you to come here today to discuss with the committee the impact of the foundations on education. We would like for you to go ahead in your own way and discuss that general subject, if you will. I think perhaps if I may interrupt you one moment, it would be of interest to the committee and for the record, if you would tell us something of your experience in the field of education, and something of the training you have had, Dr. Middlebush.

### STATEMENT OF DR. FREDERICK MIDDLEBUSH, PRESIDENT OF THE UNIVERSITY OF MISSOURI

Mr. MIDDLEBUSH. I was born and raised in Michigan, graduated from the University of Michigan in 1913, having before that time taught—and I am very proud of this record—1 year in a country school, 1 year in the city school system.

After graduating from the University of Michigan, I taught for 7 years at Knox College at Galesburg, Ill.

Do you want me to go back to the beginning?

Mr. HAYS. Please.

Mr. MIDDLEBUSH. I was born and raised in the State of Michigan, graduated from the University of Michigan in 1913, took my doctor's degree in 1915. Previously I had taught 1 year in a rural public school, 1 year in a city school system.

Then, in 1915, I started my collegiate teaching career at Knox College at Galesburg, Ill., a small privately endowed college, and it was there, by the way, that I had my first contact with the foundations, which I will go back to in just a moment.

In 1922 I went to the University of Missouri as an associate professor of political science. In 1925 I became dean of the school of

business in public administration, and in 1935 president of the University of Missouri. That is my formal educational career.

Mr. KEELE. My notes here show that you have had considerable experience serving on various boards, and I believe you have been on the board of trustees of the Carnegie Foundation.

Mr. MIDDLEBUSH. Since 1937 I have been a member of the board of the Carnegie Foundation for the Advancement of Teaching. That is one of the divisions of the Carnegie organizations, as you well know.

Mr. KEELE. You have acted as vice chairman of that board, have you not, since 1951?

Mr. MIDDLEBUSH. That is right.

Mr. KEELE. And I notice also that you have been on the Commission for the Financing of Higher Education.

Mr. MIDDLEBUSH. That is right.

Mr. KEELE. And you are, or were, on the executive committee of the Association of Land Grant Colleges and Universities; is that right?

Mr. MIDDLEBUSH. I was on that. I have completed my term of service.

Mr. KEELE. And various other boards connected with education of one form or another.

Mr. MIDDLEBUSH. I have served as president of the Association of State Universities and the president of the Association of American Universities. I have just concluded that period of service.

Mr. KEELE. All right. With that you can go ahead, if you will.

Mr. MIDDLEBUSH. If I may, members of the committee and Mr. Keele, I would like to go back to my teaching experience at Knox College.

As I say, that was my first contact with this very interesting organization that we have in America of educational foundations. Knox College was an affiliate, in a way, as many institutions became during the twentieth century, of the Carnegie Foundation for the Advancement of Teaching in that members of the faculty of that institution were eligible under the insurance or annuity plan that Mr. Carnegie set up as the principal function of the Carnegie Foundation for the Advancement of Teaching.

And it just so happens that I think I am one of the youngest men in the country eligible under the old Carnegie retirement plan. I started teaching in September 1915 when the plan was closed to new members in November of 1915.

Since that time my contact with the foundations has been pretty largely on the receiving end, being a member of an institutional staff that was on the receiving end of certain types of grants, research grants and grants for the advancement of the specialized educational programs of the institutions with which I have been connected.

Well, in fact, that is entirely related to the program of my own university, the University of Missouri.

I want to say at the outset that I would not set myself up for one moment as an expert on foundations, and after reading in some of the press accounts the statistics that have been submitted to this committee, I am certain that you appreciate the fact that it would only be a superman who could be an expert on the number of organizations that have been set forth here as organized foundations.



I want to make very clear that any direct contact I have is with the Carnegie Foundation for the Advancement of Teaching, to some extent with the Carnegie Corp., which, by the way, is a partner rather than a dominating directing force of the other divisions of the foundation set-up that Mr. Carnegie provided for, and I have had some small contact with the Rockefeller Foundation, and in a purely consultative capacity with the Commonwealth Fund.

I would like to touch on that for just a moment a little later, because it, in a way, bears testimony to one of the services that the foundations render higher education.

As I look back over some 20 years of experience with these organizations—and I want to remind you again I am speaking only specifically of those I have mentioned—I am impressed with the fact that these foundations have rendered a variety of services to education and not just at the ivory-tower level, if I may use that expression, of research and collegiate and university level of operations.

These foundations have been very much interested in the public-school level of education, and I want to cite one or two examples in these cases to give positive proof of that interest.

I want to take up various examples of services that these foundations have rendered. I don't want to go further into the annuities, unless you desire, because as I understand it, President Wriston of Brown University, who I believe is on the schedule of witnesses for tomorrow, will go into that in greater detail, and it would be more or less duplication if I took that up, if that meets with your approval.

Mr. KEELE. That is quite acceptable.

Mr. MIDDLEBUSH. I want to emphasize at the very outset—and I am giving wholly my own opinion—that I think one of the outstanding services that these foundations to which I have referred—and this may also be true of many of the others, but one of the outstanding services they render to higher education—is to take a certain element of risk out of educational experimentation.

I don't know how much of this point has been made before the committee previously, but certainly in the whole field of public education and higher education, it is recognized that if you stand still you lose ground. You must constantly be exploring in your fields of development in order to maintain an active going organization which is of maximum service to society, of course, which is its mission.

Now, as I look back over the work on my own campus, I am very much impressed that when a problem of future educational development comes before the administrative staff in the faculty groups concerned with that specific problem, you immediately run into the question, at least in my type of institution, which is a land-grant institution, State-supported also, with very little endowment, you run into the question of budget.

Can we afford to take out of our regular operating budget, say, \$50,000 to commit ourselves over a 5-year program for a special limited type of exploration, of experimentation, if you will, not being certain when you start out whether the end result is going to be so satisfactory that it can be incorporated legitimately into a regular part of your university's program of teaching of research and service to the people of the State and the people of the Nation?

Now, it is right at that point in my opinion where these foundations have come in as partners with us to undertake what I call the financial

element of risk from the educator, and they do that in this form. I want to give you a concrete case in point.

They say, "We will set up, as the Carnegie Foundation did for the University of Missouri 3 years ago, the sum of \$50,000 for a 5-year period for your staff to make a careful study of what can be done to improve the quality of college teaching in the college of arts and sciences."

Now, there is nothing very dramatic about that. That may not seem too important, but for those of us on the firing line, that is of tremendous importance, and especially for this reason.

In this postwar period, as you all know immediately following the close of World War II, all of our colleges and especially our large universities, were deluged with the returning GI's. The enrollments in my own institution doubled over the high point that it had reached immediately before the war.

In our law school, for example, which got down to a low enrollment of 17 students during the war, and we still kept the law school open, we went up to 175 students within one semester.

Now, obviously the impact of that on the educational program of the university was terrific. We literally had to go into the highways and byways to recruit staff members to take on this extra load. We have over 40 teachers giving full time to the simple job of teaching freshmen English, and the saying around the campus was this: Are you certain that all the instructors know how to speak good English, to begin with.

Now, as the enrollment declined following the termination of the GI program, inevitably many of those staff members remained on the faculty. As younger men, they had possibly not too good background preparation for top-flight positions on the staff, but they show a great promise. Some of our administrative officers were strongly of the opinion that the university could render a great service to this whole group of young teachers on our own faculty, in the privately endowed colleges of the State—this was not just a University of Missouri program—the State colleges, teacher colleges; we have three other universities in the State.

If we could set up in the State an experimental program in developing an on-the-job, so to speak, training program in good methods of teaching, just as simple as that, that could be of tremendous service to the students in our own campus and in these other institutions.

The Carnegie Corp., through the Carnegie Foundation, made a grant to us of \$50,000 over a 5-year period to finance that program. We, I think, would not have considered for one moment setting up for one part of the university that much of an extension in our budget which was not covered—the activity itself was not covered in the regular budget that we presented to the legislature, and so on.

It was a new field. We are now in our third year in that experimental program, and we now know that our own staff would not permit us to drop it, and I am sure that the associated colleges and universities in the State of Missouri would look with great disfavor upon the termination of this program at the end of the grant.

In other words, it has already proved to be so successful that in some form or other we will find the funds, now that we have two more years to do our planning, to carry this program forward. And that.

by the way, you can easily see there the constructive service that the foundation rendered in this respect.

There is another byproduct of that that I want to mention, because I think that this is extremely important. I am speaking here personally, but it so happens that most of my life has been devoted to public education, State university, but I have a very strong conviction that in every State of the Union higher education, all of the different parts of it, are part of one united whole.

I am very much bothered when I hear people emphasize public education and private education on the other hand. I think that is a misuse of terms. It would be more correct to say publicly supported education and privately supported education. But in my book all education is public in that it is there for the service of the people of the respective States and the Nation.

And we must never forget that public service—and I am sure the privately endowed institutions appreciate their obligation there as much as those of us who are connected with publicly supported institutions. This experience that I have outlined here at some length has given my university, as a State university, the opportunity for some leadership in working cooperatively at an effective operating level with the other institutions of the State, irrespective of their form of organization or support. That in my book is a very important additional byproduct.

There is another example that I want to give of these grants of a risk nature. A few years ago some of my colleagues became very much interested in the possibility of salvaging for future generations historical records of persons in public life, of business organizations, railroad companies, of salvaging those records and maintaining them in a manuscript collection as source material for future research in the economic, political, social life of that area.

As you know, that material, it is very, very easy for it to disappear, and once it is gone, it is gone and society is the loser.

We took up with the Rockefeller Foundation the idea of establishing at the university a center, not only for the State of Missouri, but for the Southwest area to some extent, a center for the collection of important manuscript collections that could be housed in fireproof quarters in the university library, and that would become the center of study, research work in those fields.

The Rockefeller Foundation gave us a modest grant. When you stop to think of the magnitude of the project, it is a very, very small grant. The initial grant was \$15,000.

We employed a person to go into the field to gather these records in the attics, basements, and so on, and now for the last 5 or 6 years the university itself has been carrying that.

We have it incorporated in our budget. We had time to do it. We see the importance of it. We have now, for example, the papers of the Governors of Missouri, the last half-dozen of them which we have succeeded in getting. As a matter of fact, Mr. Truman's papers as chairman of the Senate Investigating Committee while he was in the Senate, have been deposited with the University of Missouri as a part of this collection.

We have a number of files of papers of various industries, important source material, for example, in the history of the fur trade in the St.

Louis area, that type of thing, of river traffic, steamboat captains' log books, and so forth.

Here again nothing very exciting about that, but unless progress is made in salvaging and protecting that type of material at the time, then it is gone. Just yesterday there was a third program presented. I attended yesterday the annual meeting of the Carnegie Foundation for the Advancement of Teaching, which is made up pretty largely of the members of the boards of the universities and college presidents, and we had a report before the board meeting of the work of a special division of educational inquiry in the South, a project that had been set up in connection with the Carnegie Corp.

I believe \$750,000 was set up 5 years ago to help finance this project. It is a program of grants-in-aid to college professors, especially in certain southern institutions.

A substantial number, staff members, in something over 40 colleges have participated in these grants. Now what were those grants for and why were they given?

The grants specifically were for the purpose of encouraging faculty members, an outstanding faculty member in a small college, where he was somewhat isolated from the companionship of men in other institutions in his field, to stimulate him to carry on an active program of research in his own field.

And why should the foundation be interested in stimulating a faculty man in a small college and make it possible for him to get material together for the writing of articles, keep his research interests alive? For one very, very good reason, and it is a very simple one.

In the judgment of all of us—and I am sure this would be true of university and college faculties generally, they would be in accord with this—the job of teaching students in the end flows from the type of individual whose mind is active in the field of research work in his own field.

Now that does not mean that it is the great scholar who is devoting all of his time entirely to research that is the great teacher. The great teacher must have some time to keep alive in his own field. Otherwise you are going to dry up to some extent, in our opinion, his effectiveness as a teacher.

This program has been in effect—I think it has been going on now for 4 years.

We had a report to the Board yesterday by President Lowry, of Wooster, Ohio. I can't give you that report because it was given verbatim. There will be a published statement on it.

But I want to emphasize, gentlemen, as much as I can the impression that that report left with me: that apparently it is one of the most stimulating things that has happened to the staff of some 40 colleges and universities in this area, and given many of them, in their own words, a new lease on life as academic people.

I could go further into the plan of organization of it. It is a great cooperative project. There is not very much money that is assigned to each individual. There may be enough to permit him to take the summer off from summer-school teaching so that he has some free time, to give him possibly an extra hundred dollars to come to Washington to do some extra work in the Library of Congress, that type of thing, but the very fact that those men realize that other people are

interested in them and interested in their problems has made this, I think, a very, very significant experiment.

Now before I leave this phase of my presentation, I want to say that there are some disadvantages to these risk grants that I think we must all recognize, and I am sure the foundations themselves, especially these to which I have referred, would recognize those.

I want to emphasize just one, and to me it is one of the outstanding handicaps. You may find that an institution that is receiving one of these risk grants, especially if it is a sizable sum, that the foundation has provided funds that have permitted the institution to get so far into a program that it finds it is not desirable to drop it, it would like to continue it, and yet the funds involved are so great that it can't get the supplementary funds from other sources at the end of the grant made by the foundation to carry it on.

These are inciting grants; they are accelerating grants. You might in some instances—I think this has actually happened, though I can't document this, but I am certain in many cases the institution has developed a program up to a certain point, the foundation steps out at the end of its 5-year period and then the institution has quite a struggle finding enough funds to carry the program forward.

Personally, I think the answer to that, gentlemen, is that the grant to begin with was initiated by the institution, and I think there is a heavy responsibility on the administrators of these institutions and upon members of the faculty to make certain that that point has been covered insofar as possible in advance of the request of the grant.

If the foundation were imposing the grant on the institution and stimulating the institution to overextend itself, then that would be another matter. That, to me, is the other side, the one element of risk in this.

Now as I look back over the work of these foundations, and again in the field of my own experience in my own institution, there is a great service that has been rendered through the years in the conduct of special studies in the field of education by the foundations themselves.

Ordinarily these agencies are not, at least the ones I have some connection with, operating agencies. They turn the funds over and somebody else does the operation, usually the receiving institution and its staff members.

But some years ago the Carnegie Foundation became impressed with the rather tragic straits that we had fallen into in the whole field of medical education, and the Foundation set up within its own organization a plan for an investigation, a very thorough investigation, of the whole problem of medical education in the United States.

That in the field of higher education, in the professional schools, among the professional schools, I think, is one of the most famous documents in our educational history, and here it is. This is known probably to your research staff and some of you as the Flexner report, Dr. A. Flexner, who spark-plugged this study. It is entitled, "Medical Education in the United States and Canada."

The survey was made in 1910. I am not an expert in the field of medical education, but I think I know enough about what has been going on in past years in the field of education to recognize that this document right here constitutes one of the greatest factors in re-

forming and modernizing our whole system of medical education as one of our bodies, one of the greatest in my book, of professional education.

Mr. KEELE. That constituted a landmark, did it not, Mr. Middlebush?

Mr. MIDDLEBUSH. This is a landmark, I think, beyond any question. It marked a complete transformation, for one thing, in the procedure of educating medical students.

It spotlighted what is known—this is a short-cut to the answer to it—as the clinical method of teaching as a part of the training of the doctor.

In other words, the total training of a doctor could not be carried forward by a lecture-textbook type of approach with some work in the laboratory in the basic sciences, and then turning loose on society the individual as a trained doctor.

They put on top of that, as the result of the work of Mr. Flexner, a top 2 years, his third and fourth years, where they took the student, the prospective doctor, the future doctor, actually took him to the bedside of the sick person, and they taught him medicine and medical practice in a very, very practical way. That is the clinical part and that is accepted now as just a must in the field of medical education.

Mr. KEELE. Well, isn't the enviable position of medical education in this country attributable in large part to the effect of that report, the practice that has followed?

Mr. MIDDLEBUSH. Correct, I think beyond any question.

Mr. KEELE. And it reversed the pivotal points in medical education from Europe to this country, as I understand it.

Mr. MIDDLEBUSH. That is right. Mr. Flexner, by the way, is still living, still active, eighty-some years old.

I may say that there are some of us connected with the foundations that wish that he were a bit younger so we could have him go back and have him after 42 years take another look at medical education. Possibly in that 42-year period there have been some developments that it might be well to have a person with his background and competence scrutinize.

Personally, I would be especially appreciative if anybody could go into the whole physical field of medical education and make a Flexner report on that and tell us how we are actually going to carry the terrific costs of operating first-rate medical schools in order to maintain them at the level that Dr. Flexner helped place them in this country.

Here you have a program of higher education that by all means must not stand still, and it costs a terrific amount of money. This is aside, but in my book that is the most crucial problem in the whole field of financing higher education today, financing our medical schools.

Another special study—you may want to rule this out as coming within the field of education, but I would argue that—in 1923 there was another special study made of another very important problem, and it is an important problem in higher medicine today, in my judgment. That is the whole system of American intercollegiate athletics.

Here is the famous 1929 report of the Carnegie Foundation, the survey on the status of intercollegiate athletics in the colleges and universities of the country, and in this document you have pointed up the problems that we are confronted with in 1952 in the field of inter-

collegiate athletics. It almost seems as though the persons on this problem twenty-some years ago could see a vision of where we are today.

This is the famous report of the Carnegie Foundation on American collegiate athletics. It is a pretty good source book, and possibly here again it might be well to have, with some of the things going on in the field of intercollegiate athletics, another look at exactly the right place they occupy or should occupy in our system of collegiate and university education.

Mr. KEELE. I was just going to say, Dr. Middlebush, going back to the Flexner report, from what I have read I would gather that that report became a very controversial matter at the time it was made.

Mr. MIDDLEBUSH. I believe so.

Mr. KEELE. And it did result, as I understand it, in the closing of a number of medical schools which did not meet the requirements that were then established; isn't that correct?

Mr. MIDDLEBUSH. I could speak with real feeling on that, if I may, for just a moment. It closed the 4-year school in my own university.

The University of Missouri had a 4-year medical school up until the time this report came out. After this report, the last 2 years' work was given up, and since that time until this year we have conducted the basic science part of the program, the first 2 years, and I would like to put in the record here, because it does tie in directly with this report, Mr. Keele, that just within the last 6 months the General Assembly of the State of Missouri has appropriated, started the appropriation of substantial sums of money for the construction of a teaching hospital and a new medical school center which will enable us to conduct the full 4-year program. So we are right in the period of completing that cycle.

Mr. KEELE. Well, you could speak, then, with first-hand knowledge and very feelingly, I should think, about the effect of the closing of those schools, of certain schools.

I take it that in the end it did not prove a net loss to the medical profession or to medicine generally, but proved a benefit, is that not right?

Mr. MIDDLEBUSH. I think there is no question of that.

Mr. KEELE. In other words, some of the schools which perhaps were turning out candidates whose patients were candidates for the cemetery, shall we say, were eliminated, and the instruction passed into those schools which were able to afford the high efficiency in the instruction that was required.

Mr. MIDDLEBUSH. I do want to say, though, again for the record that not all of the graduates of these schools that were reduced as a result of this program—I go back to my own institution—not all of those graduates turned out to be poor doctors.

Now that is the other side. That is something interesting. In other words, there is a certain type of individual that apparently can surmount the handicaps of a bad education and he still becomes an outstanding lawyer or a doctor. But, certainly, we wouldn't want to build our educational program around that idea, I should hope.

There is one other service that I want to just mention in passing, the aid that some of the foundations—the Carnegie and the Rockefeller Foundations, I believe, are joined in this—give in the development of a regional educational project in the South.

I will not go into the details of that, but that is just in process of development, a very interesting project, attempting to determine how successfully a number of States in a given area can cooperate in development of certain types of professional schools.

Let's take a school of medicine, as a joint project across State lines. Now, as I say, that is in a developing stage and it is being watched with a great deal of interest by boards of trustees of colleges and universities, and especially many of the governing boards of our State universities.

I have spoken so far of matters of interest primarily to those of us in the field of higher education. I would like to just list—and there could be many other examples listed—a service that is rendered at the public-school level.

Right after the war, I believe in 1949 or 1950, there was a very substantial grant, some \$750,000, made by the foundations of which I am speaking, for the creation and the conduct of the work of a national citizens commission for the public schools. It was headed by a very famous journalist, Mr. Roy Larson. That commission is still in existence.

Now I am not too familiar with the detailed work of that commission. I have met with Mr. Larson in various meetings. They had a large meeting of this group, sponsored by this group, in the city of St. Louis some months ago, but the purpose of this commission was to call to the attention of the American people in a very, very pointed way the critical situation in this postwar period that we were developing in the support or lack of support of the public schools of our Nation, especially in view of the tremendous increased load they were going to have to carry soon. As a matter of fact, we are already in it as a result of the increased birth rate.

Now I think that this is a very constructive program in a way of public education in how much we have at stake in a well-maintained, well-housed adequate public-school program.

One could go on without end, of course, in citing examples of the work of the foundations. I cite the number that I have given here because they happen to rank high in my book of values, and I think they also are quite typical—and I am using them here as typical examples—of the constructive work of these specific foundations.

Mr. KEELE. Dr. Middlebush, hasn't it been said, correctly or incorrectly, I leave that to you, that the establishment, for instance, of Stanford University on the Pacific coast in and of itself did much to raise the level of the college education in that area, and that the same was true, perhaps, of the University of Chicago in the Middle West, and today with Emory University and in the past with Vanderbilt University, all of which were the recipients of very large sums of foundation aid? Would you say that generally was a correct statement?

Mr. MIDDLEBUSH. I would. There might be some difference of opinion with our friends over at Berkeley on the question of Stanford, but I think we would have to discount that.

I think that the advantage that flows from that is this: It gets back to the point that I made earlier in my statement of the value of the privately supported institution over here working hand-in-hand with the publicly supported institution. It enriches our whole system of education.



And, obviously, institutions of that type simply cannot thrive without strong support by those who are in the position to give. As a matter of fact, those institutions are in an extremely crucial position today financially.

Mr. KEELE. I take it from what you have said that there is some question as to the advisability of an institution supported from public funds taking the risk of initiating these private or pilot experiments, whereas the foundations are able to do that.

Mr. MIDDLEBUSH. Right.

Mr. KEELE. I assume from what you have said that the greatest value the foundations have given or afforded education was the ability to lead these experiments, finance these experiments, pilot projects, or pathfinding projects.

Mr. MIDDLEBUSH. Right.

Mr. KEELE. And without that, I assume, we would be far behind the mark we have presently attained.

Mr. MIDDLEBUSH. Many of these programs would not have been undertaken, couldn't possibly have been undertaken.

Mr. KEELE. Wouldn't you say, on the whole, that the contribution which the foundations have made to education in this country was massive rather than slight in its effect?

Mr. MIDDLEBUSH. I think before answering that question I would like to put a limitation on the term itself. I go back again here to these numbers.

Obviously not all of those foundations, I assume—I am not familiar with it—not all of those have participated in the thing that we are talking about here today, but these outstanding foundations have been devoting their funds to the development of education.

The word "massive" might be a little bit strong a word. I would say that it was highly important in a supplementary form.

In the case of Stanford, of course, the initiation of Stanford University came through the direct grant of a very wealthy man, Mr. Leland Stanford, incidentally setting up an endowment at that time that was larger than the endowment of Harvard University. Stanford in those early years had a larger endowment than Harvard University itself. And that came through the action of a single individual.

Mr. KEELE. What, so far as you know, have the smaller and newer foundations done in the field of education, Dr. Middlebush? And I am talking now about those foundations which would not fall within a classification we arbitrarily make there as to size, such as the Carnegie and Rockefeller Foundations, but the smaller foundations. Are they making any contributions, foundations with less, let's say, than \$10,000,000 in assets?

Mr. MIDDLEBUSH. I am not competent to speak on that because I have no contact; I don't recall that I have ever come in contact directly with the work of any foundation of that type—I was thinking as you were asking the question of possibly the Commonwealth Fund, but, of course, that is still not small—much smaller than these other organizations.

There is an organization that is, I think, making a tremendous contribution because it is limiting very directly its field. It has a special interest in the field of medical education and hospital development, which is one of the spotlighted problems.

I think where the smaller foundation has very rigidly limited the type of thing that it is going to support, then it could register it at a pretty high point, even though the fund within the foundation is not as large as these goliaths that we are talking about.

Mr. KEELE. Hasn't there been a shift in the method of making grants by the larger foundations—from simply giving universities large sums of money to be used as that university may choose—to making grants for specific purposes or projects?

Mr. MIDDLEBUSH. Correct.

Mr. KEELE. Would you just tell us a little of that.

Mr. MIDDLEBUSH. Well, I go back again to my days at Old Siwash at Knox College. That time it was traditional among the foundations, the first place you went when you started an endowment campaign was to one of the larger foundations, like the Rockefeller General Education Board. You would get a commitment from them that they would give you \$1 million, provided the board of trustees of the college would raise another \$1 million. That was for the general endowment of the institution.

Now I think it is true that that type of foundation support across the board is a much smaller item in our picture today as compared with these special grants that you have referred to.

I should say that in the main, at least in my own contact, in the contact of my own institution with the work of the foundation, with the foundation as a financing body, all of it has been at the point of special grants for a very specific purpose, for a project that is very carefully outlined. And, by the way, once that grant is made, the responsibility for carrying on the project at least in all of our experience, has been wholly within the institution itself.

Mr. KEELE. That was going to be my next question.

One of the questions that has arisen in the minds of the staff and the committee is to what extent the foundations attempted to control the work done once the grant was made.

Mr. MIDDLEBUSH. I am again speaking within my own experience with these groups. I should say no control in the sense of arbitrary administrative control. They have been available, members of the staff have been available, for advice and consultation.

Take in this project that I referred to, the grants-in-aid program to these southern institutions, these members of the faculty in their research programs. The foundation staff I am certain has been of considerable help in a consultative capacity to those institutions and individuals.

But I think you would find when you have the responsible heads of these foundations before you that there has been a change in the overall policy, the basic policy of the operation of the foundation.

There was a time in the early days when I started out in my educational career—going back that far is longer than I like to remember—when there was something of a control going on. I was told by the president of one of our Midwestern institutions, just within a week or 10 days of a grant that was offered his university, but also that was accompanied with a very strong recommendation that Mr. So-and-so be appointed dean to operate that program; and the institution refused the grant.

I don't think one of those foundations would dream of doing that sort of thing today. Certainly every educational institution ought to resist it if they did.

Mr. KEELE. In other words, the foundations are more interested in what you set out to accomplish rather than how you do it. Once the grant is made, automatically that is left to the institution?

Mr. MIDDLEBUSH. That is correct.

Mr. KEELE. If that were not the case, the center of gravity would be passing beyond the confines of the institution itself and its work; wouldn't it?

Mr. MIDDLEBUSH. Correct, and I think that that could not be tolerated in a private-supported institution any more than it could in a publicly supported institution. Obviously it couldn't be tolerated for a moment in a publicly supported institution.

Mr. KEELE. Dr. Middlebush, to what extent is the Government subsidy being made to college and universities taking the place of the foundation assistance which has been given in the past?

It seems to me I have heard Dr. Wriston talk rather fluently on the subject of Government subsidies for various projects that the Government is interested in.

Mr. MIDDLEBUSH. It would be very difficult to make a definitive answer to that. It is having a sizable impact, I think especially in the field of research under research contracts.

And now with the establishment of a new organization, a new foundation under the direction of the Government itself, the National Science Foundation, and I happen to be a member of the board of directors of that newly organized body, and I can see in the development of that organization a fund-allocating organization that is certainly going to, I won't say run counter and eliminate the desirability of having funds from the foundation, but it is going to operate in precisely the same fields.

The National Science Foundation is making two types of grants; grants for research, specialized research, which is what our foundations have done, and fellowship grants.

Mr. KEELE. Then are the grants given the colleges and universities for special projects by the Government all funneled through the National Foundation?

Mr. MIDDLEBUSH. No.

Mr. KEELE. Or do not the various departments of Government, perhaps the Air Force or the Office of Defense, give certain grants for specific projects?

Mr. MIDDLEBUSH. Correct. There is the proviso though that the National Science Foundation is supposed to become ultimately I presume the catalytic agent in Government-sponsored, Government-financed research. It is supposed to be a clearinghouse.

Mr. KEELE. And a coordinating agency?

Mr. MIDDLEBUSH. And a coordinating agency. In fact it is also supposed to be in the position to take over the responsibility for administering some of the funds that have hitherto been administered by some of the armed-service programs.

Mr. KEELE. In your opinion is there as great need for the support of the foundations at the present time and in the foreseeable future as there was in the past?

Mr. MIDDLEBUSH. Yes, I think in some respects there is even a greater need because higher education—and I am looking at it purely from the view of the institutions of higher learning—in my judgment, public or private, is confronted with a crisis situation in the field of finance, of its total program being financed at an adequate level where it can return to society the type of service that is being expected of it.

As a matter of fact, just yesterday the Commission on Financing Higher Education, a group of 12 men, made a 3-year study which was released to the press today, published a report on the future financing of higher education. It is a study of exactly the point you raised: How crucial is our present situation in financing higher education and how can we find additional sources of income for these various types of institutions.

From the standpoint of a president of a State university, I want to make crystal-clear that the problem isn't solely a problem for the private-endowed institutions. I think it is also a problem for our State-supported institutions.

Mr. FORAND. Would you say then, Doctor, that that is the reason why all of the schools and colleges seem to be so eager to get contracts from this national research institution or foundation?

Mr. MIDDLEBUSH. No. The total amount of money available from the foundation of course is not large enough. It is really a drop in the bucket of the programs of these educational institutions.

I think what you say might be true of a lot of the other types of Government contracts, that they are far more ambitious dollar-wise than the National Science Foundation.

Mr. FORAND. I understand that there are quite a large number of requests being made by schools and colleges for these types of funds.

Mr. MIDDLEBUSH. That's right. The ceiling, of course, placed on the appropriations in the act, as you know, for the National Science Foundation is \$15 million, and our appropriation I believe is a little less than three and three-quarter million for the past year, and the applications for fellowships on the one hand and grants-in-aid of special-research projects on the other, well, I don't know, but the National Science Foundation people can quickly answer that question, but the number of applications is many times more than the number actually awarded, which bears out the point you have made.

Mr. FORAND. I have a couple of other questions on another subject. Would you, Doctor, for the benefit of the committee explain to us step by step how your institution for instance makes its application for a grant from one of the foundations and how that grant comes to you, whether it is direct or whether it is through channels or something like that. I think that would be very interesting.

Mr. MIDDLEBUSH. I will be glad to. Starting within the institution, let's begin with the interested professor down in the department. That is getting down to the grass roots.

He would talk over in my institution—and institutions would vary in this, but we believe in allotting organization of administrative responsibility, which is not always easy to maintain, as you well understand, but he would take this up with his dean, the dean of his college within the university, and possibly with the graduate school, research council, and we would get an agreement within the institution itself on the desirability of a request being made for X number of dollars for this type of project.

In my institution we have definite board regulations governing that procedure, and they are initialed along the way, so it is not just some one individual getting an idea on his own and being able to go to Washington or Chicago or wherever it might be to get some funds for that. It is cleared through channels within the institution itself.

Not infrequently the application then which is worked out in detail is taken to the foundation offices by one of the interested parties—it might be the dean—and submitted in a personal conference. As a matter of fact he may have talked it over with a representative of the foundation before the application is actually formulated in order to determine whether that would fall within the scope of the grants being made by that particular foundation during that year.

Now within the foundation itself the only organization I can speak of is the one with which I am directly familiar, and that is the Carnegie Foundation. That would be cleared then through the officers of the foundation.

A substantial grant, this one that I spoke of, of \$750,000 for some 40 colleges and universities in the South was discussed very fully in a meeting of the board of trustees of the foundation.

I think every member of the board who was in attendance became thoroughly familiar before a grant was seriously considered, with the nature of the problem that these people were attempting to get solved, and how they planned to solve it. They got the funds.

I would not want to commit myself on the exact time, but as I recall, that went over for possibly three or four meetings, better than a year that that was under study within the foundation itself. Then the grant was actually made by the officers of the foundation, with the approval of the governing board of the foundation itself.

Now you understand you may well have other types of foundations with which I am not familiar that have quite a different procedure, but that is the procedure here, and I assume that that is rather typical procedure. At least I should think it would be.

Mr. FORAND. In other words, the funds go directly from the foundation to the school or college.

Mr. MIDDLEBUSH. Right. Now when the governing board of the foundation has approved the grant, it has been cleared, then the money goes directly—in my own case it comes directly to the treasurer of the university. We set up an agency account on our books for it, and it is operated exactly as any other budgetary item in the total university structure with the funds to that account.

Now it may not all be sent at once, you understand. There may be successive checks sent if it is over a period of time.

Mr. FORAND. But even if it does come in small parts, it still comes direct?

Mr. MIDDLEBUSH. That's right, and it comes directly under all of the governing machinery of my own institution, including our own board regulations on how any dollars can be spent.

Mr. FORAND. Thank you very much, Doctor.

Mr. O'TOOLE. Does the school after it has received the grant have to send back to the foundation an itemized statement as to how the money was expended?

Mr. MIDDLEBUSH. I can't answer that. That is an item of business office procedure. I presume I should be able to answer that.

We do make reports to them, but now whether it is an itemized account, that I can't answer. I don't believe it is.

We would have our own records because you see we are confronted with a responsibility when the money gets into our treasury, and we would have the itemized account. I don't believe that we file those itemized accounts with the foundation. Now it may be that we do.

Mr. O'TOOLE. That is all.

Mr. HAYS. Mr. Goodwin.

Mr. GOODWIN. Mr. Middlebush, I was interested in what you said about there being no control after the grant is made, no control by the foundation.

Is it not a fact that if that be true, as I have no doubt it is, it would have a pretty heavy responsibility upon the foundations to make certain before the grants are made about what is likely to take place thereafter? In other words, the responsibility to make sure that the funds are going to be used for purposes which are in the interest of all our people. That I take it would be a fair assumption.

Mr. MIDDLEBUSH. Well, certainly I take it that you mean by that that it must have complete confidence in the integrity in the institution to which it is making the grant, and that the funds are going to be handled in such a way that the purposes for which they were granted are in this plan that was submitted and will be held to and that the funds will be administered efficiently.

Mr. GOODWIN. Yes. In other words, from the very fact that foundations operate as they do in providing the distribution of private funds for purposes which possibly otherwise might be used through public funds where there is a definite method of fixing responsibility for improper use, foundations not being responsible to the public as public officials would be if the funds were public funds, have an even greater responsibility; have they not?

Mr. MIDDLEBUSH. Indeed.

Mr. GOODWIN. To make certain that these moneys are put where they are going to be spent for the benefit of the people of America.

Mr. MIDDLEBUSH. In other words, if my institution accepts \$50,000 from a foundation for a specific piece of work everybody is agreed on, we are responsible to the public as well as to the foundation to see that that purpose is held to.

Mr. GOODWIN. That is true, but you never can get back at the foundation which granted the funds. Suppose you had a very broad policy of Federal aid. We are talking about education, so let's say a very broad policy of Federal aid to education, and tremendous sums of money, public funds, to be sure, are used for the purpose of expanding education, with the idea of proper inculcation of information to be used for the next generations coming on.

If it should happen that that policy is not carried out wisely, if it strays off into fields which are doubtful, having in mind the future of our people, the Government is responsible to the people and the people may at the next election recall that Government.

If a foundation probably in an equally powerful position places these large sums of money for use for educational purposes and something goes wrong, somewhere somebody who is responsible for proper administration acts in a way which irresponsible Government would not act, you have got no way to get back at the foundation.

Therefore, it comes to this question: If that premise is correct, then is there not a tremendous responsibility upon these foundations to make sure by every step they take in selection of personnel, in machinery set up for determining whether or not the grant shall be given, a very heavy duty and responsibility which they have to assume?

Mr. MIDDLEBUSH. I should say, Mr. Goodwin, that there is a very heavy responsibility in both cases there, the granting institution as well as the receiving institution. I am thinking of it in terms of my own organization. We can't be relieved of responsibility.

Mr. GOODWIN. I merely did not want to emphasize one over the other excepting that this committee is here studying, not the University of Missouri or other educational institutions; we are here to study foundations.

Mr. MIDDLEBUSH. That is right.

Mr. HAYS. Dr. Middlebush, I assume your reference to Mr. Larson's organization means you think that you regard it as a helpful and significant movement.

Mr. MIDDLEBUSH. I certainly do. I think that could easily become one of the great saving forces to our public schools, and they, after all, are the bottom on which all of our work in education rests.

Mr. HAYS. And that is receiving substantial help from the Carnegie Foundation.

Mr. MIDDLEBUSH. Yes. I checked on that. I was told yesterday afternoon that the original grant was \$750,000.

Mr. HAYS. Do you run into any problem of tax-exemption, since there is an element of legislation, perhaps, or at least propaganda—I don't use that word prejudicially.

Mr. MIDDLEBUSH. Well, I don't see how—I am afraid I can't answer your question; I don't quite see how that could come in. I am not familiar with the internal administration of that project.

Now who is actually administering it below Mr. Larson's organization, I am not familiar with that machinery. I believe they have it divided up among the States, State commissions under the national commission. Now whether they grant them funds or not, I am not familiar with that part of the machinery.

Mr. HAYS. Its purpose is to inform the American people about the condition of their public schools.

Mr. MIDDLEBUSH. That is right.

Mr. HAYS. Trends, good and bad.

Mr. MIDDLEBUSH. That is right, and encourage self-study within the community.

Mr. HAYS. And to acquaint them with the relationship of the schools to the institutions, of democratic life.

Mr. MIDDLEBUSH. Right.

Mr. HAYS. I am glad to have that for reference. I think it provides one of the most hopeful things we have seen.

Mr. MIDDLEBUSH. I have some material here that explains more in detail the program that, if you don't have it, I can leave for your research staff if you would care to have it.

Mr. HAYS. I would be glad if you can do that. Talk to Mr. Keele about it, please. What is the official name of the organization? We see it constantly but I have forgotten.

Mr. MIDDLEBUSH. It is the National Science Commission for the Public Schools, headquarters in New York City.

I have here a description of it, the press release of it, and then I also have an account of one of these regional meetings that was held recently in the city of St. Louis, which shows how it works.

This I received just yesterday through Mr. Larson's organization, and it shows how this works at the State level. Here is a document which I am perfectly free to leave with you for your files. I borrowed it, but this explains the work in great detail. You might already have it.

Mr. HAYS. Now, if subversive elements have managed to get into any situation locally in the public school system, would not this be a very valuable weapon in combating it at the very place it needs to be combated and has to be combated, if it is an effective resistance?

Mr. MIDDLEBUSH. Yes; I should say so. I haven't had too much time to study these documents, but the weight of the evidence in the approach here is all on the other side.

Mr. HAYS. Their purposes are broad enough to include combating subversiveness at the local level, wouldn't you think? From what I have seen of their literature—

Mr. MIDDLEBUSH. It may well be. I am not competent to answer that question directly. I can't imagine an organization like this putting on a tremendous drive for the support of public schools and not being somewhat concerned about the problem that you have raised.

Mr. HAYS. I am just thinking about the service they can render that the Federal Government cannot render, for example, by reason of our basic philosophy.

Mr. MIDDLEBUSH. That's right.

Mr. HAYS. If the people are jealous of anything, it is the control of their public school system.

Mr. MIDDLEBUSH. That's right.

Mr. HAYS. At the same time the agencies of the Federal Government, of course, are concerned about any infiltrations.

Mr. MIDDLEBUSH. Correct.

Mr. HAYS. And so we have here a problem of meeting a threat, but meeting it in the American way.

Mr. MIDDLEBUSH. Correct.

Mr. HAYS. That is the reason I invited some further comments on that case. Mr. Keele, do you have any other questions?

Mr. KEELE. I have a question or two I should like to ask. What part, if any, do those organizations which we refer to, perhaps erroneously, as operating agencies, such as the Social Science Research Council and the American Council of Learned Societies, what part do they play in the granting of funds or the direction of grants of funds from the foundations, Dr. Middlebush?

Mr. MIDDLEBUSH. Well, again I am not familiar first-hand with the work of those organizations, so I am not speaking as one who has had that direct contact, but my understanding is that they form a channel through which operating funds can be put out by the foundations themselves.

Mr. KEELE. But I was thinking of the fact that you traced for Mr. Forand a method by which a grant was made, let us say, to your own institution where you formulated the plan at, let us say, the professor or instructor level, and then moved on to the various echelons until it was presented to the foundation.

I was wondering, do you go directly to the foundations?



Mr. MIDDLEBUSH. We go directly to the foundation.

Mr. KEELE. And have you ever had occasion to make appeal to these various societies?

Mr. MIDDLEBUSH. No.

Mr. KEELE. I think that is all I have.

Mr. HAYS. Dr. Middlebush, the committee is certainly indebted to you for a fine statement. Oh, Mr. O'Toole has another question.

Mr. O'TOOLE. Doctor, there was some talk of subversion. Isn't there a great difference in the minds of many men as to what constitutes a subversive matter? That is, we all don't agree on a common yardstick as to what is subversive and what is not subversive.

Mr. MIDDLEBUSH. I suspect that is true.

Mr. O'TOOLE. Well, in these foundations, who is to judge what is subversive and what is not subversive?

In other words, one group could have a plan of action that they think is intensely patriotic, intensely democratic, whereas another group might think it was completely subversive. Isn't that true?

Mr. MIDDLEBUSH. Now you are applying that to the procedure in the making of a grant, and if that point were involved, who would be responsible for making that part of the decision. I should say that would be the officers of the foundations.

It depends on what their own procedure is in making the grant, and there are many variations in that. Or if the grants are of major amounts, they have to clear it through their board, their governing board. Then it seems to me the trustees themselves must assume some responsibility for that.

Mr. O'TOOLE. That is all.

Mr. HAYS. Thank you, Dr. Middlebush.

Mr. KEELE. Dean Myers, please. Dean Myers, would you please state your name and your business or occupation?

**STATEMENT OF WILLIAM I. MYERS, DEAN, NEW YORK STATE  
COLLEGE OF AGRICULTURE, CORNELL UNIVERSITY**

Mr. MYERS. My name is William I. Myers. I am dean of the New York State College of Agriculture at Cornell University.

Mr. KEELE. Dr. Myers, will you tell us just a bit about your training and experience, before we go further?

Mr. MYERS. I was born on a farm in New York State. I graduated from the college of agriculture which I serve in 1914. I obtained my doctor's degree in 1918, and I have been a member of the staff of the college of agriculture since that time.

I was absent on leave for about 5 years to serve the Federal Government in the Farm Credit Administration from 1933 to 1938.

Mr. KEELE. Dr. Myers, you are a trustee of the Rockefeller Foundation?

Mr. MYERS. Yes, sir.

Mr. KEELE. And of the General Education Board, I believe?

Mr. MYERS. Yes, sir.

Mr. KEELE. And also of the Carnegie Institution of Washington?

Mr. MYERS. That is correct.

Mr. KEELE. I believe you are also a director of the Mutual Life Insurance Co of New York?

Mr. MYERS. Yes, sir. They call them trustees, but it is the same thing.

Mr. KEELE. And also a director and chairman of the Federal Reserve Bank of New York?

Mr. MYERS. I am deputy chairman of the Federal Reserve Bank of New York, and a director.

Mr. KEELE. You are also a director of Continental Can Co., are you not?

Mr. MYERS. Yes, sir.

Mr. KEELE. And of the L. C. Smith & Corona Typewriter Co.?

Mr. MYERS. Yes, sir.

Mr. KEELE. And of several other corporations which are industrial corporations?

Mr. MYERS. That is correct.

Mr. KEELE. We are particularly anxious to have you discuss with the committee, Dean Myers, the part the foundations have played in the field of the social sciences, and I think it might be helpful if you name and define the social sciences for us at the very beginning, because there seems to be a good deal of confusion in the minds of the public, and perhaps in the minds of this staff as to the area or field of those sciences.

Mr. MYERS. The name "social science" is a handle applied by human beings to an area of human knowledge. The subject or the name "social science" is intended to cover or is used to cover those studies which have as their center man in his relation to other men as individuals, as groups, or as nations.

Perhaps the name "social science" might be made clear by indicating its relation to other branches of knowledge, the natural or physical sciences which relate to the physical world, the medical sciences which are self-explanatory, the humanities which deal with art, literature, with the things of the spirit, and the social sciences which are concerned with the studies of man as an individual, as groups, and as nations.

Now within that broad area of the social sciences, there are a number of different fields. Economics is widely known as a subject which considers the ways in which man obtains the goods and services that are used in making a living.

A second one is psychology, which studies man's mental organization, his mental processes, and his aptitudes.

A third field that is commonly included in the social sciences is sociology and anthropology that studies the relationship of man as groups as well as the culture and the physical characteristics of human races over the face of the world.

Another one is political science or government, which studies governmental organizations and processes at all levels from local to national.

Another one is demography or population studies, which considers the laws that control the growth, the decline, and the migration of populations.

History is also usually included because it attempts to interpret the behavior of men over time, how we got to be what we are out of the developments of the past.

Statistics is sometimes included, but I think of it as a method of study that is used not only in the social sciences but in other sciences.

With these half-dozen commonly accepted fields of course each one

subdivides into many subfields. Economics covers a very broad area and includes many subfields. Agricultural economics in which I obtained some training is one of those.

Money and banking, marketing, sociology and every other one of those subjects that I have enumerated divides into many subfields, but that is the general area that I think is commonly included in the social sciences, and the general subjects that are considered by each of them.

Mr. KEELE. Would you point out for us some of the differences between the social and physical sciences? You have touched on it, I think, but I think you might amplify that a bit if you would.

Mr. MYERS. One of the most commonly heard remarks is that man's knowledge and mastery of the physical universe have outrun his understanding of his fellow man.

Civilization may be threatened with destruction by the atomic bomb because the inventions that were made possible by research in the physical sciences have not been matched by corresponding developments in the social sciences that would limit its use to constructive purposes.

Now, the physical sciences and the social sciences use many of the same basic disciplines. They use the same logic, they seek the same objectives of provable knowledge that can be passed on to others.

Furthermore, there isn't any exact line of demarcation between these different areas, but there is a zone of overlap, and men are constantly going across from one field to another.

For example, modern medical practice includes in addition to the medical sciences a consideration of sociology and of psychology in order to attack the causes of many kinds of illness, both mental illness and physical illness. Well, that is just a general discussion of the broad relationships.

I have put down five points of difference which seem to me to be significant between the social sciences and the physical sciences, and I would think the most noteworthy is the relatively higher rate of achievement in the physical sciences.

The present high development of research in the physical sciences represents the accumulation of several centuries of research, while the beginnings of precise research in the social sciences were made only a few decades ago. Their lag is due largely to the fact that it is more difficult to study human relations than physical problems.

In the physical sciences, the biological sciences, we can study problems in the laboratory or on sample plots and we can vary the causes and attempt to discover the results. In the social sciences it is usually not possible to use experimental methods to isolate each casual factor and to determine its effects. So that, as I see it, the development of the social sciences was delayed until statistical methods could be developed which were appropriate tools for scientific research in these fields.

We have to go out and study social problems, social science, where it exists in the lives and operations of men in society; so that the lag is due in the first instance to the complexity of the problems and to the difficulty of getting methods for scientific research in these fields.

I think there is a second point, and that is that the controversial aspects of many social problems contributed to delay in the development of the social sciences.

Now, scientists are frequently in disagreement in any field on the borderline of what is known, that is in the growing edge of the science, both its physical sciences and the social sciences. The problem arises because in the social sciences problems often result in widespread and heated controversies, because the general public has preconceived opinions or prejudices about them which differ from the suggestions, the solutions suggested by research.

Scientists might differ as to whether we had an expanding or contracting universe, but it wouldn't arouse a very violent public controversy, but in the social sciences every human being is a self-appointed expert, and when the social scientist studies problems of child development and education, parents and other human beings are apt to argue with the findings of science because they may not be in harmony with their preconceived ideas.

If one is seriously ill, he would not question the advice of his doctor even though doctors might disagree among themselves as to the best way of treating that particular malady, but in the social sciences, human beings have no hesitation whatever in tangling with the experts.

Science reduces controversy by substituting facts and principles for speculative theories. But this scientific research is a very slow painstaking process, and it has been particularly so in the social sciences. We need great care in suggesting action based on social science research, because it is not a substitute for common sense. It is merely an additional tool for recent judgment.

Predicting trends in the social sciences is more like forecasting the weather than predicting the results in physics and chemistry, because there are so many unknown factors. Even such a matter as predicting the future growth of population in the United States is subject to a wide margin of error because of variations in the rate of increase that have prevailed in recent decades.

I think a third important difference is the fact that most colleges and universities have been unable to finance research which is necessary for the growth and development of these social sciences. At least until recently with the development of atomic energy relatively simple cheap laboratory equipment could be used for research in chemistry and physics, and such expenditures have been accepted by custom.

And when a member of a college staff, a professor, had time from his classes, he could go to his laboratory and could add to the total knowledge of his science by his individual research. That unfortunately is not true in the social sciences, because funds were not available for this type of research. It was new.

Substantial funds were required annually for traveling expenses to study the problems where they existed, and for clerical salaries to analyze the results.

I mentioned three points there. There are a couple of others. One of these is the result, perhaps, of the first three. I think it is a fair statement that we have a growing number of social scientists in the United States today, but many question whether we have a real social science as the word "science" is commonly understood.

A scientist is a man who applies scientific methods to the study of problems no matter where they are found. A scientist tries to obtain knowledge by observation or experimentation or both with a high degree of objectivity.

He is not trying to prove something, he is trying to find out something, and his studies should be susceptible to repetition by others under similar conditions, so that they could prove or disprove or modify his conclusions.

As he proceeds, he constructs hypotheses as to what probably are the facts of the case, and then he tests those hypotheses, and where the data are sufficient, he tries to formulate theories that are consistent with the data to promote knowledge of the field.

In this sense, in spite of the short history, there are substantial numbers of competent social scientists, although they are pitifully few in relation to the number, the complexity, and the importance of the problems to be studied.

Now, on the other hand, a science is usually considered to be a substantial body of knowledge that has been validated by tests accepted by competent fellow scientists. In general it is interconnected and self-consistent, and it is integrated over the whole by theories accepted by most scientists, and it is associated with an active group of scientists who use it.

While great progress has been made in recent decades, the social sciences cannot be said to fully meet these tests. They can be met only by greater numbers of competent social scientists working over a period of time.

One might say that in the development of social science research, we have a few islands of facts that have been determined, but we don't have a large area of consistent proven knowledge as is true in the older physical sciences that have been developed over a longer period of time.

And last among the list of differences would be in the number of professional workers that follows, I think, as a natural course. The number of professional workers in the social sciences is far below the number working in the older long established physical sciences. According to the most recent figures, the total membership of seven national professional societies including these social sciences was less than two-thirds of the membership of the American Chemical Society alone. They are new, their numbers of scientists are still relatively small.

Mr. KEELE. Dean Myers, would you cite some examples for us of the contributions dealing with social science which have been made with the assistance and support of foundations?

Mr. MYERS. Well, manifestly it would weary the committee and it would be impossible for me to give a comprehensive list. I have put down on my notes 10 examples of which several are in economics and some are in other fields included in the social sciences.

No. 1 in my list is an example in regard to national income. The size of the national income of the United States and its distribution to various recipients to wage and salary earners, to investors and to business proprietors is a landmark, I think, in the social sciences.

These studies were started and carried on by the National Bureau of Economic Research, and they substituted facts for theories and opinions. Trends of national income are closely followed by business firms, by investors, by officers of labor unions, and by Government officials.

These studies also show what part of the gross national product goes to consumers, what is taken by Government, and what is used by business firms to augment their inventories or their factories.

This information is not only important in peacetime, but it was enormously helpful to our Government in mobilizing our economic resources during World War II.

It was possible on the basis of these economic data to judge with a considerable degree of accuracy what part of our national effort could be devoted to the war program without breaking down our civilian operations. It is constantly used in analyzing current developments and judging economic outlook.

Now after the National Bureau, which is supported largely by foundations, had worked out the methods and established the value of these income data, they were taken over by the Department of Commerce and they have been continued by that agency ever since.

The man in the street probably reads and has some knowledge at least in general terms of our gross national product, of our national income. The newspapers carry stories from time to time in regard to current trends.

Of course there is no time when all parts of our economy are equally prosperous. Some industries are depressed, some are in good shape. The national income figures give an authoritative picture of the progress of our total economy, and I think they have very great significance on that account.

Mr. KEELE. I take it this is one of those instances where the risk capital of the foundations permitted a pilot project of this kind which has now been adopted by the Government?

Mr. MYERS. That's right. It paid off.

There is another very good one I think somewhat related to it in the matter of fluctuations in income and employment, what we commonly call cycles. The Employment Act of 1946 was passed by Congress, and as the discussions during the recent campaign pointing to economic instability are one of the most important problems of these times, the tendency of our economy to booms and depressions.

Although theories of the business cycle were relatively embarrassingly numerous, no one had determined which of these theories conformed to the facts until these studies were undertaken by the National Bureau of Economic Research.

These studies on business cycles have greatly expanded the range of scientific knowledge of a very practical and important subject. It is now possible for businessmen and for Government officials to begin to make forecasts and to devise policies that are based on scientific research.

We know, for example, that as our national income fluctuates, our imports increase with national income and decline when it goes down. We know that investment expenditures fluctuate more violently than expenditures by consumers for goods used in living.

We know as a result of these studies that mild depressions are dominated by a decline of inventories, while severe depressions are dominated by a decline in capital investments, and those basic landmarks are extremely useful in knowing what we have at the present time and some judgment on what is going to happen in the future.

A third point or a project that I think has paid very large dividends is one on the national trends of production and productivity. In

1934, the National Bureau of Economic Research brought out a comprehensive survey of production trends of the United States since 1870.

This was followed by detailed scientific research of the trends in output, in employment, and in productivity, in agriculture, in mining, in manufacturing, in electric power, in transportation, and in service industries which showed the physical growth of the Nation for the first time.

These findings are a unique record of national economic performance and show very clearly that the Nation's rising standard of living depends on increasing productivity. They have been widely used in business as well as in Government, and provide the basis for ECA policies to raise the productivity and thereby the living standards of Europe.

I think it is impossible to overestimate the importance of this basic information that shows a very simple fact, that rising standards of living of the United States as a nation are due to rising production per worker in all phases of our economy; that this information is the best defense against efforts of pressure groups to get a bigger piece of the national pie at the expense of some other group, by pointing out that the only way we can improve our standard of living is by efforts which will increase the productivity of workers in agriculture, in industry, and in other types of business activity.

Mr. KEELE. Dean Myers, it would seem to me that those three items, or examples, that you have mentioned here, really constitute a study of the capitalistic system.

Mr. MYERS. That's right.

Mr. KEELE. In operation.

Mr. MYERS. That is correct.

Mr. KEELE. The charge has been made at various times to the staff and to the committee that the foundations, or there was some question—let me put it that way—as to whether or not the foundations were not supporting projects of study which tended to undermine or weaken the capitalistic system.

It would seem to me that the statement you have made here would support the theory that rather they have lent their assistance, at least in these instances, to studies which gave attention to the capitalistic system or our present system, shall we say.

Mr. MYERS. I believe that is true, sir; that knowledge of our present system and how to make it work better are both very important in meeting the competition of any other system or any other ideology, and that these studies directed at our present economic system have been productive both in explaining how it works and perhaps in helping to enable the leaders in business and industry and Government to make it work better.

Mr. KEELE. We only know how to make it work better if we know how it works.

Mr. MYERS. That is right, and substituting facts for theories.

Mr. HAYS. Dean Myers, will it be convenient for you to come back after lunch to complete your statement?

Mr. MYERS. Certainly.

Mr. HAYS. The committee will be in recess until 1:30.

(Whereupon, at 12 noon, the select committee recessed, to resume at 1:30 p. m., of the same day.)

AFTERNOON SESSION

**STATEMENT OF WILLIAM I. MYERS—Resumed**

Mr. HAYS. The committee will be in order.

Dean Myers, will you pick up where you left off. Perhaps Mr. Keele has a question.

Mr. KEELE. I think you were giving examples, Dean Myers, of instances where the foundations had rendered substantial support to the area of social science, and I believe you had covered three instances of them, all of which, as I recall, stemmed from the National Bureau of Economic Research; is that right?

Mr. MYERS. Yes, sir.

Mr. KEELE. Would you continue and give us the more important other instances that you know about.

Mr. MYERS. I will be glad to, Mr. Keele.

A fourth one that I shall just mention and not discuss, is the historical and statistical studies of financial and credit markets.

We all recall the great speculative boom that ended in 1929 with disastrous consequences to the whole economy, and the years of the great depression.

The National Bureau has been making some research studies to clarify the causes and consequences of this speculative boom, not only in common stocks but in mortgages and foreign bonds, and bonds of domestic corporations which participated in that debacle, and as a result of the studies that have been made, very comprehensive studies, we have expanded our knowledge of credit statistics and the factors affecting losses on all kinds of loans.

That, I believe, and understanding of what happened in that speculative boom and in the subsequent depression, is another example of ways in which we might avoid a recurrence, or at least, minimize the possibility of a similar disaster in the future.

Mr. KEELE. Might I say there, Dean Myers, or might I ask, isn't that another instance of an objective study being made of the so-called capitalistic or free enterprise system under which we operate?

Mr. MYERS. Precisely.

Mr. KEELE. And these studies, I take it—the question itself has some implication in it—were objective studies not made to prove or disprove the errors or the mistakes in our system, but merely to understand them; isn't that right?

Mr. MYERS. They were made for the purpose of finding out what happened, as nearly as possible why it happened, all to the end that by understanding our economic system better we can hope to avoid similar disasters in the future.

Another and a fifth very important point, a way in which the social sciences, through foundation grants, have contributed to public welfare, is in the matter of aptitude testing and personnel selection.

Probably the most significant practical contribution of scientific psychology has been the development of methods of measuring the aptitudes of human beings. We began in the First World War in a very elementary way with the "Army alpha" test of draftees, and as a result of continued research, much of which was aided by foundations, we are now making use of aptitude tests in every field of human activity.



From the time our children enter elementary school they receive various forms of tests of aptitudes to select groups which can be taught more effectively. In going from high school to college, we have a national system of aptitude tests that is recognized as one of the good measures of determining the capacity or the chances for success of applicants in college.

We give our young people tests to the end that we can guide them into vocations in which they seem to have the best chance for success, for which they have particular aptitudes. We use these tests in business in selecting employees of various sorts. We give them different types of tests.

We also do it in Government. Every day in the operation of every business and almost every governmental department and almost all types of educational institutions we are using these aptitude tests that have become a part of our everyday life. And the term "I. Q." is known by the lay public as one of the measures of accomplishment by these tests.

Perhaps the biggest job that has ever been put before any group using aptitude tests was in the Second World War, when we not only had many more men to select, but we had a more complicated selection problem because of the requirements of special skills for mechanized and airborne war.

The rapidity with which the Armed Forces was expanded and their effectiveness as a team depended to a really important extent on a selection and classification program to put these men in positions where their skills and aptitudes were most needed.

Considering the millions of men and women involved and the many types of specialized training that were required, I think a really very important job was done that again contributed to the welfare of the Nation in time of war.

Another and a different type of way in which the social sciences have contributed to public welfare is in the matter of questioning and interviewing techniques. An important part of social science research consists of quick and accurate collection and analysis of information that is needed for policy-making and executive decisions in business, in Government, and in education.

Now, some of these facts for social science research come from records, some come from direct observation, but many come from asking people about themselves and their opinions, their experiences, their beliefs, and their intentions.

Since the accuracy and validity of the findings of such questioning depends on the method used, a great deal of research has gone into the refinement of interviewing and questioning methods. And the technical knowledge developed by research involves the wording of questions so that they will not contribute to bias, how they select samples of people to represent larger groups, within known limits of accuracy, and the methods of analyzing the answers that are obtained.

Once a good technique is developed by research, it soon finds its way into business and Government applications, as we have seen in market research, in personnel work and other applications. Here again the application of these techniques is the pay-off, but you don't get the application except by support of basic research to which foundations have contributed greatly.

And these techniques of questioning are used in a wide variety of applications. A very common everyday example is market research on consumer preferences.

No modern firm would think of introducing a new product or of improving an old one without a careful study of consumer preferences in regard to the gadget or the machine that they intended to present to the market.

Another very comprehensive example is the census which provides an enormous amount of indispensable information for agriculture, for business, and for Government. The census is staffed by social scientists who have been trained in the use and analysis of these questioning methods.

The Federal Reserve Board carries on studies, or rather has a private research organization carrying on studies, one each year, that obtains from a cross section of the people information about family earnings and their expenditures and their savings and their plans for future spending that could be obtained in no other way. This information is used by the Federal Reserve Board as one of the guides to credit policy and it is widely used by Government and by other business in planning their operations.

Another important area is in the use made by questioning techniques by the Army during the last World War.

The Research Branch of the Information and Education Division of the Army, with the help of competent social scientists, used these questioning techniques to obtain information on many problems, such as morale of the soldiers, mental breakdown, those soldiers who were progressing toward mental breakdown, the control of venereal disease, and their postwar educational plans.

The most widely known contribution of this type of research was that underlying the point system of discharge during demobilization. The point system was developed as the result of studies made of the attitude of the soldiers in regard to the relative weight of different factors in determining who would be demobilized first.

Another example that is perhaps particularly in our minds right now in public-opinion polls. During the campaign many private polling organizations presented from week to week the results of their studies of what samples of the population thought they were going to do in regard to the election that was coming up.

Another example in this list is what I have called area studies. The leadership of the United States in world affairs makes it very important for this country and especially for the officers of Government to have available for use when they need it detailed information about remote and obscure areas of the world, and trained men with command of this knowledge.

These resources were mobilized for military purposes during the Second World War. For example, a group of social scientists helped the armed services to develop in a short time a handbook on the Pacific islands that gave information about the geographical and the political and the cultural characteristics of the people who were living on Okinawa and the other Japanese mandated islands, and this information was used for military purposes and later for civilian administration.

The area studies contributed also to the development of studies of Japanese morale, and it is interesting to note that in 1945 in May as the result of careful studies, prediction was made of the early collapse of the Japanese war effort, in spite of the commonly held opinion that the Japanese would fight to the last man.

Since the war, foundations have assisted and are assisting a number of universities to develop special competence in various areas of the world that we need to know about and which are not adequately covered elsewhere.

These area programs on Russia, on the Far East, on southeastern Asia, on the Near East, on Latin America, and so on, are a very important part of the information that is needed by the Government. These centers are used for the training of officers, employees of the State Department, and of the Department of Defense, so that they will be better informed on the areas of the world with which they will be concerned.

I would like to mention about two other points in which I think social sciences have made important contributions. One of those is in the general heading of contributing to better human relations in industry.

Modern practice in industrial management has been redirected as a result of some studies that were made by the Harvard Business School in the early thirties. These were originally directed at a study of industrial fatigue, but the researchers discovered that productive efficiency depended not only on physical conditions and the size of the pay check, but also on human relations. And as a result social scientists are being widely used by business in increasing productivity per worker through improved industrial management.

Another area, ninth in my list, in which they have contributed is that of public administration. For example, the Public Administration Clearinghouse was established and has been largely supported by foundations in Chicago. It provides headquarters and assistance for many different organizations, the Council of State Governments, the American Municipal Association, the Municipal Finance Officers Association, and many other similar organizations of State and local officials.

The clearinghouse—and these national organizations have State and local officials—has made many valuable contributions in strengthening State and local government over the entire country by making it possible for these officials to employ experts to study common problems and to unite for common action. It has furnished the center at which national organizations of State and local officials could work out better methods of local and State government.

The Hoover Commission on the Reorganization of the Executive Branch of Government employed organizations such as the Council of State Governments and other experts, trained in public administration and the related fields, in its studies of the reorganization of the National Government for more efficient operation.

Many departments of the National Government and of State governments are employing management consultants, men trained in public administration, in order to provide better service at lower cost through these governmental units.

And last in my list is that of mental health. Modern medicine is paying increasing attention to the social and psychological factors that

affect mental and physical health. It is not only a matter of the human being as an animal, but his welfare and his health, both mental and physical, depend upon his surroundings and in part upon his attitudes.

So that research into the many obscure causes of mental ill-health is now being carried on across a broad front of medical and social sciences. This is one of our most important problems, as is shown by the fact that the number of patients in mental hospitals increased from 481,000 in 1940 to 564,000 in 1949, and it is still increasing.

We need to make use of all scientific research that will contribute to a solution of that problem and to the curing of those who have physical or mental ill health.

I could go on from there and give many others, but those I think are some of the more important ways in which the social sciences have contributed to national welfare through aid given largely by foundations.

Mr. KEELE. Dean Myers, would you indicate to us something along the lines of the number of foundations which have been aiding and assisting the social sciences, and also something of the extent to which they have given assistance?

Mr. MYERS. Well, as far as we can determine, major support of social-science research comes from a relatively small number of foundations.

Among these, the most important are the Ford Foundation, which is a newcomer in the field, the Rockefeller Foundation, the Carnegie Corp., the Twentieth Century Fund, the Commonwealth Fund, the Wenner Gren Foundation, the Grant Foundation, the Field Foundation, the Millbank Memorial Fund, Russell Sage Foundation, Maurice and Laura Falk Foundation.

Perhaps a dozen or so such names would include most of the sources of foundation support for research in the social science while as I understand it the total number of foundations exceeds a thousand, so that the number that are aiding the social sciences again perhaps for some of the reasons I have given is very small.

We have no reliable figures on the total amount of financial support of social-science research given by foundations, but it seems clear that it is a very small, one might almost say insignificant, part of the total expenditures of such organizations. We have figures on some of the major foundations, but we have no way, unless it is obtained through the answers to questionnaires provided to this committee, to get at the total expenditures.

Mr. KEELE. I was going to say we may be able to furnish some information on that when we finish processing the questionnaires.

Will you tell us whether you feel that foundation support is a continuing need for research in the social-science field, and also something of how that support operates or how the foundations support the social sciences.

Mr. MYERS. Well, I would say that the history of research in the social sciences and in other fields has shown that business and Government will support applied research that is of importance to them after its value has been demonstrated.

Foundations in my judgment play a critical role in the development of new fields and in continuing to support basic research in the established fields. At the same time the problem of wise investment of funds to promote public welfare by foundations is much more difficult

than the investment for profit in a business corporation because of the fact that we have a lack of accurate measures of success.

In a modest way I have had an opportunity to participate in the deliberations of boards of directors of business corporations and of two or three foundations. It is much easier for the directors and officers of a business corporation to decide how to invest money profitably than it is for the trustees of a foundation to decide how to invest money wisely for the public welfare.

When you are considering a business investment, you have estimates of costs and profits, you have balance sheets, income statements, you have measures that report accurately the results of both the forecasts and later the results of the investment.

In the case of foundations, you have no quantitative measures which accurately determine the results of an investment. It has to be the best judgment of the officers and of the trustees both in the selection of fields and in the selection of individuals and organizations which are aided.

That is especially true in the aspect in which I think the work of foundations is perhaps most significant. That is the aspect of pioneering.

Foundation funds might be considered as venture capital to assist in developing the social sciences and other new fields by aid in scientific research. We know that similar aid has been given and is being given to the physical and medical sciences over many years and it has assisted them in their development and stimulated broad support of applied research by Government and business.

These pioneering studies are particularly difficult to evaluate. A large part of social-science-research products consists of reliable methods for quick and accurate collection and analysis of information needed by Government and by business.

For example, the invention and perfection of the "life table" was essential to the growth of the life-insurance business. We know that for any one individual the expectation of life is unknown, but the development of life tables based on the known mortality of large groups has given us a method by which life-insurance companies operate and extend life protection to the citizens of the country. Of course a similar principle is used in other types of insurance, fire insurance, health insurance, and so on. Once you work out a good technique by basic research, it finds its way into business and Government.

Again I remind you that these techniques, these applications, are the pay-off, but you don't get these practical results except by support of basic research, and in supporting basic research in the social sciences, foundations have typically left complete responsibility for planning and execution to the person or institution receiving the funds. In this way they have established essential conditions for free unbiased scientific inquiry.

As soon as the scientific basis has been determined, your business schools, colleges of agriculture such as the one I am associated with, business firms, Government use the applied techniques developed through basic research, but the use of social science in agriculture, in business, in Government, is limited by the development of the basic science on which these applications rest.

Another way in which the foundations have greatly aided, the first being pioneering, and one that I think is extremely important, is to

strengthen teaching in the social sciences in colleges and universities by aiding promising men to carry on scientific research which can't be financed by college funds. This aid serves the double purpose of improving instruction because of better trained teachers, and of strengthening the field of science.

A third way in which the foundations assist the social sciences is by scholarships and fellowships to increase the supply of trained scientists for colleges, for Government, for business.

Scarcity of trained scientists that are really competent is a severe handicap to the development of the social sciences. Over about 25 years the Social Science Research Council has given about a thousand fellowships and scholarships in the social sciences. These have been of enormous importance but many more are needed to meet the expanding needs for trained men in business and Government as well as in the colleges.

Those are the ways as I see it in which the foundations have made contributions that would not be made or have not been made by any other agency in the development of these new fields.

Mr. KEELE. We come back again to the theme that has been mentioned here by almost every witness, namely that the characteristic contribution of the foundations is their assistance in pioneering on the perimeter of knowledge.

Mr. MYERS. That's right. And then in continuing the basic research after the pioneering is over, because your business firms, Government, similar organizations will carry on the applied research, but some institution is needed which will finance the basic research on which further growth depends.

I would like to mention another, a fourth area in which I think foundation support has been very important, and I have referred to that previously indirectly. That is the National Bureau of Economic Research.

This national research organization in the field of economics, financed largely by foundations, is the most important organization of its kind in the world. It has been the most important single factor in replacing economic theories with facts.

That organization has carried on pioneering research that I have referred to such as studies of national income, of business cycles, of national production, and then after carrying on these pioneering researches and establishing their value, the bureau has allowed the routine operations of these studies to be transferred to Government so as to release its resources for future pioneering.

For example, the bureau's estimates of national income, capital formation, and consumer spending have been taken over and continued by the Department of Commerce. Its measures of physical output and productivity of manufacturers have been taken over by the Bureau of the Census; its developed estimates of residential construction by the Bureau of Labor Statistics; its estimates of the volume of consumer credit by the Federal Reserve Board. It has freed its organization of the responsibility of routine so that it could continue pioneering work.

Finally it has stimulated economic research and the improvement of teaching in the social sciences in colleges and universities.

The bureau maintains a very small but very competent permanent staff and draws largely on colleges and on business firms and Government for men for temporary periods who are especially qualified for a given study. Over about three decades of operations several hundred men and women from universities, Government and business have obtained invaluable research experience in this way.

After the job was completed they have gone back to their regular vocation, occupation, and were better and more competent teachers or research workers on that account.

Mr. KEELE. I am going to return again to the theme which I touched on before, and that is the fact that we have reiterated so many times in letters and in interviews the charge that the social sciences with the support of the foundations have pursued lines of study which tend to undermine or weaken the capitalistic or free-enterprise system or what we might largely term the American way of life.

Dean Myers, you as an educator, as an economist, as a director of some of the foundations and as a director of some nationally known companies seem to me to be in a position to answer this question with much more understanding than the average person.

In your opinion have the social sciences with the support of the foundations shown any tendency to angle their studies in such manner as to undermine the American way of life as typified by the capitalistic system and free enterprise?

Mr. MYERS. In my judgment the result of their work has been very strongly in the strengthening of the American system of free enterprise.

The CHAIRMAN. Are you prepared to defend that assertion?

Mr. MYERS. Yes, sir. I would say that the studies of how our economy works, the studies of our national income, our markets, our productivity, to find out what has happened and why it happened is of the greatest value in understanding our economy and in helping all people not only to understand it but to make it work better.

Mr. KEELE. The areas on which you have touched seem to me to support the theory that you have just stated, namely that these studies have been directed primarily to an understanding and thereby a strengthening of our existing system. Would you say that that is typical of the work that has been done?

Mr. MYERS. I think that is typical, and I think that the basic reason for it seems to me to be this: The greatest contribution made by social sciences to our national welfare by the aid of foundations has been substituting fact and principles that can be demonstrated by scientific studies for opinions.

The best answer to argument is facts, and what we have needed in the social sciences is more facts, more study of facts, so we will have a more comprehensive body of scientific knowledge.

We have pretty well gotten rid of witch doctors in this country in medicine. We still have a few witch doctors in the fields of the social sciences.

I mean by that everybody is a self-appointed expert. We still have many gaps in the sciences that need to be filled before it can measure up in over-all comprehensiveness to the established long-developed physical natural medical sciences. But as far as it has gone, and to the extent that it has gone, research in the social sciences has substituted facts and sound principles based on facts for speculative theories.

I would like to make just one or two other points, with your permission. Another very important agency in the social sciences that has been aided by foundations is the Social Science Research Council to which you referred this morning. This is a cooperative organization to stimulate and help organize scientific research in the social sciences.

It also selects the most promising young men for scholarships and fellowships, using funds provided by foundations. The membership of the council is made up of the professional societies of the social sciences, and its directors are drawn from men in these professions working in universities, business, and government. In other words, it is a cooperative organization largely of professors of social science that helps to coordinate their efforts to develop programs of research.

It has been effective not only in giving fellowships to train more promising men but in helping individual professors to get aid of foundations in carrying on scientific research.

Without going into any large number, the Brookings Institution here in Washington has been aided largely by foundation grants and it makes many important research studies especially for the National Government.

The Food Research Institute at Stanford University has received many foundation grants for its scientific studies of food problems.

In addition to these, the foundations finance large numbers of research projects to be carried on by some of the most promising workers on the staffs of colleges and universities. This important part of their activities serves a threefold purpose.

It builds the scientific structure of the social sciences; it improves the content of the teaching and the qualifications of the teachers; and it helps to train more competent men for these fields.

What we need, Mr. Chairman, in the social sciences, in my judgment, is more scientific research so that we can push the boundaries of known knowledge back further, and further eliminate speculative theories as guides in thinking and in action, both public and private.

Mr. KEELE. Dean Myers, one of the charges which we have had repeatedly made to us is that the foundations working through shall we say the Social Science Research Council or the American Council of Learned Societies or any other groups through which they do work tend to a sort of self-perpetuation.

The term I believe has been used by a number of critics is that of intellectual in-breeding, the thought being that the same men over the years or the same group of men holding much the same ideas get control of the apparatus by which these grants are made or are allocated, and that it tends to freeze out those of a different opinion or a different school of thought. Do you think that charge is fairly made or at least can be substantiated, or do you differ with it?

Mr. MYERS. I do not think the charge is accurate. Again I should have explained previously I am not an expert in these fields. My experience has been directly in two or three foundations, and as an agricultural economist and a worker in the field of agriculture.

It happens that at my institution my college has been the recipient of very insignificant grants because we have reasonably adequate support from public funds for research in education and agriculture.

However, as a person, a dean of an agricultural college, I recognize our dependence in agriculture on further development of the basic sciences on which all of agriculture rests, so that we can get support for



carrying on reasonably adequate programs to improve the production of crops and animals, to improve the fertility of the soil, to improve the well-being of farm people, but we cannot get public funds for basic research.

We still depend for the continuation of agricultural progress on basic research in the physical sciences, in the social sciences, and in the humanities for the best progress in agriculture in an applied field, and I think that is a fair sample of applied education.

Mr. KEELE. Would you cite by example what you referred to as the basic research on which agriculture bases its progress?

Mr. MYERS. Well, one of the very important developments in agriculture in the past 20 or 30 years has been the development of new and better varieties of plants, all kinds of crops. Hybrid corn is an example, improved varieties of wheat and oats and of cotton and of potatoes.

Well, those developments in the field of plant breeding would not have been possible without basic research in genetics, in botany that increased the knowledge on which the plant breeders work, so that as we move ahead to develop still better plants that are not only productive, that have desirable nutrients, that are resistant to disease and insects, we are continually dependent upon the further growth of the basic sciences on which we represent the application.

I am fairly familiar with the field of agricultural economics and of marketing. Well, agricultural economics is the applied economics to agriculture. And in marketing we are studying the marketing to try to improve the marketing of many farm products.

The development of those applied social sciences depends to an important extent on further scientific research in basic economics, and in fundamental economic studies, such as the ones I have referred to, and others.

It is just as true in the social sciences as it is in the physical sciences, and I think it is also true in the medical sciences that we depend on continually growing phases of basic knowledge developed through basic research.

Mr. KEELE. And the money for that is not available, you say, from the public funds in the amounts necessary?

Mr. MYERS. Very limited amounts. We can get funds in the business schools and in the colleges of agriculture for applied research. It is from foundations that the principal funds come for carrying on basic fundamental research, things that have no immediate application.

Mr. KEELE. I think I have stated probably the negative side of the criticism that has been made most frequently. Let me put it in the positive.

I should say that of the charges that have come in to the staff of the committee, the greatest numbers and the criticisms are directed primarily along the lines that the social sciences with the support of the foundations have tended to encourage socialism rather than the system of free enterprise or capitalism under which we are presently operating or did operate, if that is a more correct term.

In your opinion, is that charge substantiated by the facts?

Mr. MYERS. I do not think it is, sir. In my opinion, the basic studies made by the National Bureau, those on national income, those on business cycles and those on production and productivity that show how our economy works that have indicated the relationship, the

basic relationship between productivity per worker and national standard of living, have been among the most important factors in keeping our economy on an even keel and giving wide recognition to the fact that if we want to have a rising standard of living, all groups must be organized so as to produce more per worker so that we will have more to divide.

One can make comparisons that would be odious between the philosophy of this country, which recognizes that the only way you can have a higher standard of living is to produce more, and some countries of the Old World where they have not had that philosophy of life, they have been dividing scarcities. Well, I don't want to attribute too much to one organization. Let's say it is part of the genius of the people of America and a new country, but I believe that the studies show the close relationship between increasing productivity and improving standards of living which have been very important factors in wise public policies.

As I made the point this morning, in preventing selfish pressure groups from getting success in trying to get a bigger piece of the pie at someone else's expense, instead of recognizing if they want more pie, the productive way is to produce more, and then with fair methods of distribution they would get more. I believe that the basic economic studies have been very important in giving wide recognition in this country to that rather basic fundamental thing which I think underlies in part our free economy.

Mr. KEELE. I gather from what you have said today that if we were to try to simplify the matter and place it in capsular form, we could say that the chief beneficiaries as regards groups of the work of the social scientist and social science has been, one, the Government, and two, business enterprises who have applied the knowledge that has been gained through your research. Is that correct?

Mr. MYERS. I don't know that it is one and two.

Mr. KEELE. I don't know in which order.

Mr. MYERS. I don't either, but certainly business generally, including agriculture and Government, have both been important beneficiaries, and with them, of course, the Nation.

Mr. KEELE. But those two agencies or groups are the ones who have seized upon the work done and applied the research to their problems to a greater extent than any other groups, I gather.

Mr. MYERS. That is correct.

The CHAIRMAN. Mr. Hays, I shall pass the opportunity to question Dean Myers, but I would not like it understood that I am accepting as facts in the case the statements that he has made, because this committee is obligated to these distinguished people like Dean Myers for coming here of their own accord in response to invitations, to give the committee their best thought on some phase of the question which the committee is dealing with.

I shall want before we go much further in the hearing to test out questions which have been raised by the questions that counsel asked Dean Myers, as regards the behavior of foundations. In other words, in their being creatures of the capitalistic system, have they not in their operations undertaken to bring the system into disrepute, and has there not been developed a socialistic leaning on the part of most of the foundations that have entered into the formulation of the poli-

cies they have made and under which they have carried on. I believe that is all right now.

Mr. KEELE. I assume, Dean Myers, that was the expression of your view.

Mr. MYERS. That is correct.

Mr. KEELE. There may be those who would differ. I suppose each man is entitled to his own view, but I was particularly interested in asking that of you because of the fact of your wide experience both in business corporations and in serving on the boards of the foundations and also because of your interest in and work in the social sciences.

Are there any other questions?

Mr. GOODWIN. No questions.

Mr. KEELE. I would like to express to Dean Myers our appreciation of the staff, and I am sure of the committee, for the assistance he has given us, aside from appearing here because he has been most cooperative and helpful in advising us.

Mr. MYERS. May I thank you for the opportunity and just say this: That the best answer to any speculative theory is further scientific research in the field of the social sciences.

Mr. HAYS. Thank you very much, Dean Myers.

(The prepared statement submitted by Mr. Myers reads in full as follows:)

STATEMENT OF WILLIAM I. MYERS, DEAN, NEW YORK STATE COLLEGE OF AGRICULTURE,  
CORNELL UNIVERSITY

WHAT THE SOCIAL SCIENCES ARE

The social sciences involve the study of man in relation to other men as individuals, groups, and nations. The major commonly recognized fields of the social sciences are:

1. Economics considers ways in which man obtains goods and services in making a living.
2. Psychology studies man's mental organization, his mental process, and his aptitudes.
3. Sociology and anthropology study the relations of men as groups as well as the culture and physical characteristics of human races.
4. Political science or government studies governmental organization and processes at all levels.
5. Demography or population studies consider the laws that control the growth, decline, and migration of population.
6. History interprets the behavior of man over time.

Each of these fields includes a very broad area. Economics, for example, with which I am more familiar than the other social sciences, includes, among other studies, those of money and banking, business and labor organizations and management, public finance, international trade and finance, marketing, land economics, national income and wealth, and economics of transportation. Many of these areas may in turn be subdivided further in terms of professional specialists who teach in a large university, who do research, and who work with businesses and a variety of other groups and organizations having a direct interest in their activity. In the college of agriculture at Cornell, for example, agricultural marketing is divided into marketing dairy products, marketing fruits and vegetables, and marketing poultry, eggs, and livestock. The other fields of social science have also been divided and subdivided into increasingly numerous lines of specialization as knowledge in these fields has expanded.

This growth has been paralleled by even greater expansion in the physical and biological sciences and by the increasing specialization of occupation in every walk of daily life.

## SOME DIFFERENCES BETWEEN THE SOCIAL AND PHYSICAL SCIENCES

There is no hard and fast line between the social sciences and the physical and biological sciences. Modern medicine, for example, increasingly pays attention to social and psychological factors which affect both mental and physical health. The trend is clearly indicated by the development of a whole new field of psychosomatic medicine. Research into the obscure causes of mental illness is now being prosecuted across a broad front of biological and social sciences.

Nevertheless, man's knowledge and mastery of the physical universe have outrun his understanding of his fellow man. Civilization may be threatened with destruction by the atomic bomb, because the inventions made possible by research in the physical sciences have not been matched by corresponding developments in the social sciences that would limit their use to constructive purposes. At the same time, new and more intricate military devices, developed as a result of progress in the physical and biological sciences, are necessary for our defense, but are not most effective unless men can be selected, organized, and trained to make the best use of them. Technical progress in industry is being accompanied by growing attention to how to hire, train, and persuade men to increase production. Personnel work in industrial corporations uses increasingly the research of psychologists, sociologists, economists, and industrial engineers for this purpose.

The physical and social sciences use many of the same basic disciplines, the same logic and seek the same objectives of provable knowledge that can be passed on to others. Furthermore, there is, as already indicated, no exact line of demarcation, but a zone of overlap between them. There are, nevertheless, essential differences.

One of the important differences between the social and natural sciences lies in their historical development. Men have been developing the principles of physical science by the use of scientific methods for several centuries. The first substantial, precise scientific work in the fields now included in the social sciences, on the other hand, began only a few decades ago. This lag is due largely to the fact that it is more difficult to study human relations than physical problems. In the social sciences it is usually not possible to employ experimental methods to determine what causes bring about what effects. Laboratories and field plots can be used to develop better varieties of seed corn in the science of plant genetics. It is obviously impossible to segregate in this way individuals or groups of people to study the great majority of problems of human behavior. This makes it necessary for the social scientist to observe what people are doing around him either by direct observation, by asking people about themselves or by searching in the records of the past. The necessity of leaving the office and laboratory to study most problems of social science delayed development until statistical methods were devised which proved to be appropriate tools for scientific research in these fields.

It seems likely also that the controversial aspects of many social problems have contributed to delaying the progress of the social sciences. Arguments among scientists are always found on the growing edge of every science, physical and biological as well as social. However, arguments about social-science problems often result in widespread and heated controversies because the general public is deeply interested in them and the suggested solutions may differ from its preconceived opinions and prejudices.

In many areas of social science, such as child development and education, for example, most people consider themselves experts. On the other hand, progress in the medical sciences has been such that few people are, for example, inclined to substitute their own opinions for those of a physician when they are seriously ill, even though medical scientists may argue among themselves concerning appropriate treatment for the disease.

Science reduces controversy by substituting facts for speculative theories, but scientific research is a slow and painstaking process especially in the social sciences. Great care is needed in suggesting action based upon such research. Social science is not a substitute for common sense, but an additional tool for reasoned judgment. Predicting trends in the social sciences is more like forecasting the weather, with all the variables involved, than predicting results in physics or chemistry.

Another difference in the development of the social and physical sciences is that most colleges and universities have been unable to finance research which is necessary for the growth and development of social science. Until rather recently, relatively simple, cheap laboratory equipment could be used for re-

search in chemistry and physics, and such expenditures had been accepted by custom. On the other hand, funds were not available for social-science research because it was new and because substantial annual grants were required both for travel expense to study the problem where it existed and for clerical salaries to analyze the results.

Another important comparison between the social and physical sciences lies in the fact that we have social scientists today but many question whether we have a real social science. A scientist is a man who applies scientific methods to the study of problems. In the word of Chester I. Barnard, formerly president of the Rockefeller Foundation, the scientist tries to obtain knowledge by observation or experiment or both, with a high degree of objectivity. His methods of study and presentation of results are such that others can, if they choose, repeat the procedure under similar conditions. The scientist constructs and tests hypotheses for this purpose. Where the data are sufficient, he tries to formulate theories consistent with the data to promote knowledge of the field. In this sense, in spite of the short history of social science, there are substantial numbers of competent social scientists although they are pitifully few in relation to the number, complexity, and paramount importance of the problems to be studied.

Science, on the other hand, according to the same author, is a substantial body of knowledge, validated by criteria accepted by a group of competent scientists. In general this knowledge is interconnected and self-consistent. It is integrated by theories accepted by most scientists and it is associated with an active group of scientists who use it. While great progress has been made, the social sciences cannot yet be said to meet these tests fully. We have competent social scientists but greater numbers are needed, working over a period of time, if the social sciences are to become genuine science in the sense indicated.

Another important difference between the social and physical sciences is that, as would be expected, the number of professional workers in the social sciences is far below the number working in the older, longer established physical sciences. According to the most recent figures, the total membership of seven professional societies in the social sciences was less than two-thirds the membership of the American Chemical Society alone.

#### SOME CONTRIBUTIONS MADE BY THE SOCIAL SCIENCES WITH FOUNDATION SUPPORT

One way to judge the usefulness of the foundations in the social sciences is to examine results of research they have sponsored. I should like to indicate some of the work that has been done which I believe to be outstanding. This is not to say that all foundation-sponsored work has been equally useful or that the foundation officers themselves would not be the first to admit that mistakes have been made. A baseball player who hits in one-third of this times at bat is considered to have a high batting average. Dun & Bradstreet compile an impressive record of mistakes in the form of business failures.

But let me mention a few of the successes. The merits and the very valuable accomplishments of the foundations should be recognized. It is impossible, in the time available, to attempt a clear summary of all the valuable research and other activities aided by the foundations, and I can only cite a few outstanding examples.

1. *Studies of the size of the national income of the United States and its distribution to wage and salary earners, investors, and business proprietors made by the National Bureau of Economic Research.*—These studies substituted facts for theories and opinions. Before the National Bureau published its basic studies of the national income, even trained economists often had fanciful ideas about how the national income is distributed. In the absence of dependable information, it was impossible to discriminate intelligently among the many conflicting theories. All this has changed in a single generation. Hardly a day now passes without some mention in the public press of some actual or impending change in the national income or in the gross national product. National income accounts are now followed closely by business firm, private investors, trade-union officials, and governmental agencies. Even laymen have some understanding of these technical matters. No one need guess any longer about the size of the national income, its rate of growth, or its distribution among the principal economic groups or regions of our country. Likewise, one can now tell with substantial accuracy what part of the gross national product passes into the hands of consumers, what part is taken by the Government, and what part is used by business firms to augment their inventories or their instruments of production. Information of this type prove enormously helpful to our Government in mobiliz-

ing economic resources during World War II, and it is constantly used nowadays by business managers and Government officials in analyzing current developments and judging the economic outlook. After the research methods had been worked out and the value of these studies established by the Bureau, they were taken over by the Department of Commerce and have been continued by that agency.

2. *Studies of fluctuations in incomes and employment.*—The Employment Act of 1946 and discussions during the recent Presidential campaign point to economic instability as one of the paramount problems of our times. Although theories of business cycles were embarrassingly numerous, no one had taken the trouble to determine which of these theories best conformed to the facts of experience until studies were undertaken with foundation support by the National Bureau of Economic Research. In the studies, the basic scientific need, therefore, was to ascertain what actually happens within our economy during booms and depressions, and thus bring the test of experience to bear on the theories that keep clamoring for public attention. The Bureau's factual researches on business cycles, which are reported in numerous treatises and monographs, have greatly expanded the range of scientific knowledge of this very practical subject. For example, the Bureau has established that our imports fluctuate in close harmony with the national income while our exports do not; that investment expenditure fluctuates over a much wider range than consumer spending; that inventory investment is by far the most volatile type of investment outlay; that short and mild depressions are dominated by declines in inventory investment while long and severe depressions are dominated by declines in fixed capital investment; that aggregate business profits reach a cyclical peak at about the same time as national income, but that the proportion of business firms experiencing rising profits begins to decline about 6 to 12 months before aggregate profits and national income reach their peak. Equipped with numerous factual findings of this character, economists can face the speculations of a Marx or a Keynes with something better than their own speculations. Not only that, they can begin to frame forecasts and to devise policies that rest on a scientific distillation of experience.

3. *Studies of national trends of production and productivity.*—In 1934, with foundation financial support, the National Bureau of Economic Research brought out a comprehensive survey of production trends in the United States since 1870. This was followed by detailed scientific research of the trends in output, employment, and productivity in agriculture, mining, manufacturers, electric power, transportation, and service industries which showed physical growth of the Nation for the first time. These studies indicated, among other things, how large the gain in output had been, and how sensitive efficiency has been to changing economic circumstances, such as unemployment, inflation, the existence of war, and the availability of capital. They have also provided basic information on the growth of merchandising, the service trades, and governmental functions—a range of activities which had previously been neglected in economic literature, although they have expanded much more rapidly than the commodity-producing industries and already embrace a good half of the economic activity of the American people. The Bureau's findings concerning production, employment, and productivity have been widely used because they are a unique record of economic performance and because they show very closely that the Nation's rising standard of living depends on increasing productivity. The policies of the ECA, directed toward raising the productivity of European industry and thus the living standards of Western Europe have derived much of their authority from these American data, for which there was not until very recently any European counterpart.

4. *Historical and statistical studies of financial and credit markets.*—The National Bureau with foundation support has conducted investigations of the performance of the financial system. The boom in common stocks during the 1920's and its aftermath are notorious, but speculation was by no means confined to common stocks. It extended to lending on farm and urban mortgages, purchase of foreign government bonds, and to other types of credit. To clarify these and related experiences, the National Bureau has made extensive historical and statistical studies of the financial and credit markets. The first of these studies was devoted to the practices of financial institutions engaged in consumer financing, particularly consumer installment financing. Subsequent investigations have dealt with the financial institutions, including Federal and federally sponsored agencies, involved in the financing of business, agriculture, construction, and trading in real estate. These studies were built up from new primary materials, and they have vastly expanded our knowledge of credit

standards and of the factors affecting losses on consumer loans, business loans, and mortgages. A comprehensive study of the experience of investors in domestic corporate bonds since 1900, and another study of experience with foreign government bonds issued during the 1920's, have rounded out this series of financial investigations. The results of these studies are widely used by all types of financial institutions.

5. *Aptitude testing and personnel selection.*—A most significant contribution of scientific psychology has been the development of methods of measuring human aptitudes, emerging partly as a result of the work of such leaders as Thurstone, Terman, and Thorndike who received substantial financial assistance from the foundations for their studies. From the "Army alpha" test of draftees during World War I, steady progress has been made by scientific research so that a great variety of aptitude tests is in daily use in innumerable activities.

Such tests are employed in the field of education from the time the child begins school through college entrance and college and including, among other applications, vocational guidance. Many businesses test employees for many different kinds of work through the application of these methods. Government—Federal, State, and local—employs them widely in selecting employees for different kinds of work.

World War II presented a much more complicated selection problem than World War I, not only because of the larger number of men involved, but also because of the requirements for special skills for mechanized and airborne war. The rapidity with which the Armed Forces were expanded and their effectiveness as a team, depended to an important extent on a selection and classification program to put men in positions where their skills and aptitudes were most needed. Considering the difficulties involved, a really remarkable job was done.

6. *Questioning and interviewing methods.*—Some of the facts used in social science research come from records. Some come from direct observation, but many come from asking people about themselves, their opinions, experiences, beliefs, expectations, and intentions. Since the accuracy and validity of the findings depend on the method used, much research effort has gone into the refinement of interviewing and questioning methods toward which foundation support has contributed. The technical knowledge developed by research includes the wording of questions; how to select samples of people to represent larger groups within known degrees of accuracy; and methods of analyzing the answers that are obtained. These techniques are being used in a wide variety of applications. The foundations made important contributions to their development. Among the numerous applications of questioning and interviewing methods are those employed in market research on consumer preferences. The census provides indispensable information for agriculture, other business, and Government. The Census Bureau is staffed by social scientists trained in the use and analysis of questioning methods.

The Survey Research Center of the University of Michigan, which has received extensive foundation support, makes an annual survey of an accurate cross section of the population for the Federal Reserve Board in order to obtain information about family earnings, expenditures, savings, and plans for future spending that can be obtained in no other way. This information is used by the Board as one guide to decisions on credit policy. It is also widely used by other Government agencies and by business.

The Research Branch of the Information and Education Division of the Army, staffed by competent social scientists, used these techniques during World War II to obtain authoritative information on many problems, such as morale, mental breakdown, venereal disease control, and postwar educational plans of soldiers. The most widely known contribution of this agency was the research underlying the "point system" of discharge of servicemen during demobilization.

7. *Area studies.*—World developments make it important for the United States to have available for use when needed, detailed information about remote and obscure areas of the world, and trained men with command of this knowledge. These resources were mobilized for military purposes during World War II.

Area studies involve investigation of countries or regions of the world and the bringing together of knowledge representing the contributions of many fields of social science. Foundation support has been given widely to encourage the development of such work.

Among the applications of the knowledge developed from such studies was the supplying of information by social scientists to the Navy during World War II for quick preparation of detailed handbooks on Okinawa and the Japanese

mandated islands covering their geographic, political, social, and cultural characteristics for background for military purposes and later civilian administration.

In the Overseas Intelligence Branch of the Office of War Intelligence, anthropologists coordinated the evaluation of intelligence data on Japanese morale, relating incoming reports to a background of studies of the Japanese people. Contrary to common belief in the invulnerable fighting spirit of the Japanese, the social scientists were able to point out vulnerable places in Japanese military and civilian morale. A report written in May 1945 predicted the early collapse of the whole Japanese war effort both in the armed forces and at home.

Area studies since the war receiving foundation support include those on Russia, the Far East, Southeastern Asia, the Near East, Latin America, and others.

8. *Human relations in industry.*—Businessmen recognize increasingly that the productivity of the industrial workers is more than a matter of size of pay check. Modern practice in industrial management has been redirected in part as a result of studies done by Mayo and associates of the Harvard Business School during the early 1930's at the Hawthorn plant of Western Electric Co. with foundation financing. Initially directed at industrial fatigue, these researchers discovered that productive efficiency depended on the human relations as well as physical conditions and mechanization. In recent years, social sciences have been widely used in business in increasing productivity through improved practices in industrial management.

9. *Public administration.*—The Public Administration Clearing House at Chicago and many of the organizations established there, such as the Council of State Governments and affiliated organizations, the American Municipal Association, and the Municipal Finance Officers Association, have received substantial foundation support. The financing of this work from the early 1930's gave new vigor to many of these organizations. It has resulted in a valuable contribution to strengthening State and local government over the United States by making it more easily possible for officials from these governments to consider their common problems, to look to a staff of experts for advice, to improve their operations, and to unite for common action. One activity of one of these organizations—the Municipal Finance Officers Association—may be mentioned. As a result of its initiative and work, studies were made and reports prepared on governmental accounting, debt administration, local revenue and tax administration, and budget and pension administration. Publications on municipal accounting were prepared for use by municipal officials at a time when there was virtually no guidance available from other sources. Membership in this association grew from about 100 in the early 1930's to 1,000 in recent years. The Council of State Governments has performed major service for State governments through activities so well known to this committee that citing them would be repetitious.

The Hoover Commission in its studies of organization of the executive branch of the Federal Government employed organizations such as the Council of State Governments and experts elsewhere, trained in public administration and its related aspects. The organization of departments of government for more efficient public service, whether in the Federal Government or State and local, owes much to the studies of men trained in public administration and who have served on the staffs of legislative committees and executive agencies. Some of the pioneering work in this field as a science has received support from foundations.

10. *Mental health.*—Research on mental disease has become increasingly concerned with the social and physical factors which produce mental disease and those which may prevent such illness.

Social scientists aided by the foundations, have contributed to new approaches through studies of the family and the community to show what conditions produce healthy personality and what produce disordered behavior. A current problem in this area includes one supported by substantial foundation grants to help determine to what degree social conditions contribute to mental disorder. Another current study financed by foundations includes one at Harvard to explore what preventive mental-health measures are most effective at the community level.

New techniques have been developed through research for quick and economical identification of mentally disturbed individuals. An example is the neuropsychiatric screening adjunct developed for the Army by sociologists and psychologists during World War II. This test was officially adopted for use at all



induction stations beginning in 1944 to try to screen out men mentally unfit for effective Army service.

The urgency of the problems of mental health is partly indicated by the fact that the number of patients in mental hospitals increased from 481,000 in 1940 to 564,000 in 1949. In New York State, the State's mental hospitals and schools are by far the largest single items of operating expense of the State government.

11. Other studies supported by foundations and dealing with problems of current practical importance include investigation of the effects of different kinds of retirement upon older people; an inquiry into community resources available for aged persons; investigation of what happens when American methods and technologies are introduced in underdeveloped agricultural regions. The latter problem requires understanding if we are to avoid doing more harm than good in our efforts to meet threats of aggression by technical and economic aid abroad.

#### NUMBER OF FOUNDATIONS AIDING SOCIAL SCIENCES AND EXTENT OF THEIR FINANCIAL SUPPORT

Major support of social-science research comes from a relatively small number of foundations. Among them, the most important are: Ford Foundation, Rockefeller Foundation, Carnegie Corp., Twentieth Century Fund, Commonwealth Fund, Wenner Gren Foundation, Grant Foundation, Field Foundation, Millbank Memorial Fund, Russell Sage Foundation, and Maurice and Laura Faulk Foundation. A dozen or so such names would include most of the sources of foundation support for research in the social sciences, while the total number of foundations exceeds 1,000.

There are no reliable figures available on the total amount of financial support of social-science research given by foundations, but it seems clear that it is a very small part of the total expenditures of such organizations.

#### NEED FOR FOUNDATION SUPPORT FOR SOCIAL-SCIENCE RESEARCH

The history of research has shown that business and government will support applied research of importance to them after its value has been demonstrated. Foundations play a critical role in the development of promising new fields and in continuing to support basic research in established fields. At the same time, the problems of wise investment of funds to promote the public welfare is much more difficult than investment for profit in a business corporation because of the lack of accurate measures of success.

Pioneering investigations are supported by foundation funds which serve as venture capital assisting in developing social sciences and other new fields through supporting scientific research. Similar aid given to the physical and medical sciences over many years has assisted in their development and stimulated broader support by government and business. Underlying the progress of social scientists working with immediate and practical problems has been basic research often having little apparent relation to things of every-day concern, just as in the science of physics, theoretical studies formed the basis for later development of atomic energy. A large portion of social-science products consists of reliable and valid methods for quick and accurate collection and analysis of information needed for policy making and administration in business, education, government, and other organized social functions. Thus, the invention and perfection of the "life table" was essential to the growth of the life-insurance business. Similarly, mathematical statisticians working on theoretical problems have made possible great advances in psychological testing and in the measurement of such seemingly elusive things as morale or employee satisfaction. A good technique developed in the universities tends to find its way into market research, personnel work, and other practical applications. The application is the payoff but we do not get the useful end-items except by support of basic theoretical and developmental research. In giving financial support foundations typically have left complete responsibility for detailed planning, execution, and interpretation of research to the person or institution receiving the funds. In so doing, they have established essential conditions under which free and unbiased scientific inquiry can be pursued.

The foundations have strengthened the teaching of social sciences in colleges and universities by aiding promising men to carry on scientific research which cannot be financed by college funds. This aid serves the double purpose of improving instruction and strengthening the field of science. Through foundation support college teachers have had opportunity to study problems in their field.

Aside from resulting additions to the knowledge of the science, it helps teaching to lose some of its more undesirable ivory tower aspects.

The foundations, through their scholarship and fellowship programs, have done much to increase the supply of trained and competent scientists for colleges, government, and business. Scarcity of competent trained scientists is a severe handicap to the development of the social sciences. While the 1,000 fellowships and scholarships granted through the Social Science Research Council over the last quarter century have been of enormous importance, many more are needed to meet the expanding needs for trained men. Without foundation assistance the situation would be much worse than it now is.

The foundations have been largely responsible through the capital they have made available for the existence of a number of noteworthy institutions and organizations in the fields of the social sciences.

A major beneficiary of foundation grants for economic study has been the National Bureau of Economic Research, which was organized in 1920 by a small group of men—among them Wesley Mitchell, noted economist; Malcolm Rorty, the industrialist; and Edwin F. Gay, first dean of the Harvard Business School—as an agency for the scientific investigation of economic problems. It was the view of these men that the studies of such an agency would establish wide areas of economic fact accepted by students, businessmen, and legislators, and thus reduce or narrow the field of controversy over economic issues and policies.

In studying the workings of our economic organization the National Bureau has concentrated on fundamental and continuing problems rather than the shifting issues of the day. The bureau pursues no single or particular theory in its studies. Instead of asking "what might happen" or pronouncing judgment on "what should happen," the bureau seeks to ascertain "what did happen," "what is happening," "why," and "what do the facts signify". In other words, the bureau has followed the well-tried methods of the older sciences, which have reached their present dependability by substituting on an ever-widening scale facts for opinions and tested generalizations for theoretical conjectures.

This national-research organization, financed largely by foundations, is the most important organization of its kind in the world. In addition to carrying on its basic research on national income, business cycles, physical output, efficiency, and the machinery of credit, the National Bureau has made studies of the labor market, the capital requirements of industry, and the finances of the Federal Government. Over the years the bureau has drawn on hundreds of men and women from universities, departments of government, and business firms for participation in its investigations. The results of these investigations have become imbedded in the work of private and governmental agencies. For example, the bureau's estimates of national income, capital formation, and consumer spending have been taken over and continued by the Department of Commerce; its measures of the physical output and productivity of manufacturers, by the Bureau of the Census; its estimates of residential construction, by the Bureau of Labor Statistics; its estimates of the volume of consumer debt, by the Federal Reserve Board. In these ways, as well as through the media of its research and its publications, the National Bureau has had a wide influence on the training of economists, the teaching of economics, and the programs of other research institutions, notably the universities.

To a very significant degree the National Bureau's accomplishments in the sphere of economic research have been made possible by the foundation grants. Approximately half of the bureau's budget, in some years considerably more than that, has been met from Rockefeller grants. These grants have covered in advance periods varying from 3 to 10 years, and they have carried no restrictions as to the subject or method of investigation. With unrestricted and assured funds at its disposal, the bureau has been able to plan its program over a term of years. It has felt free to pioneer in hitherto unexplored fields and to take whatever time was needed to permit its studies to mature. It has been able to resist the temptation of accepting funds for studies of transient problems. Most important of all, it has been able to plan its program so that successive studies may build upon, add to, and enrich earlier investigations. Without the aid of the Rockefeller Foundation, the National Bureau would have found it much more difficult, and might have found it impossible, to pursue the course along which scientific knowledge cumulates.

Another organization, a major part of the activities of which has been made possible by foundation support, is the Social Science Research Council. This body is a cooperative organization to stimulate and help organize scientific research in the social sciences. It also selects the most promising young men

for scholarships and fellowships using funds provided by foundations. The membership of the council is made up of the professional societies of the social sciences, and its directors are drawn from men in these professions working in universities, business and government.

The Brookings Institution has been aided largely by foundation grants and, as is well known, makes many important research studies.

The Food Research Institute at Stanford University has received many foundation grants and has made major contributions to the study of the economics of food production and distribution.

The various foundations have also financed innumerable projects which have been carried on by some of the most promising research workers on the staffs of colleges and universities. This important phase of foundation activities serves a threefold purpose. It increases the scope of scientific information. It improves the content of social-science instruction in colleges and universities. It helps to train larger numbers of competent men for these fields.

Mr. KEELE. Dr. Bush.

Mr. HAYS. Dr. Bush, the committee welcomes you, sir. We appreciate your presence here, and we will be very happy to hear your presentation.

**STATEMENT OF VANNEVAR BUSH, PRESIDENT OF THE CARNEGIE INSTITUTION OF WASHINGTON AND TRUSTEE OF THE CARNEGIE CORP. OF NEW YORK**

Dr. BUSH. I am very happy to be with you, Mr. Chairman. Perhaps I ought to identify myself first, Mr. Keele.

Mr. KEELE. Well, I think for the record perhaps it is well. Most of us here know who you are all right, but perhaps we ought to have it for the record.

Dr. BUSH. I am president of the Carnegie Institution of Washington. I am a trustee of the Carnegie Corp. of New York.

And may I make a correction here of a statement which Mr. Hollis made, I am sure inadvertently, for he stated that my institution is a subsidiary of the Carnegie Corp. of New York.

Mr. KEELE. We were informed that you probably would catch that error and remark on it today.

Dr. BUSH. As a matter of fact, the Carnegie organizations are very independent. I sit on the corporation board, but the president of the corporation does not sit on my board, so if there is any subsidiary relationship, it would seem to be in the other direction.

I am also a member of the governing body of three educational institutions—John Hopkins University, Tufts College, Massachusetts Institute of Technology. I am also a regent of Smithsonian Institution and am on one or two commercial boards.

Mr. KEELE. Because of your experience and abilities, we have asked you to come here today, Dr. Bush, to advise us as to your views of the contributions and the impact, if I may use that term again, of the foundations upon the physical sciences or natural sciences.

Dean Myers has been talking about what the foundations have done in the area of social sciences. Yesterday General Simmons, dean of the School of Public Health at Harvard, discussed with us what they had done in the field of medicine and public health.

We have had Dr. Middlebush here telling us something of what they have done in education. Now we would like to hear from you what they have done, if anything, in the field of the physical sciences or natural sciences. I don't want to ask a leading question, of course.

Dr. BUSH. If I were to expound on that completely, of course, I would take much more time than this committee has available. However, I will attempt to pick one or two instances that seem to me to be particularly significant.

Let me take first one that touches on Dean Myers' testimony. Back in 1908 a scientist of Cold Spring Harbor stationed at my institution developed the theory of hybrid corn. What he did was to work out the genetics relationships of that exceedingly complex plant to grow pure lines, to find that on crossing them there was enormous hybrid vigor.

He published all of this, but there was a pause of some 10 years before anything was done about it practically, and then it was picked up industrially, there were in fact founded some rather substantial fortunes on the basis of the development of hybrid corn in this country, some of which you may have heard about.

But hybrid corn came into practice for the benefit of this country, and I understand today that the value of hybrid corn represented by the excess production that was available over what would be available if we were using the old methods amounts to some \$3,000,000,000 a year.

This is a case of where a foundation was well in advance of the art, studying very basic and fundamental things before there was practical realization.

Let me take another example, and it is almost impossible to separate the purely scientific affairs in the field of the natural sciences from their commercial, their political, their social implications.

I think one of the greatest things that was ever done by the foundations in this country was to give us the seeds of a really effective system of medical training with the result that we have in this country a strong system of medicine.

Back in 1908 we had a chaotic system in this country of medical education. There were one hundred fifty or so medical institutions, most of them operated on a commercial basis and for a profit, most of them without any facilities except a few classrooms, most of them with their instructors merely practicing physicians from the region in which they were located. They were training students that they took in almost with no entrance requirements.

As a result of that, we had in this country four or five times as many physicians as there were, for example, in Germany for the same population.

Our medical system of education was in a very sorry state. The Carnegie Foundation for the Advancement of Teaching got Doctor Flexner to study the medical schools, and he published a very thoroughgoing analysis of the difficulties. He pointed out that we had one strong medical school at Johns Hopkins University, and he advocated a system of higher standards and of better support.

Following his publication, there was strong support of medical schools in various places by the foundations, and not only by the foundations, but by individuals, such individuals as Rosenwald, Harkins, Eastman, who made great contributions to medical schools.

We have today a very strong system of medical schools in this country.

You were speaking a moment ago, gentlemen, about whether the foundations in this country had had an influence which trended toward socialism. Without attempting to treat that whole subject, may I point out to you that here was a trend which was in exactly the opposite direction.

We have today in this country a very strong medical system. It is by no means perfect, but it is a system of which we can in general be proud.

In England today we have a socialized system of medicine. We have no need for that in this country, and one of the reasons that we are in the place where we can avoid that expedient is because of the work of the foundations in the early days of medicine.

Now, might I turn to just two more. I won't take too much time. We had experience only a few days ago of an announcement by the Atomic Energy Commission that there was a thermo-nuclear explosion at Eniwetok. In the early thirties there were very few people in this country who felt that the pursuit of the study of nucleonics, of the inner actions of the atom, was of any more than academic interest; that that study could ever be of importance, practically or in terms of national defense.

There were many fine pieces of work done on that subject, but let me single out one.

One of the earliest pioneers was Ernest Lawrence. In the early thirties he built a cyclotron at the University of California. His first support for so doing came from the Research Corporation in New York, a foundation which was founded by Frederick Cotrell, which was then headed by a man of great vision, Howard Poillon, and he gave to Ernest Lawrence his first report at the time when Ernest Lawrence was not widely known, nor was it recognized that he could be such an important leader as he later proved to be.

Other foundations joined him, with the result that this country was far ahead of the rest of the world in that type of equipment when the time came when atomic energy matters became of great and serious importance to the Nation.

But let me turn to just one more, for while we are talking about natural sciences and physical sciences, we are not necessarily talking about practical things entirely. There are other aspects to our national life than the growing of corn effectively, or even medical practice, or even the defense of the Nation by means of mortal weapons.

We have a cultural life in this country, and it is important that we should further that, and the foundations have been in the forefront of that effort.

When I was a boy there was very little basic scientific research in this country. There was very little fundamental science. Today we are moving toward the position where we will lead the world in fundamental research in every scientific field.

Very early in 1928 one of the Rockefeller boards contributed \$6,000,000 to build the Hale telescope, a 200-inch telescope, which stands on Mount Palomar. That was a pioneering venture requiring a great deal of courage. It took many years to build that instrument, and required some of the finest scientific work that could be gathered together in the country to make it a success.

It is today a success, and it is operating well, and we have as a result in this country the finest astronomical equipment in the world by far.

I think that it is important that we should have those things, for looking at the stars has more significance than the mere determination of what keeps the sun hot, with its possible relationship to thermonuclear explosions. It has a deeper and more profound significance.

So, as I look at the work of foundations in the natural sciences, the physical sciences, I could give you more examples where I think they have done some very fine and essential pioneering.

Mr. KEELE. Dr. Bush, in your opinion, is the need of foundation support as great today as it has been in the past?

Dr. BUSH. I have a strong feeling on that, Mr. Keele, which I would like to express with some care. It has been stated many times that since the National Government, the Federal Government, is stepping in to support work in the physical sciences very strongly, there is less need for private funds in that area. I think the exact contrary is true.

Today the Federal Government is putting into research in the physical sciences, in sciences generally, somewhere in the neighborhood of \$350,000,000 a year.

The entire endowment of my institution amounts to only \$55,000,000. Of this great sum, some \$7,000,000 are going into what is called basic research.

Now, definitions of basic research differ widely, and I think if I were to apply my own definition I would find that the amount of funds going by reason of acts of the Federal Government into really fundamental research, is much less than that, but it is a very significant sum.

Nevertheless, as the Federal Government moves into the support of science in this country, as was indeed necessary, and which I advocated, I feel that the need of private funds, with their complete freedom, their ability to pioneer, their ability to take a chance, their opportunity to set standards, is more than it used to be when it acted alone, or substantially alone.

The CHAIRMAN. Do I understand you to say, Dr. Bush, that there is an increasing need, as you understand it, for foundations? In other words, their services are more needed than heretofore, and that the public good demands that their activities increase rather than diminish?

Dr. BUSH. I hope, Mr. Cox, very much, indeed, that it will increase.

The CHAIRMAN. Under our tax system, private colleges and universities will gradually starve to death unless they can find support from the foundations. Of course, this sort of mixing of the Government and religion, the state and religion, you understand, with regard to education, will prevent the Federal Government for a long time from giving governmental support or tendering governmental aid to the private institutions and, therefore, they are virtually compelled to look to the foundations for the lifeblood which they must have if they wish to live.

Now, as opposed to this one benefit in a situation like that existing, if it does exist, the private institutions will find themselves in this helpless position, that is, insofar as resources to carry on are concerned, and having to look to the foundations, they lose to some considerable extent their independence, and gradually become obedient, not to what the foundations might demand, but what they might imagine the foundations would like.

In your experience—and you have had very broad experience, and you are one of the world's great men—but in your experience is there any disposition on the part of the foundations to so condition their grants as might affect the independence of the beneficiary?

Dr. BUSH. If there is, Mr. Cox, I have never seen it, but I would like to answer your question at some length, for I have had a good deal to do with some aspects of this subject.

During the war, when I was Director of the Office of Scientific Research and Development, nearly all or the great part of the scientific effort of this country in the physical sciences was supported by my agency, and was answerable to my agency, under contract.

We had the scientific institutions and the universities linked into the war effort for the development of weapons and for the development of war medicine.

Toward the end of the war, President Roosevelt called on me for a report on the postwar status of scientific research in this country. My office made a rather careful report.

Out of that, and out of other factors, came in the postwar era a very extensive Federal support of science in this country, and thus indirectly support of the universities and of the research institutions, for many of them today are carrying on a considerable portion of their graduate research, research that is carried on in connection with their graduate instruction, on the basis of contracts and grants from the Federal Government.

Now, that was necessary because science in this country had outgrown the scope of the prewar world when it was supported almost entirely by private funds, except for the research, of course, in industry. But academic research and research in the colleges and universities had increased in amount, in scope, to an extent where Federal support was absolutely necessary if we were to maintain in a postwar world our position in science which was essential to our growth and also to our safety.

So that I have advocated strong Federal support in that manner. I have also advocated the creation of the National Science Foundation which, I hope, is going to exert a profound influence upon the relationships between the Government and the universities in this regard. But I did so reluctantly. I did so reluctantly because I do not believe in a Federal Government that does everything that it can possibly do, leaving the remainder for private initiative.

I believe very strongly indeed in the system of private initiative which has made this country great. I believe in the type of philanthropy which has made the foundations possible, and I would much prefer, if it were possible, to see the entire burden carried by private benefactions and by private action, because I believe that the nearer that we come to having the Federal Government grow indefinitely, controlling everything, supporting everything, the nearer we come to a socialistic state, which I would much deplore.

So I am in the position where I believe very strongly that private philanthropy, the action of foundations, is essential to our health, and more essential as Federal support has increased and at the same time, I have believed that Federal support was necessary on a large scale for our national health, and I am very glad that it has been instituted, and might I say just one more word.

There is a great danger when the Federal Government gives \$350 million in contracts to nonprofit institutions in 1 year, danger of the very type that you mentioned a moment ago, that the universities might come under the control of bureaucrats, of agencies of the Federal Government.

I would fear that control far more than I would fear any control by the private foundations, and I think at all hazards we must avoid in this country any system under which our scientific effort is under the control of Government to such an extent that it becomes stifled and routed into mediocre channels.

Since the war the men who have governed our grants, our contracts of the Federal Government, the universities, have acted very wisely indeed, in my opinion. We have avoided to a very considerable extent the hazards that are always present when there is great Government subsidy. I believe they have done an excellent job, and I hope they will keep it up.

Mr. KEELE. Dr. Bush, I take it from that that you feel that the foundation assistance will tend to offset to some extent the influence of the Government subsidies, and that it is needed to help offset it?

Dr. BUSH. I think it is needed not so much to offset but to supplement, to supplement and to make it possible, for work to go ahead if it has merit, and if it can secure the support of men to science, of understanding, whether or not the Federal Government sees fit to support it.

Mr. KEELE. But if there is assistance from the foundations it will tend, will it not, to prevent a tendency to, shall we say, domination by the Government through the great subsidies they are making.

Dr. BUSH. Quite right; and when we have both in the field, I think we are in an excellent position.

I have appeared several times since the end of the war informally here in the Congress to discuss the problem of cancer research for which there is, as you know, a great deal of Federal support, and also a great deal of private activity, such as the American Cancer Society.

I have always urged that the Federal Government should not overdo its support in that field for, I think, we have an exceedingly healthy situation at the present time where about half of the burden is being carried by the Federal Government, and the other half of it by private funds.

Under those circumstances, there is not the slightest chance, I feel sure, that a really good lead in cancer research, one that can secure the endorsement of men who understand the field, will go without adequate support.

Mr. KEELE. Dr. Bush, it has been suggested here that the advent of the Government into the physical sciences or natural sciences, by their expenditures, and so forth, might have a tendency to crowd the activities of the foundations out of that field and into the social sciences. I wonder if you would tell us whether or not that assumption is correct.

Dr. BUSH. I do not think there is anything in it, Mr. Keele. My institution is engaged in the natural sciences; we do work in astronomy, biology, physics, chemistry.

Since the end of the war we are working alongside of a large number of institutions who are receiving support even for their fundamental research directly from the Federal Government. There is not the



slightest difficulty in my institution to find things worth working on. There always are many more things that are worth investigating than can be possibly followed by any single group.

Mr. KEELE. You have got a constantly enlarging horizon, have you not, in the physical sciences alone?

Dr. BUSH. Every time that an important scientific discovery is made, it opens up the area for more research, and usually an important discovery makes way for work of much larger magnitude than was involved in the original discovery.

Mr. KEELE. I am thinking back to a very pleasant talk I had with you 2 weeks ago through our discussion with reference to the possibility of legislation, Federal legislation, or the desirability, I should say, of Federal legislation, which might require foundations to make accurate and complete reporting of their activities. Yesterday Mr. Emerson Andrews of the Russell Sage Foundation or, perhaps, the day before yesterday, read the answer of the Russell Sage Foundation to that portion of our questionnaire dealing with that, and it was suggested in that answer that such reporting would be desirable in order to afford anyone who was interested in learning exactly what the foundations are doing.

Would you give us your views on that subject?

Dr. BUSH. May I take just a moment before I do so to say that I read the statements of Dr. Hollis and Mr. Andrews, and I think this committee is fortunate in having before it as fine two statements of the foundation movement as I have read; they are excellent.

Certainly, when a foundation receives the privilege of tax exemption, it undertakes an obligation to the public. Certainly, any tax-exempt foundation should so conduct its affairs that they will be for the benefit of the general public.

Now, I believe that all foundations that are tax-exempt should operate in a goldfish bowl, that they should operate entirely in the open, that they should make complete reports, financial reports, and reports as to the nature of their grants, and so on.

I believe more than that, that if there are some parts of the foundation movement which are not for the benefit of this public, and for the benefit of the system in which we have great faith, that the mere fact of opening up to the scrutiny of the public and to the scrutiny of the Congress the operations of those institutions would in itself be a great corrective. In fact, I think it might well prove to be such a corrective that no other corrective would be necessary.

I would urge—and let me say that this is already done by every organization that I have contact with in the foundation field or the education field, of course—that if there is further action along that line, that it be taken with some care not to give great burdens unnecessarily.

We have in this country a multiplication of paper work. We have naturally, inevitably, and unavoidably, as life becomes more complicated, more things that business has to fill out, more reports to make, and so on, until it has become quite a burden upon all of us.

I think we, therefore, whenever we consider any action of this sort, should take great care that the regulations that are made are not more burdensome than are necessary for their intended purpose, and I believe that if the foundations are called upon to produce their financial statements, to produce their records of what money they have given

away, and where, that you will have accomplished most of the purposes without embarrassment.

I recognize well enough that this might be embarrassing to some foundations; for example, a foundation that is set up by an individual to continue his personal philanthropies, it would be embarrassing to advertise the amount of money that he has in this foundation, which may cause him to be descended upon by a host of people seeking aid, and it may cause some clerical work, but I think that is an embarrassment which has to be taken for the sake of having an open book generally.

So my recommendation to you gentlemen is that we ought to have the foundations in this country opening their affairs to the extent that those foundations which have taken the leadership, have always opened their affairs.

The CHAIRMAN. It is apparently the disposition of this committee to let the distinguished gentleman pass without undertaking to cross-examine him, thinking that was the polite thing to do.

It is perfectly apparent to me that if I had taken that attitude it would have rendered a great disservice because the little question that I propounded has brought forth a very fine statement from you which was not as a supplement to the original statement, but I think, like the statement made by someone else who appeared here, was that you were a representative of a subsidiary of one of the big Carnegie institutions.

Dr. BUSH. Mr. Cox, I have appeared before so many congressional committees that you certainly should not feel that you would embarrass me by close questions. I will be very glad to answer anything that you have in your mind.

The CHAIRMAN. I think we ought to ask you questions because it gives you an opportunity to rise and shine.

Dr. BUSH. I have got one more point I would like to put in, Mr. Keele, if I may.

Mr. KEELE. Yes, surely.

Dr. BUSH. It will not take but just a moment.

There is another aspect of the foundation movement that I think we are likely to lose sight of when we look so closely at the practical results, and that is an entirely different angle.

We have in this country an altruistic urge; we have it to an extent that, I believe, does not exist anywhere else in the world. It is a fine thing that we have colleges in this country supported by their loyal alumni; it is a fine thing that we have men of great wealth willing to devote their money to public benefit through foundations, and more than that, willing to do so not as an extension of their own ideas as to what is worth while, but by putting it in the hands of representative groups of trustees to utilize their own judgment.

This altruistic urge thus expressed is one of the finest things that there is in this country. It shows itself in the Community Chest, it shows itself by the action of the Congress in coming to the support of the aged, it shows itself in many ways.

I hope, as this committee proceeds, that it will feel that in looking for the abuses, and eliminating them, it also has an opportunity to look at the salutary aspects of this entire movement when it is in good order.

The CHAIRMAN. Let me ask you there, do you not sense that in this thing of reaching a right conclusion as a result of this investigation, that there is a responsibility, first, on the committee, and then on the foundations, that they might easily and properly work together in the interest of cleaning up any bad spots that might exist?

Dr. BUSH. Mr. Cox, I think this inquiry is going to be of great benefit. I think it already has been of great benefit by causing a large number of men to think about this problem deeply, and to try to get it into good order.

I think before you are through you will have accomplished a very fine piece of work if you do no more than to cause many people to think.

May I say one word on a matter that you asked Mr. Myers which, I think, goes to the heart of the problem? My institution does not give many grants. We used to give quite a few, but with the decrease of income on endowment, we do not give many today.

When we do make a grant, our primary objective is to see that it goes into the hands of a sound scholar. If he is a scholar who will approach his affairs objectively, if he is a man who can analyze, who has the scientific standing and recognition because he has analyzed, well, then he should be given his support, and no control should be exerted over him.

I have that same feeling in regard to grants by foundations, generally. They should be very sure, just as sure as they can be, that where they place support that it goes into the hands of sound objective scholars. That, I know, is a thing that has been given great thought and given great care in the foundations with which I have been associated.

It is an exceedingly difficult thing to do at all times. There are bound to be slips, and those slips, I think, should be promptly corrected, for we do not want support in this country of any man who is approaching a problem except on the basis of the facts and the logic of the case. We do not want any man who is approaching a problem with a preconceived notion of what he might find out. That is not a great problem in science, for in science we always have tests as to whether there is a sound scholar before us.

It is much more difficult in the social sciences, but in the social sciences, even alone, it is impossible to avoid occasionally making an error. I think it is far better to have wide support than to be too limited.

Mr. FORAND. Dr. Bush, does the Carnegie Foundation make its grant direct to the individual concerned or to some group or how is the money passed on?

Dr. BUSH. We make very few grants today, but when we make a grant, we make it for a specific purpose, and for the support of the work of a specific individual, for our grants and all in the scientific field, and they are made to supplement the work that we are doing in our own laboratories. For administrative purposes we make the grant to the man's institution, but under the conditions that it will be used to support his work.

Mr. FORAND. They keep an account, of course, that you can look at any time?

Dr. BUSH. Oh, yes.

Mr. HAYS. Do you have any other questions?

The CHAIRMAN. No.

Mr. HAYS. Mr. Goodwin?

Mr. GOODWIN. No questions.

Mr. HAYS. Dr. Bush, how much do we know about the type of research being done by the Communist countries?

Dr. BUSH. Not so much as I wish we did, Mr. Hays. There is not any doubt that Russia has enormously expanded its scientific training and its scientific effort. What we do not know is the caliber of that effort. Of course, we can judge somewhat by some results.

Russia produced an atomic bomb at the lower limit of the time estimates that had been given as necessary for that purpose.

Russia has produced jet aircraft that are excellent, and that means that Russia, in its engineering and, to a certain extent in its applied science, is certainly today able to produce competent men and keep them at work and in an effective fashion, otherwise they could not produce those results.

Now, whether Russia, similarly, can break new ground, that I do not yet know. I know that they are making an enormous effort, that they have enormous regard for the physical sciences, that they are putting great emphasis upon it; but as to the caliber of the work, we have no way to judge.

Mr. HAYS. I suppose that there is nothing like the foundation system in Russia?

Dr. BUSH. No. There is about as thorough a regimentation of science as you could possibly have, and that is one of the things that we have to lean on.

In Russia, if one has a new genetic theory, and it does not accord with the ideas of Mr. Lysenko, who happened to have the nod of the proper commissars, then he had better suppress his ideas for if he brings them into the open he will be promptly reviled and ridiculed and removed from his position. He must follow the party line even in science. He must, in fact, subordinate all of his judgments on facts to what is thought in the Kremlin.

Now, great science never prospers under those circumstances. Great science only prospers in freedom, in the competition in the free and open market, if you will, between the ideas of independent men where the judgment is the judgment of their peers and the judgment of time.

When there is an artificial repression of ideas in the field of science we do not any longer have science.

I am very happy personally that Russia has that system, and I hope it is going to be a great impediment to them.

Mr. HAYS. Do any of the captive countries have or did they have, before they went behind the iron curtain, anything like our foundation system of philanthropy?

Dr. BUSH. I do not know of any such system in any of the iron-curtain countries; no.

Mr. HAYS. I read somewhere the opinion that one reason for the downfall or the collapse of the Nazi system was the government following exactly the same policy, that Hitler had bottled up research when at a certain crucial stage of the war it might have given them an advantage.

Dr. BUSH. There is not any doubt that one of the greatest mistakes that Hitler ever made was when he took control of the German universities, and when, by one perfectly terrible act, he removed all of the Jewish scientists from their efforts. He thereby made a sacrifice in the practical matter of winning the war, which was beyond estimate, and its results were shown in many ways.

This country, I am proud to say, ran rings around the Nazi hierarchy in the development of new weapons. Now, that was applied research. It was not fundamental research. This country has also taken its place at the head of fundamental science where Germany once held that position, and Hitler destroyed it, and he destroyed one of the greatest assets of the state, and the result was that we had a radar that was better than theirs; we had proximity fuses which turned the tide of war at the Battle of the Bulge, and he did not, and we had an atomic bomb when his group were miles behind us in the race.

One thing, I think, that we can learn from that is this: Entirely apart from its cultural aspects, it is very dangerous indeed for a country to neglect any aspect of fundamental science. The fundamental science of 25 years ago in the field of atomic energy was regarded as entirely academic, and it proved to be of enormous importance.

No man can say what fundamental things will be of great importance in the future. We need to be general in our support of fundamental science wherever it is found, and that applies, gentlemen, not only in the field that I am talking about, but in science, generally.

I have confined my remarks to the physical sciences because I know something about them, but don't think that I have anything but sympathy for the good work in the social sciences. One exemplification of that is that I am a member of the board of trustees of the Carnegie Corp., and our principal effort is in the social sciences.

Mr. KEELE. Dr. Bush, I am sure you have had occasion to observe what other countries are doing, particularly the countries of Western Europe. Is there any comparable organization or group of organizations; I should say, is there any group of organizations which are comparable in the countries of Western Europe to our great foundations in this country?

Dr. BUSH. Certainly not to any similar extent; and even in Great Britain they do not have this movement on the basis that we have.

As you know, Britain supports its universities directly out of tax funds. It does so through a committee on university grants, and it has done so with great skill, in my opinion. It has done so very well, so that in one sense they have gone much further than we have for our Federal Government support of universities is only indirect.

But the foundation movement, in my opinion, is primarily a manifestation of the point of view of the people of this country; it has grown out of our industrial life and our way of doing things quite naturally.

Mr. KEELE. How is the function, then, that is discharged by the foundations in this country supplied in those Western European countries, or is it supplied?

Dr. BUSH. Well, I fear that today it is not supplied to the extent that it should be.

Let me turn back a bit. When I was younger, some of the finest fundamental science was being done in France, in Germany, in Eng-

land. This country was not in the forefront in most fields of fundamental science. We have always in this country been very good indeed at the applications of science, with gadgetry, making things work. That is in our blood in this country.

We have not similarly had an aptitude for fundamental research and fundamental science. We are developing it, we are supporting it, but many years ago we leaned upon Europe for our fundamental science, and fundamental science there was carried out in their great universities.

Those great universities still go on, they are still carrying on fine work, and we still should have good relations, I hope, with them as they proceed, and good interchange throughout the free world.

But there is not there the same situation that we have here where the direct work of those universities can be supplemented by the foundations, not to nearly the same extent.

Britain has not only its fund for direct support of the universities but it also has a fund for scientific research, which is in some ways comparable to our foundation, but it is tax money that was used through a general committee.

Mr. KEELE. To that extent, I should think it gives us an advantage, then, to the extent that we have foundation support which they lack.

Dr. BUSH. I think it gives us a very important advantage.

Mr. KEELE. And they account to some extent for the rapid increase and progress we have made.

Dr. BUSH. I think so. I believe that we are today obviously making progress in applied science, in the engineering aspects, but I think we are today making excellent progress in every field of fundamental science, and that is due to several things. Before the last war it was due to the existence of the foundations more than to any other single element.

Today it is due to many things: First, Federal support; second, the foundations, and, more than anything else, a growing realization among the American people that it is important that it should be on a sound basis.

Mr. KEELE. In other words, the initial impetus was given by the foundations. Now the Government and other agencies are picking up.

Dr. BUSH. The initial impetus was given by the foundations. The enormous impetus given during the war when atomic fission, long an academic subject, became of great practical importance, convinced many people that it was worth while in a very practical sense to be utterly alert in fundamental science.

The CHAIRMAN. Doctor Bush, I will not ask you a question unless it is agreeable to you, but I am wondering if Heidelberg still stands at the head of the class of the great universities of the world or if as a result of the war or misfortune it has lost that place?

Dr. BUSH. Its position was utterly destroyed by Hitler. I can tell you a little story about Heidelberg if the committee wants to take a moment.

The CHAIRMAN. I have three grandchildren that I have registered there. I have not been able to get one of them off, but I am still insistent.

Dr. BUSH. Toward the end of the war when our troops were moved into Heidelberg, there was with those troops a team of scientists that was intent on finding out where the Germans stood in regard to the

development of the atomic bomb. We were very anxious to know the last facts at that moment. So there was a combined military and scientific team that moved in, and the scientists at Heidelberg, who were still there, were seized, and they were put in internment in England, and they thought they were being seized because the United States needed them so badly for its atomic-energy development.

When they were not used at all, they wondered that the Americans were so obtuse that they did not understand how they could be of great use to them, and then the atomic bomb went off out in the Pacific and the news was reported to them, and they would not believe it.

Once they were finally forced to believe it, they said that the Americans had probably dropped an entire atomic pile.

Well, inasmuch as an atomic pile weighed a thousand tons or more, that was a little out of line, but the point is that those scientists, once among the foremost scientists of the world, had not only lost the atomic race, but they had been so far behind that they just could not conceive that anyone could have carried it through to success.

The CHAIRMAN. That is all.

Mr. HAYS. Do you have anything further?

Mr. KEELE. I have nothing further.

Mr. HAYS. Dr. Bush, the committee wants to thank you for your very interesting and extremely valuable contribution. We are indebted to you, sir, for what you have told us.

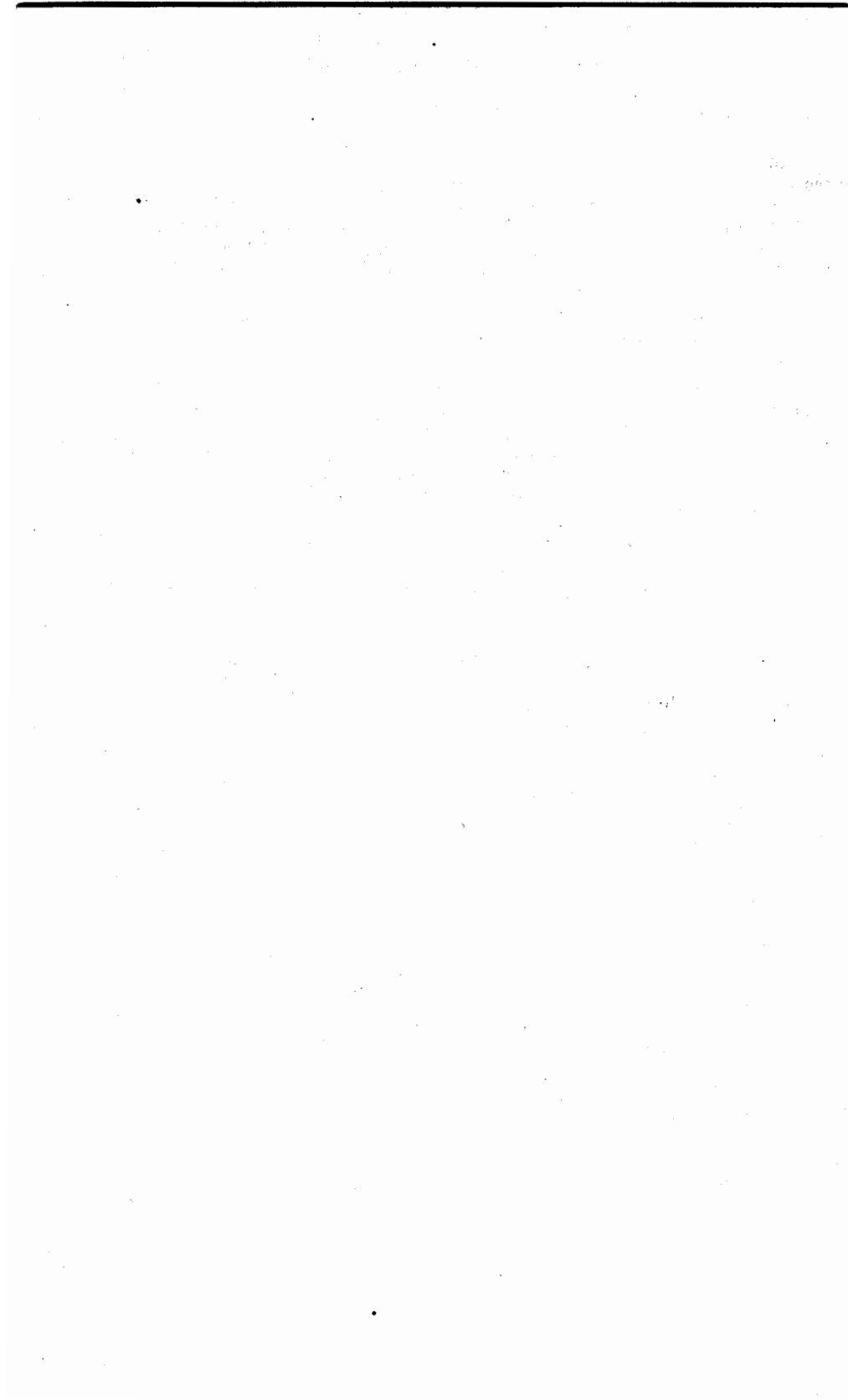
I believe that concludes the witnesses for today.

Dr. BUSH. Mr. Chairman, I have been very happy to be with you. I think you are doing a very important work, and if I can be of any aid, I will be happy to do so.

Mr. HAYS. We will call on you, sir.

The committee will be in recess until 10 o'clock tomorrow.

(Whereupon, at 3:15 p. m., the committee took a recess until tomorrow, Friday, November 21, 1952, at 10 a. m.)





## TAX-EXEMPT FOUNDATIONS

FRIDAY, NOVEMBER 21, 1952

HOUSE OF REPRESENTATIVES,  
SELECT COMMITTEE TO INVESTIGATE TAX-EXEMPT  
FOUNDATIONS AND COMPARABLE ORGANIZATIONS,  
*Washington, D. C.*

The select committee met, pursuant to recess, at 10:05 a. m., in room 1301, New House Office Building, Hon. Brooks Hays presiding.

Present: Representatives Hays (presiding), O'Toole, Forand, and Cox (chairman).

Also present: Harold M. Keele, counsel to the committee.

Mr. HAYS. The committee will be in order. We are very happy to have with us the president of Brown University, Dr. Henry Wriston. Dr. Wriston, Mr. Keele will conduct the examination, but you probably would like to make a preliminary statement. We would like to have you identify yourself and give any matters of official interest that we should receive as formal testimony.

### STATEMENT OF DR. HENRY M. WRISTON, PRESIDENT OF BROWN UNIVERSITY

Mr. WRISTON. My name is Henry M. Wriston. My present occupation is president of Brown University.

I think perhaps for the record I ought to say that as far as I know I am the senior college president of the United States at the present time, being now in my twenty-seventh year.

At different times I have been a professor at Western University, a lecturer at Johns Hopkins, then president of Lawrence College in Wisconsin, and for the last 16 years president of Brown.

While I was in the small-college world I was president of the Association of American Colleges for a time, president of the North Central Association of Colleges and Secondary Schools, which extends from the Alleghenies to the Rockies, and then became the first president of the reorganized Association of American Universities, preceding Mr. Middlebush who was your witness yesterday. I think that perhaps identifies me enough.

Mr. HAYS. Thank you very much, Doctor.

Mr. KEELE. Dr. Wriston, we have asked you to come down here today to tell us something of the contribution made and the impact made by the foundations in the area of education. In that regard we are going to just give you your own lead on that. We would just like to have your views in such manner as you would like to present them.

Mr. WRISTON. Well, I perhaps ought to begin with the thing with

which I have been most closely associated for a long time, and that is the question of pensions.

As you probably know, the colleges in a certain sense were ahead of the game on the matter of pensions. Somewhere around 1905 Mr. Carnegie was a trustee of Cornell and he asked what retired professors lived on, and nobody could tell him, and he therefore set up the Carnegie Foundation for the advancement of teaching. Its principal business was to supply pensions.

It is an interesting thing that Mr. Carnegie was so naive that he thought \$10 million would buy anything, and he therefore gave \$10 million to set up this pension system. There was no actuarial work done at all. There was very little known on the subject in those days, and by 1915 it was clear that they couldn't meet their obligations.

I was extremely sensitive to that since I had begun teaching the year before and was therefore one of the last names on the closed list. I lost my pension when I moved from Lawrence to Brown, but I have followed it ever since.

And the upshot was that Carnegie Corp. began to make grants to meet those terms, and finally made provision for a loan of \$15 million so that in that field the foundation has spent many, many millions, I can't tell you offhand but my impression is it is well over 50 millions that they have paid out in pensions.

They will have to pay out many millions more, and the Carnegie Corp. supplemented what the foundation could no longer do by giving grants to it, and then set up an insurance company, the Teachers' Annuity Insurance Association, usually known as TIAA, of which I am the trustee of the stock and the senior in that. That is an insurance company for colleges and universities.

The capital was contributed by the Carnegie Corp. It was then turned over to a group of trustees of the stock. For some reason it was made a stock company and seven people served without compensation as the trustees of that stock to vote it, and that is now worth perhaps \$350 million, and it provides annuities for the professors in many institutions, perhaps 150, maybe more.

Like all other businesses engaged in annuities, it found that with the advance of medical science and with the falling interest rate, it was in danger of not being able to meet all its commitments. Therefore, the Carnegie Corp. has made gifts to it of about \$13 million.

It is now in good shape and has recently launched a new type of retirement called the College Retirement Equities Fund. In other words, long before social security, here was activity which had to be capitalized and could not be capitalized by anyone save by a foundation. And it has been a pioneer in learning what to do and what not to do and what succeeds and what fails.

Perhaps it is fair to say that one of the most important things, contributions of the Carnegie Foundation, was the fact that it became insolvent. It will become solvent again under the court order sometime after the year 2000.

We were allowed to spend all of our principal down to \$10 million, which we could not spend below. We were still short, and so we borrowed \$15 million without interest from the Carnegie Corp.

It hasn't been all borrowed yet but it will be in the course of about 12 months, and we will still be \$2½ million short of meeting the reduced commitments, and I think that can be taken care of if we don't

get reversed by market depreciations or else we will have to go begging again to the Carnegie Corp.

Perhaps I ought to say, because I read Mr. Hollis' testimony, that while this is usually called a Carnegie enterprise, and it is in the sense that it was launched by the corporation, our dealings with them are arm's-length dealings and we have to go to them as any other group does. They have, however, I think some feeling of moral obligation because it was on estimates supplied to them that this organization was set up.

As I say, today the TIAA, as it is called, is in very sound financial condition.

That, then, is one of the first activities of foundations with which I became acquainted when I began to teach in 1914, and I have followed it of course ever since, either as a professor or as an expectation of benefits, and more recently as a trustee of the stock of the Teachers' Annuity Insurance Association.

Mr. KEELE. May I interrupt you one moment, Dr. Wriston?

Mr. WRISTON. Certainly.

Mr. KEELE. Would you tell us something of the effect, of that program of pensions, on educational institutions generally in this country?

Mr. WRISTON. It had the effect of stabilizing them enormously because, especially after the First World War or during the First World War, we suddenly discovered that professors had a market. Nobody had supposed up to that time that if you are a professor you could do anything else, but I was then a young professor getting \$2,200, and in the course of the war or at the close of the war I was offered two jobs, one at \$7,500 and one at \$9,000.

If I had had no expectations of benefits ultimately I would have been greatly tempted to get solvent at that point. Instead I went back to my \$2,200, because at that time the assumption was that I would get half my salary when I retired. As it turned out, I get none of that, because by moving to Brown I lost those benefits. You have to stay in a so-called institution on the Carnegie list in order to maintain your benefits.

Mr. KEELE. Well, didn't they find that in applying pensions they had to determine what was a college or what was a university; and as a result of that, didn't they determine that they must have a certain level of teachers or average of teachers to students; and thereby wasn't the general level of education raised in the country?

Mr. WRISTON. Yes. Mr. Carnegie in his deed of gift specified what he regarded as a college, and that was something which was independent of religious control. He had no idea, I think—I think the record is clear—as to what chaos there was in the matter of colleges.

The thing called college which gave an A. B. degree might be equal to a high school or might be equal to a university. One of the first problems that Mr. Pritchard, who was the first president of the Carnegie Foundation, faced was to determine what is a college. He has sometimes been given credit for what he didn't do.

The college entrance examination board had been formed in order to see that people who went to college had some background, and he worked with them, and I think it is a lively question as to which was the hen and which was the egg, but together they worked out that for admission to college you should have 4 years of high school, you should

have so many subjects—I think they said 16—and those had to be pursued a certain length of time.

This caused at the beginning a great deal of tension, particularly in the South. The interesting and significant thing was that when it was suggested that those should be eased, it was the southern educators who said, "Don't ease them, it will help us in improving our own situation if you do not."

And as a consequence of that, as you probably know—probably other people have testified to it—the general education board has put most of its money in the South.

More recently the grant-in-aid program had been wholly in the South, of the Carnegie Foundation, and still more recently there has been a grant, a rather rare thing in recent foundation history, of several million dollars to Emory on terms to strengthen its graduate program, and there have been grants of \$1,200,000 to other southern universities to strengthen their graduate programs.

All of this stems from the fact that when they tried to determine what is a college, they found such chaos. It was also one of the factors which led to the formation of these regional groupings.

The Association of Colleges in New England, the Association of Colleges in the Middle States, the Southern Association of Colleges and Secondary Schools, and the one I spoke of earlier, the North Central Association of Colleges and Secondary Schools which has been a bellwether and a great leader in the matter of improvement of standards, and then others farther to the west, so that all of those things grew out of this grant in the sense that when you tried to determine what is a college, that dramatized the fact that there were such disparities as to amount to chaos.

The second thing upon which I can testify with some cover of authority is with regard to a recent grant.

At the close of the war the colleges found themselves in a very unstable condition. They had had most of their men students taken away, some had military units and some did not. When you had a military unit you didn't know whether it was going to stay there or not.

At the close of the war there came a flood of students and there came inflation. As a consequence, in October of 1947, a conference was held at the Rockefeller Foundation in order to see what might be done to stabilize college finance.

They appointed an exploratory committee, of which Provost Buck of Harvard was the chairman, and it made a preliminary report in October 1948. That proposed that there should be a genuine and thoroughgoing study of what was wrong with college finance, and the grant was made, two grants were made to the Association of American Universities, and I testify on this because I was then president and had the appointment of the heart of that commission.

Four hundred thousand dollars came from the Rockefeller Foundation and \$50,000 from the Carnegie Corp., and in July of 1949 the commission was organized by five persons, of whom President Middlebush, who testified yesterday, was a member. They expanded that number to 12, 8 people from universities and colleges, and 4 laymen, and I was one of those.

That commission finished its work the day before yesterday and published its report, which consists of nine volumes. It is the first

comprehensive study that has ever been made of both public and private educational finance.

We published the first Atlas of American Institutions of Higher Education which has ever been published and which had somewhat sensational revelations in it. At least they were sensational to me.

It showed, for example, that 80 percent of the students of college age live within commuting distance of some college, which has a great deal to do with the availability of higher education, obviously.

The central report was written by the commission itself, a very rare experience, but the 12 men undertook to draft their own conclusions, and those have been published.

Also they published a volume of great importance to higher education on who should go to college, and that I think is perhaps one of the greatest contributions, because there has been more myths about who went and who didn't and why he went and why he didn't than about almost any other thing.

And it showed—and I confess this was to my own surprise, and I mention that because one would expect being in this business as long—that he at least would know the elements of it, but we all learned an enormous amount about that, and we have discovered—that of the 25 percent of intelligence which certainly should be college trained, far too small a percentage goes to college. We also discovered—and this was a surprise to us—that financial reasons were not apparently the primary reason why they do not go to college.

And this was demonstrated by the fact that of this top 25 percent, a very substantial number did not graduate from high school, which was free. And obviously if costs were the determinant, they wouldn't have dropped out of that.

We also discovered that of the top 10 percent, which are among the very bright indeed, not much over 60 to 65 percent went to college, and a good many of them didn't graduate from high school. And of those who went to college, a good many didn't graduate.

When you get to the top 2 percent, which is almost at the genius level, there still were considerable numbers who didn't go to college. And we sought the reason for this, we found that the principal reason was lack of motivation.

One of the striking and I think shocking things is that that lack of motivation stems partly from family influences. There have been racial groups in the United States which had large families and liked to have them go to work early so as to have kind of a social security for the parents.

That doesn't prevail in anything like the degree it did 30 years ago. But the worst thing from my point of view was that many of the schools were defeatist about these students going to college, and did not either prepare them or profoundly encourage them to go to college. And that, I say, I think is a shocking waste of manpower in the United States.

It is something that makes you tremble. It is a reform which wouldn't cost anything except the exercise of intelligence and leadership in the educational world to make a great recovery.

Now I mention this because this was a costly enterprise. We had 10 full-time members of the staff and 11 consultants.

One of the other books which is of very great importance is three independent studies of the British experience in this. As you prob-

ably know, in Britain the universities are now supported to the extent of about 66 $\frac{2}{3}$  percent by the Government. This includes even Oxford and Cambridge.

And in the so-called red bricks, the newer universities, it sometimes rises to 80 or 85 percent of all their cost, and I think in Wales it rises about 90 percent of the cost.

The question immediately arose as to whether in the United States there could be a grants committee on the part of the Federal Government which would ease the pain of financing higher education. We asked Prof. Lindsay Rogers, a political scientist of reputation and skill, to make a study. We asked Prof. Louis Hacker to make a study. He is an expert in another field. Then we asked President Harold Dodds, who knew most of the vice chancellors, and they each wrote a memorandum which is published in the book by the commission.

And arriving at their conclusions by different routes, by different methods and seeing different people, they came to the same conclusion, namely, that what worked in England was not exportable to the United States.

The other great conclusion of the commission which I think is of first-class public importance, is that there is no reason for hostility between the public and the private institutions. There is a healthy rivalry, of course, just as there is in all competitive enterprises. But they have exactly the same problems, and it is almost as hard in some States to get enough money from the legislature as it is for the private institutions to train the president to a sufficiently expert beggar to increase the endowments.

We did find, of course, that the obligations of public and private are not exactly uniform, but we found such a degree of harmony among them, so far as their interests were concerned, that I think this report will go far to persuade the public that it isn't either public or private. We need them both and both need each other.

Now, this as I say, was an expensive problem. The 12 members served without compensation. They had 18 meetings, the shortest of which was 2 days. Two of the meetings took a week. None of them got a dollar out of it. It cost them money, and they put in 3 years of very hard labor on it.

But the basic finance, the \$450,000, could not have come, so far as we know, from anything except a foundation. If this study is as good as we hope it is—and our executive director, Dr. Millett, proved to be extremely competent—it will have a lasting effect on improving higher education in the United States. I don't want to exhaust you. There are one or two other points I could make with which I have had some first-hand connection.

Mr. KEELE. I think we would like to hear them.

Mr. HAYS. I think so, Dr. Wriston, please.

Mr. WRISTON. The next has to do with libraries. The library is the most expensive part of any university, not excluding its scientific equipment.

People think of the cost of a book when buying one for a library. That is only the beginning. You have then to accession it, you have to catalog it, and every book takes about 12 cards to catalog it, because the fellow who wants to know something may not remember the name of the author, may not remember the title, and he has to

know a little about what it is about, but we try to build a catalog so that if he knows anything, he can jump into the middle of it.

One of my friends calculated that when you have bought the book, a modest-priced book, and have accessioned it, cataloged it, and shelved it and bought the cubic space for that book, the shelving for it is about \$16 a book. One of the disheartening things is the better the library, the worse your problem.

If you have 50 books you can remember them. If you have got a thousand books you can remember them, but when you get a million books, you have to have extremely expert work. And even if a person gives you a book, you have to search the files to see whether you have it, whether you want it, and what disposition to make of it, and one librarian told me it was more costly to have a book given to them than it was to go buy it, because they never bought it unless they wanted it, whereas when it was given to them they had to find out whether they wanted it.

Now, this is a problem of such great importance that the foundations have given money to the American Library Association, they have given money to library schools, to have better trained librarians, and they have given grants to college libraries.

With one of those I had an experience when I was president of Lawrence College in Wisconsin. We had a small library of about 50,000 volumes, and the Carnegie Corp. made a grant to perhaps 100 colleges of only \$15,000 apiece. That doesn't sound like much money to buy books with, but they also published a book by Mr. Shaw, the librarian of Swarthmore College, which was an up-to-date bibliography of the best books for instructional purposes, not textbooks, but basic books in the fields in which the colleges of liberal arts should buy.

And as a young man in the business and a beginner in college administration, that gave me the key for remaking that library as a teaching instrument. They also made a grant to the Association of American Colleges of which I was then president, for a book on how to teach with books, and Mr. Branscomb, who is now chancellor of Vanderbilt University, was commissioned to do that, as a matter of fact, I commissioned him, and that book called *Teaching With Books* is still very, very widely used.

In other words, this is a case where relatively small amounts of money and the grants in the library field, I think, run to perhaps \$7 or \$8 million—and that is considering the whole of American higher education a relatively small amount of money—has had an impact out of all relationship to the sum of money in building up, first of all, the concept of what a library should be, second the substance of what a library should be, and third, the use to which a library can and should be put.

One other field where a relatively small amount of money has, I think worked a revolution, is in the teaching of art. We are a practical people in this country, and when I was in college there was no course taught in art, and that I think was true of most of the colleges in the country.

It was extremely difficult for country colleges and even for universities to acquire the materials for the teaching of art. They couldn't go out and buy Rembrandts and other great paintings. Most of them

are far from the great museums, and the cost of travel has always been a serious matter.

And one of the foundations, the Carnegie Corp., purchased a collection of teaching materials. They got, for example, Rembrandt etching, the original plates, and had them steel-faced and made copies. They had first-class reproductions of the great paintings. They gave a catalog and then a basic small library for teaching art.

In this, I think, they spent about a million and a quarter, as I remember it, and it produced a total revolution in the teaching of art in American colleges across the country. It took a field where instruction was starving, and gave it a start.

Just one other interesting thing, and I think a quite striking thing in connection with art, with which I was also connected because at Mr. Keppel's suggestion I went on the board of the American Federation of Arts and served for a considerable period of time. He poured an enormous amount of money—I say, an enormous amount, a couple of millions—into organizations of that and other kinds.

And then at the close of those grants he had what he called an audit of experience, and one of the most illuminating books I have ever read was his candid explanation of how he had failed in his objectives in that end, as he said, the money could have been spent better if he had been wiser.

That failure again was important, because it explains one of the relationships which the foundations bear to institutions of higher education.

If I want to conduct a great experiment in teaching, I have already a staff and commitments which run me to a deficit, and I don't have what I call gambler's money. The foundations, on the other hand, have very small staffs relative to their resources, and they can supply that kind of risk capital which makes it possible for you to engage in experimentation. And that is what happened in art.

And, like all risk capital, one small investment, namely, in the teaching of art in colleges, pays dividends out of all relationship to the amount, and another investment in the organization of art pays no dividends at all commensurate with the investment.

In other words, it is the perfect demonstration of what a foundation can do. It should furnish leadership, analysis, and boldness, but not speculation. And I think those words I am quoting come from Andrew Carnegie when he got the conception. That is, it is risk capital, and like risk capital you occasionally lose it and occasionally you make a great hit. The last point with which I have been connected for a great many years is the growth of testing.

One of the greatest problems in American education is if you go to A college, how do you stand with reference to the graduates of B college? We had all kinds of measures of that, none of which have been very successful, historically speaking, the crediting which is in a state of chaos and arguments and boasts and charges, and so on.

A grant was made through the Carnegie Foundation for a study of the 48 colleges of Pennsylvania, and it studied first of all the level of intelligence of those who are admitted, and then it developed objective tests to follow them through for 4 years. The problem was to see whether there was a way in which we could eliminate teacher favoritism, toadyism, the polishing of the apple, all of the other



devices of that kind, cheating, and find out who got an education and who did not.

That study went on for 10 years, and I think has had a permanent effect upon thinking about higher education. It led directly into the so-called graduate-record examination which was an effort to find out whether the people were ready for graduate schools.

It showed a rather astonishing thing, namely that the accredited list of the Association of American Universities, those of the colleges on the approved list of that association, supplied only about half the graduate students; that the nonaccredited colleges supplied about half, and then when you looked at the record when they finished their graduate school, the people from the nonaccredited colleges often did as well as from the accredited colleges.

That of course did not mean that they were better colleges or as good colleges. It might have meant that, it might have meant that the graduate schools were more careful in their selection from those colleges. It might have been that those colleges were more careful in their nominations for graduate work.

But it did have this effect, namely that the Association of American Universities went out of the accrediting business and dropped it, and now the graduate-record examination is taken by applicants for admission to graduate schools almost across the country.

These were experimental things and had to come to an end. The question was would they die. And so a commission was appointed of which I happened to be a member, under the chairmanship if I remember correctly of President Conant, of Harvard, and they studied this whole problem and set up a nonprofit corporation, the Educational Testing Service, and that had to have some capital, so those who had been in the testing business before like the American Council of Education and the Carnegie Foundation, turned in what they had and then a grant was made by the Carnegie Corp. so they had \$750,000 of working capital. And the Educational Testing Service has since served the Navy, served all the Armed Forces. It serves many of the scholarship programs of industry and so on, and it is now a nonprofit cooperative service available to all types of higher education. And that could not have been started, there wasn't capital enough to start it, unless there had been a foundation grant.

Now I don't want to weary the committee, but here are a series of things with which I have had a personal connection over a good many years, and all of which required either capital or stimulation or help from the foundations in order to perform a service for education in the United States.

Mr. KEELE. Dr. Wriston, you said that you had found that with reference to those students in the higher brackets who had not gone to college, that in part it was due to lack of motivation, and you even found that the high schools had failed to encourage them. I wonder if you found out why they failed to encourage them.

Mr. WRISTON. Well, generally speaking, take one great city which I have in mind which I would prefer not to identify because I might do a disservice. The different regions of that city have different levels of income and of ethnic origin and so on.

We know that cities tend to group in that way. And high school A at one end of the city sends probably 70 percent of its graduates on to institutions of higher education, and high school B in another

section sends 50. But high school C at the other end of the town doesn't send 25.

I think it is because of the view of the principal or of the superintendent that this crowd isn't likely to go. It is what I call defeatism. I think you get just as high intelligence from people who are poor as you do from people who are rich. I hope you do, in the light of my own economic history. I think you get just as good people from one racial group as another.

I see no excuse whatever for differentiating high schools along those lines. And I think that one of the great reforms which ought to come is to begin to determine way back at the ages of 10, 11, and 12 that the persons who have a high I. Q., as we occasionally say—intelligence quotient—which is not a stable factor, as you know; the great studies of Dr. Stoddard, now president of the University of Illinois, has shown there are changes in that. It is one of the great pieces of research in our time, but we could identify in the schools, could identify by modern testing devices way back there the people of high intelligence.

And then every influence ought to be brought to bear upon them and upon their parents in the interests of their public well-being to see that these people of high capacity should go forward.

I may say that I think—and here I am in the realm of opinion on which I have some right to express an opinion but where you would get contrary opinion—that there has been a strong tendency to feel that you ought not to give people of high intelligence special attention, but that you must give people of low intelligence special attention.

We all know that there are remedial classes in most everything, but they became afraid that psychologically you would give an inferiority complex to the bright people.

That, I think, is a classic error because we all like to compete in our own class. It is foolish, for example, for Siwash College to play the University of Michigan. That is silly. We would all say so immediately. Why if they don't feel any hardship in playing in their own class shouldn't a boy play intellectually in his own class?

And we have had many retarded classes, but have given up advanced classes.

Let me give you an illustration. In the days when I was in grammar school we often skipped a grade. You held a boy back or you advanced him. If, for example, he came from a family where they read and where his mother taught him a lot, why hold him in lock-step? That has, I say, pretty largely disappeared.

Second, in an effort to graduate everybody so he has a diploma, or graduate as many as possible, quite often the senior year in high school is virtually a review which bores the good student to death, reduces his motivation, discourages him with the educational project, whereas the dull student is kind of eased along to give him a diploma.

Make no mistake, I am not opposed to helping the slow student. I think a great many solid citizens have come from the people who are not topflight in brilliance, and I wouldn't have it understood that I think they are waste material. Far from it. They make good citizens. A lot of people who can never do research have got common sense.

On the other hand, with the problems of the United States and the present world what they are, it is just as bad to waste the brilliant material or to slow it down or to hold it back or to discourage it, as it would be to call the others a bunch of dummies and throw them out. This I find one of the most puzzling things today in all education, is why with our manpower needs what they are—

The CHAIRMAN. Do not feel a necessity for abbreviating your remarks on that particular subject. It is quite interesting.

Mr. WRISTON. Well, I think if you want a little bit more of what I regard as the historical background, during the depression there was the American Youth Commission which had a grant of, as I remember it, \$800,000 from the Rockefeller Foundation, of which Mr. Owen D. Young was the chairman and of which Mr. Rainey, who has been president of Franklin College, Bucknell, University of Texas, and more recently Stevens College, was for a time the director, and then Mr. Floyd Reeves, who came from the University of Chicago, then was with the Tennessee Valley Authority, was head of the personnel and education section and is now again at the University of Chicago as the director.

At that time we had a great many unemployed, and there was a certain amount of defeatism. I remember Aubrey Williams, who was a head of the National Youth Administration, which was an offshoot of the Harry Hopkins thing, and whom I knew very well, because he had been the executive director of the Council of Social Agencies of the State of Wisconsin when I had been vice president of that. He said that the graduates of our high schools would probably never find employment in sufficient numbers, and that we taught them intellectual skills and then threw them out on the waste heap, there to be destroyed by rot.

In other words, we went through as a nation—I am not singling out Aubrey Williams for personal denunciation. He represented a trend of thought—a period of disillusionment and alarm about overeducating the public.

As soon as the Second World War came, we found that we had a great shortage. In order to illustrate this, let me speak of a book which was published, a pamphlet by the superintendent of schools of Pittsburgh for the American Council on Education, entitled "What the High Schools Ought To Teach," in which with a good deal of elaboration he made fun of teaching mathematics, on the ground that when he was a boy he had been taught to figure the square yardage of carpet in a room of such a dimension with a bay window on an angle, and he said, "When I grew up, we had scatter rugs."

That kind of reasoning was used. And then came the war and the Armed Forces found that we were a mathematically illiterate people.

I remember very amusingly when I was on the executive committee of the American Council and this had come up, I suggested we reprint it and give a million copies away. It almost went through before they saw the joke.

But the tragic thing is that thing was reprinted and sent as part of our good-neighbor policy all over Latin America, in order to destroy their educational project.

Now, it was that kind of defeatism, you see, that became ingrained. And like all other things in reform, reform always lags behind the

necessity. And I think as time goes on, people are going to realize that we have in war or peace, in prosperity or otherwise, need for trained brains.

And, therefore, that mood of defeatism was revealed in the studies of the American Youth Commission, which I call the "statistification" of a mood; they were discouraged, and they gathered the data which justified their discouragement.

I suggest if you ever went back and read that today you would be shocked at the conclusions to which they came, honest people, earnest people, loyal people, but it was the mood of defeatism.

Now, today our mood is different. We have the feeling we must economize on manpower, and I hope that one of the reforms that will come will be in a great drive to identify the people of capacity, and then speed them on their way.

I am fully convinced that we waste at least a year, and maybe two, in the education of most of the bright people of the United States. We just hold them back.

The CHAIRMAN. Then standardization in the interest of equality is a mistake in the educational world?

Mr. WRISTON. Standardization in the interest of equality of achievement is a mistake. I am all for equality of opportunity, but I suggest that it is not equality of opportunity when you hold a bright boy back in order to achieve another type of equality. Do I make that point clear?

I am a deep-dyed convinced adherent of democratic philosophy. I think we have sometimes misinterpreted democratic philosophy as being equality of everything and not equality of opportunity.

I don't think today that the students in that high school C that I spoke of are getting equality of opportunity because they are not given the incentives that the students in high school A are given.

The CHAIRMAN. Doctor, you made an observation that interested me, and it was that you may with reasonable satisfaction expect talent in every racial group.

I am wondering if you have not observed that there is a greater development and advancement being made by some of the racial groups, minority groups, than you find elsewhere. In other words, there is one minority group that I have in mind, and I have observed since I was a boy that all members of that group always manifested a great thirst for knowledge, probably under the feeling that there was some discrimination against them. They have generated a drive that has carried them to the forefront and kept them there, so much so that where you find the necessity for real talent and mental equipment, you find that particular group furnishing more people than perhaps all of the others combined. You know what I am talking about.

Mr. WRISTON. Yes, sir.

The CHAIRMAN. Now, take another group. Let's take the Negro. I have observed in my part of the country a willingness on the part of the colored, the Negro, you understand, to pay more for the opportunity of self-improvement than you find among others, and as a result they are probably advancing more rapidly than the other groups in education. Now, I see that. What is your observation on that?

Mr. WRISTON. Well, I am in entire agreement with you. First of all, we discovered that two of the groups which are economically in

an adverse position, namely, the children of preachers and teachers, go to college despite the fact that they haven't any money.

Second, in this book under the title "Who Should Go to College," which bears the author's name, Byron Hollingshead, there is in the back a study which shows that Italians and Jewish people and one other racial group send very disproportionate numbers to college, the Jewish group being by far the highest.

This is not, however—and this I think we have to emphasize—a difference in ability. This is a difference in motivation.

And you spoke of the Negro group. There again people in an adverse position tend to get a high degree of motivation and drive at it, and this accounts for the fact that I knew as a teacher that often the wealthy boy who had had every advantage nonetheless wanted to turn college into a country club.

So that one of the problems that we face in the United States is to make an analysis of these groups and see why it is. I think you put your finger on the reason. If a group is discriminated against, it compensates by its energy.

Now, I think, however, we need to go at the other groups where there is just as much talent but not the same motivation, and see if we can encourage them to see the value of this.

I mentioned, for example, one I wouldn't call it a racial group, but one group of national origin which always had very large families and a man who couldn't retire at 50 just wasn't fertile. He had a social security which was very great.

Now those days have gone. With the emancipation of women, the girls don't any longer want to support their father, and the boys go out and get married and that family tie is broken up. But I can well remember that as a boy.

I think that the thing you are now describing is in process of being resolved. As we develop our tolerances and as discrimination is reduced, we are going to get much less distortion by ethnic and national origins than we have had in the past. But with your observation I am in complete accord.

MR. KEELE. Dr. Wriston, will you comment on the relative importance of foundation grants to the total income of educational institutions.

MR. WRISTON. Yes. I would say it was in figures almost trivial. I don't have my figures with me, but my memory is that we spend about \$2½ billion a year on higher education or some very large sum of money through the universities and colleges of the country, and I would be surprised if all foundation grants from every source all put together in any one year would be as much as \$100,000,000.

Now those are figures more or less out of my hat, but I think they represent the ratio very well, that is to say the foundation grants are the margin so far as solvency is concerned. In fact, they don't contribute much to solvency.

I might say that there is some in this Commission Report on Financing Higher Education, some criticism of the foundations at this point, that in giving money for special projects they don't give money for the administration of those projects or for their space, and therefore they sometimes increase your overhead, and don't take care of it.

One of the recommendations of the Commission is that other foundations follow that of the Polio Foundation, which does make a grant for the invisible costs, but many of these special foundations for research in medicine, or in disease simply make a research grant, and many universities and particularly medical schools are what we call research poor, because you tend to support a special activity at the cost of the general activity, and that has been true of almost all foundation grants.

Mr. KEELE. Another question which has suggested itself to the committee and the staff on a number of occasions is the extent to which the educators and the educational institutions lead the foundations, or in reverse, the extent to which the foundations tend to lead the educators and educational institutions, in other words, the influence that is exerted.

Mr. WRISTON. I think it is a mutual influence. For example, I have just made a suggestion to one of the foundations where it can spend some money.

It won't do me a bit of good, but arguing from what happened in the field of art, I said, "Here is a field which is presently neglected. It is being followed in a few institutions. Why don't you do something about it?"

And the president of the foundation said he thought it was a grand idea, he would. I remember I went in on this book on it, *Teaching with Books*, and said, "Why don't you do something in this field?"

Also on the other side the foundation officials go around the country and talk with you, and I remember, for example, one of them came to my institution and said, "What are you doing in the general field of the new synthesis between anthropology, sociology, and political science?" And I said, "Nothing." Then he said, "Why not?" "Well," I said, "poverty."

Now they have not made any grant in that field at all, and yet it started the group in my faculty thinking about that, and I think we are going to do something useful in developing those new fields. I would call it cross-fertilization.

I have never known a foundation to shove any money at anybody, because they get 10 times as many requests as they can grant. I think much more the colleges lead them.

There is one field in which I think the foundations took a position with which I am in disagreement, and therefore I think it was not healthy. I can understand but not agree with it, and that is that in the early days of the foundation, they made many grants to endowment.

Well, in the depression, as you know, there came a defeatism about permanent funds, and there came to be a saying that every generation must pay its own bills. It hasn't followed it out on the debt side, but they seem to think they ought to do it on the asset side, and they ceased to make grants to capital, the reason being that their resources, great as they appear, absolutely are too small to make an impact on the capital funds, and they therefore went to what is known as the project method.

We in this Commission on Financing Higher Education are arguing that they should now reverse that policy again and make capital grants.

As I have already indicated, they have done it in the case of Emory University, for example. I think it is \$6,000,000 that was granted there outright. Of course, Emory has to raise \$15 or \$20 millions to get it, but that is all right. That gives the incentive.

There are now so many foundations that if we could encourage them to give permanent funds, I think it would be a useful change. Some can, some cannot.

Mr. KEELE. That might answer the criticism which has come to the committee from thoughtful and reputable persons that, in their opinion, there has tended to be a centralization, an inflexibility in the grants of foundations which would be eliminated if they would make the grants to the university generally rather than to special projects. What do you think of that?

Mr. WRISTON. That, of course, raises two equal and opposite problems. Do you give money to strengthen the strong or to prop the weak?

Now, broadly speaking—and I don't want to be regarded as critical in this—the South after the Civil War had a great deal to catch up with and their institutions were not as well financed as the northern institutions, and as I say, the general education board and all the foundations have shown more eagerness to help in that new field, in other words, to strengthen a place where by reason of economic conditions and the war and one thing and another, they needed help.

The other thing—and that also is done in the grant that I mentioned for libraries, that went to the small colleges which didn't have resources, and that was in a sense a capital grant. The same was true in the art grant.

Of course, on the pensions, the greatest help was to the weak institutions. The strongest institutions and particularly the State institutions can take care of it by State retirement funds.

The other theory, of course, would be put your money on the winning horse, on the strong one. This is an interesting thing.

Fifty years ago it was a common statement we had too many colleges. You will find that the first president of the University of Chicago was a great man, both as a great scholar and as a great thinker. President Harper took that view.

You will find that, of course, in the report of the American Youth Commission. You will find it even in the President's Commission on Higher Education published a few years ago. You will find it in the early correspondence of the Carnegie Foundation.

That overlooks two things. First, that the demand for education has consistently outrun the growth of population. The growth of population itself would have a marked effect, but the demand has far outrun that.

And therefore, far from this being a period of demise of colleges, the last 20 or 30 years have seen more colleges founded than any other like period in history.

To take one group, for example, which is sensational in its growth, is the Catholic institutions which have increased in number and in strength to an amazing degree in that period.

The second thing it tends to overlook is that an institution which today seems contemptible to the somewhat condescending observer may in 15 or 20 years become a strong institution. And we have to bear in mind that there is this quality of growth, there is also quality

of decline. And if you look at the history of higher education, you will see that all the people who said we have too many have been consistently wrong so far, every one of them.

And all of those who have denounced colleges for being weak have overlooked the historical growth, so that today some of the ones that were most seriously pointed out as people who ought to go out of business are strong and vigorous institutions.

I don't therefore see at the present moment any tendency toward centralization. I see much more evidence of an enormous resurgence of faith in higher education and of energy going into it.

Mr. KEELE. To what extent in your opinion should foundations in making grants supervise or police those grants in following through to see what is done with them?

Mr. WRISTON. Well, this is an extremely sensitive subject and here I speak as a customer.

Mr. KEELE. By the way, I don't believe we made it clear at the beginning—some of you know this—you are on the boards of some of the foundations; are you not?

Mr. WRISTON. Yes, sir, I am on the board of the Carnegie Foundation for the Advancement of Teaching, which as I say is insolvent. I am also on the board of the Carnegie Endowment for International Peace, which has about 10 millions, a relatively small endowment, and which is not much in the granting business, at least I have never gotten a grant from them.

Mr. KEELE. I would just like to identify this a little more. You are also, I believe, on the board of at least one of the large life-insurance companies of this country.

Mr. WRISTON. Yes. I am on the board of the Northwestern Mutual Life Insurance Co. of Milwaukee, and I am also now the senior member of the trustees of the stock of the Teachers' Annuity Insurance Association, so I am a capitalist by deputy.

The CHAIRMAN. Now give us your views as a customer.

Mr. WRISTON. As a customer, that is to say as a recipient of grants.

I recognize that we have to be audited. For example, I know of an instance right now. A number of small grants were made and they were very small. They were designed as what you might call yeast to institutions to encourage them to have their faculty people take on scholarly projects.

We must remember that of the people who get Ph. D.'s, for which I have, let me say, a limited respect, relatively few ever after do any truly creative scholarly work.

They go to places that don't have library facilities or laboratory facilities, or they are burdened with too much teaching or they have to earn money outside, and they just don't do it. That tends to make them dry up in middle life, to lose the fire and enthusiasm without which teaching becomes sterile.

And so an effort was made in this group of colleges to encourage the members of the faculty to do research, and it was given into the hands of the faculties themselves. It wasn't given to the presidents or the deans. It was given to the faculties.

And the idea was that Professor So-And-So wanted to do, we will say, a book on Longfellow. He hadn't been able to do it because he had to work summers. So they make him a grant equal to his summer pay, in order to let him spend the summer in scholarly activity.



Well, now in one institution the president began to spend that money. The foundation which gave the money simply had to say "No, you don't do this. It was given to the faculty, and the man's colleagues are to determine that. You cannot use it."

Now the reason was clear of course that the president would be likely to substitute that for a salary payment, you see, and they wanted to keep it clear away from the administration.

Now there was a case of supervision. That is what I call auditing.

But when it comes to, let me use the familiar word, "kibitzing," and looking over your shoulder and saying "How are you doing, Bud?" I don't like it and have been free once or twice to say so with great vigor, never in my own institution. I have never had the slightest interference in my own institution.

I think therefore we have to make this distinction. On this Commission on Financing Higher Education we had to account for every penny we spent, and one day there turned out that there was \$37.12 that wasn't properly accounted for, and it took 2 weeks to find it. We had to find it. I think that's right. But when it comes to the substance of your work, they ought to leave it strictly alone, and generally speaking they have.

**Mr. KEELE.** That was my next question. Have you observed any tendency on the part of the foundations to try to control the results of the work?

**Mr. WRISTON.** No, I have never seen any part of that.

In another of my activities as president of the Council of Foreign Relations in New York, we received grants for special projects, and we have never had a comment from any of the foundations as to how we spent that money.

Sometimes it is a lot of money. For the book on the Coming of the War by Langer and Gleason, there was \$150,000 from the Rockefeller Foundation and \$10,000 from the Sloan Foundation. We had the book prepared and published and sent them a copy, and at no time did they ever ask us a question about it.

I am now the chairman of a group which is writing a book on Anglo-American relations. Having been chairman of that group for 2 years, I have made two trips to England to confer with the Royal Institute there. At no time has anyone ever asked a question about when is it coming or what are you doing or what is your approach or anything else. In my observation I see no tendency to try to dominate the results.

**Mr. KEELE.** You have told us something of the value of the support given education by the foundations. Would you comment as to your views as to the continuing need, the present need, shall we say, and the future need for foundation support.

**Mr. WRISTON.** Of course to a man with a deficit that need is instant, urgent, and overwhelming. That is to say I now have a project.

It is so far out of my field that I can only give you a kind of a dim view of what it is they are trying to do, but we found now that American boys are steadily finding themselves in cultures utterly alien to our own, like Korea, like the Middle East, Iran, and Iraq.

We have been very backward, as you know, in learning foreign languages. It is rather striking that despite all the money we have spent abroad, we have great trouble in finding anybody who can speak foreign languages.

Now when a person, let us say, by an airplane accident, having to bail out, or for any other reason finds himself suddenly pitchforked into an alien culture, he must make a very swift adaptation, learn to get something to eat and to drink, if necessary, to hide.

One of our professors of linguistics who has been extraordinarily original in making analyses of language, said he thought we could give a general course for undergraduates which would reduce this fear of a foreign language and this sense of dislocation in the foreign culture for those people.

Now that is pioneering in the field in which I, for example, have no skill whatever, and of course the professor himself has no experience. I couldn't possibly do that.

It would take a lot of money, and with 2,500 people on the payroll of the university and 100 buildings to maintain and all the other financial pressures and, as I say, a deficit, I would have to say "No."

We go to a foundation on that. He goes to the foundation. All I did was endorse it. It is from that point of view that I think you have this experience.

Let me take another field where it is extremely important. Africa is to be, I think, one of the most sensitive areas of the United States in the next 20 years. We already see that with the dislocations today in South Africa, with the quarrel with the French in north Africa, with the troubles of the British in Egypt and the Sudan, and with the feebleness of the successor state to the Italian colonies in north Africa, not to speak of the heart of Africa, the Mau Mau trouble that is going on. And yet I think I speak by the book. In no American university is there any comprehensive systematic study of the problems of Africa, and yet for better or for ill the United States is involved in every one of those directly or indirectly.

We have got the bases in north Africa, we are dependent for industrial diamonds on South Africa, for many of the critical materials we are dependent on the heart of Africa, and to think that linguistically, culturally, economically, and in a dozen other ways there is no concentrated attack upon that problem is, I think, very serious.

Now, somebody has got to do it. The capital has to come from somewhere. It isn't the kind of a thing that a private individual, a rich man, is likely to give you money for. It is the kind of a thing that a foundation might give for a 5-year pilot study, with a view to testing out whether it can be done.

Take another field with which I happen to be familiar by reason of a temporary appointment. If we only knew what really went on in the minds of the Kremlin, how much better off we would be.

We have a picture of them, they have a picture of us. Now, somebody has to finance cold objective scholarly studies which may not reach any conclusion, but which put in the hands of policy makers in Government data, which was hitherto unavailable to them. We can't depend on one or two or three or four experts. We need a large number.

Now, in one great university one of the foundations is spending about \$1,200,000 in 10 years, and the Air Force is spending, I think, around \$400,000 for studies of that vital area.

Because of, as I say, a temporary appointment to review it, I had to look at their books, and within the limits of my competence, which is modest, I found nothing tendentious in them at all.

They were cold factual appraisals of what goes on in the Soviet Government, in its party structure, in the relationship of Mao to communism in China, and in Soviet law and justice, and I think that there is laid before the people in the Government in the policy-making things data which couldn't be found elsewhere.

That university, rich as it is, that is, rich in the sense of total assets, couldn't have undertaken it. That comes, as I say, partly from a Government contract, partly from one of the great foundations.

I am also connected with the research center for international studies at Massachusetts Institute of Technology. I don't know how large the Government contracts are there. They are tremendous, I know, but the Ford Foundation has recently given them \$1 million for these studies.

It required, because of the Government aspects, clearance, which I had to get. The other day the director of that center came down to go over with me what they were doing. There again material is being gathered which is not available anywhere else, and which is essential to the work of the policy makers.

Now, here is a combination in both of these instances of the Government on the one hand and foundations on the other. I see this as one of the things, speaking now for a moment as a scholar, at least in retrospect, which will have to go on.

It is just like cancer. You have to study it. You are going to waste an awful lot of money studying cancer because you have to follow every conceivable line, hoping you will hit the right one.

The same way in studying anything as complex and as alien and as disagreeable as Russia, you have to make long studies. And the same I feel with Africa. That is the best answer I can give you on that.

Mr. KEELE. That leads to another question. There we have a partnership, as it were, between the Government and the foundations in financing certain projects, is that right?

Mr. WRISTON. It amounts to that.

Mr. KEELE. One supplementing the other.

Mr. WRISTON. That's right. They are done through the institution and without any collaboration, so far as I know, conference, or collusion between the Government and foundations, but it comes to that in substance.

Mr. KEELE. It seems to me I once heard you talk in Chicago about the problems arising from colleges and universities accepting Federal subsidies for projects and so forth; maybe the word "danger" is a wrong word to us, but at least the problems.

It has been suggested in these hearings that the work of the foundations might tend to balance to some extent the problem of Federal subsidy. I would like to hear your views on that.

Mr. WRISTON. Well, the problem with Federal subsidies does not arise on the part of anything wrong with the Government subsidies. In all my dealings with the Government contracts, I have never seen any tendency along that line.

The problem there arises from the fact that they are not only temporary. They can make only extremely short commitments, usually for a year. But we have to keep people employed.

If you want, for example, to do something in the field in which my own university is perhaps the leader, in the field of applied mathe-

matics, I can't go and get applied mathematics at the corner drug store. I have to find somebody and give him the hope that he is going to stay there.

But the support is only for a year. What do I do if he doesn't get a renewal of that contract? How am I going to pay him? It becomes a dead weight. That is from the university point of view the greatest danger.

To get out of my own field, let me take one of the great State universities in the Middle West. I remember the president of that university told me he would not appoint a person to work on a Government contract whose appointment didn't expire with the contract. But in 8 years he had never had a contract which wasn't renewed or which wasn't followed by another one, so that those people were employed. The upshot was he never had to drop a man because of the expiration of the contract.

Now he said, "The man has been in my community for 8 years, and under the principles of academic tenure I can't very well let him go. He has cut his other lines. What happens there if the Government drops out?"

Now, that is the greatest problem that universities face in dealing with the Government. It is nothing the Government can do anything about so far as I know, unless they follow the British system of making an informal commitment for 5 years. But with our particular legislative set-up and our method of authorization of appropriation, that is pretty difficult to do.

Now, at that point the foundations can come in. I, for example, have just built two buildings for a problem in atomic physics, and the contract expired just as the building was finished. What will I do if it isn't renewed? You don't want to junk the buildings, you don't want to drop the thing, and yet the expense is such that no university could carry it.

There isn't a physics department in the United States that could operate at its present level for 2 years without Government expenditures. But in making the cushion transition, foundations could be of assistance. That is the best answer I can give you, that there is a place here where they can make cushions and make the overlap.

The only restriction or the only qualification I would put on that is, generally speaking, their interests are rather different from the Government's, that is to say, as the Government has gone into the physical sciences, the foundations have tended to pull out.

There is a very great overlap in the public-health grants, I think, some of the atomic-energy grants, and some of the specialized foundations for special diseases.

**MR. KEELE.** One of the most frequently heard criticisms that we have gotten, and one which this committee is concerned with, is the question of whether or not the charge that the educational institutions under grants from the foundations have been giving study or have been engaged in projects, the effect of which was to undermine our system of free enterprise, or the so-called capitalistic system. I wish you would give us your views on that.

**MR. WRISTON.** Well, let's take the ones on which I testified of my own knowledge. I think one of the greatest reassurances of the capitalistic system is a fair arrangement for pensions and retirement.

The idea that a man is thrown out when his usefulness is over is a

desperately bad thing. Of course, you have called attention to the fact that I am a trustee of an insurance company. I think they are among the greatest of our capitalistic enterprises, first in this matter of giving security to persons, and second, in their investment policies. They can't invest contrary to the capitalistic system and still survive. And, therefore, in the grant to the TIAA in setting up this whole pension system, it is, I would say, a reinforcement.

Second, in the grants to science, it is inconceivable that there would be any hostility to free enterprise. In the grants on the subject of art and music and libraries I see no danger. I am not familiar enough with the grants in the field of economics to testify as an expert. I can only give my impression, having been around a long time and seen them.

They have financed projects which I think were critical, but I would never think of them as subversive. I think free enterprise thrives upon a steady drumfire of criticism which calls attention to excesses and deviations and weaknesses, which give us a chance to correct them before it runs to excess.

I don't know of my own knowledge, having observed this now for nearly 30 years, in fact fully 30 years, of any grant which would have that tendency.

The CHAIRMAN. How about the grants made to Owen Lattimore? Would you classify that as being a proper grant, to conduct his revolutionary activities in the Far East?

Mr. WRISTON. Congressman, I would class that as an error in judgment. Now, as it happens, I don't agree with him. That is one of those things. I don't know him personally, so I can't express a judgment at first hand as to whether I think he intends to upset us or not.

The CHAIRMAN. Doctor, somewhere along the line I want to ask somebody the question as to how it was Alger Hiss was put at the head of the Carnegie Foundation.

Mr. WRISTON. Just for the record it is the Carnegie Endowment.

The CHAIRMAN. If you would rather not answer that—

Mr. WRISTON. I have no objection to answering it. I have never held a Government office. I am a private citizen, and I had never met Mr. Hiss; in fact, never heard of him except as I read in the papers that he was the Secretary-General of the San Francisco Conference. I never heard of his being at Yalta until afterward.

Sitting as a member of that board of trustees, I did what any member of the board of trustees would do. I took the recommendation of the nominating committee, which I think was John W. Davis.

Mr. KEELE. And Arthur Ballantine.

Mr. WRISTON. Arthur Ballantine. I have forgotten who the third one is.

What I think, if you want my opinion, and I am perfectly willing to give my opinion, is that he tried to disassociate himself from his past, and did it so successfully that his past was concealed. Certainly I had no suspicion even after he took command.

I well remember the day he was elected, and he came in and his first two nominations for members he would like on the board were a couple of capitalists certainly, and his program was a program which had no relationship to anything that would be subversive.

Of course, when he came to that he lost all contact with confidential material, and I simply think that like all of us, like sheep, were led astray. We had no suspicion of this at all.

The moment that any suspicion arose we suspended his activities. I was not only a party, I was active in continuing his salary on leave,

I did that on the ground that he had been accused but had not been tried. I understood he didn't have any assets, and I thought he was entitled to a fair trial and a living while that trial was held.

Mr. O'TOOLE. May I interrupt you at that point, Doctor?

Mr. WRISTON. Certainly.

Mr. O'TOOLE. Didn't General Eisenhower and John Foster Dulles feel just about the same as you did about a man who had only been accused?

Mr. WRISTON. Yes. General Eisenhower was not at that meeting, as I remember it. That body meets twice. We meet at dinner the night before as a kind of a general canvass of the situation, and it was at that that the lively discussion took place, and I think neither John Foster Dulles nor General Eisenhower were present that evening.

Mr. O'TOOLE. John Foster Dulles probably knew more about Mr. Hiss' background due to the fact that they had worked together—

Mr. WRISTON. I think that is altogether likely. The moment that there was any indication that he was guilty of perjury, he was dropped. The moment the charge was made, he was suspended.

He was supported with his salary during that interim period before he was brought to trial. I fully associate myself with that without at all associating myself with his ideas. I would do that for anybody.

Mr. KEELE. I would like to attempt to phrase here a proposition which is the embodiment, so far as I can accomplish it, of a number of charges which we have received. I am stating this without stating it as an expression of my own opinion, but merely as, shall I say, distillation of a number of charges, and I would like to hear your comments on it if I may state the proposition. In substance, it is this:

That the training of teachers for secondary schools is such that the training they have received in the schools of higher education, in colleges, in other words, for their work, is so occupied with methodology or methods of teaching or how to teach, that there is little or no time for them to learn what to teach or to receive what we might term to be a general education, with the result that when they go out to practice the profession of teaching, they themselves have not become educated persons.

And that as the result of that, their students do not receive the benefit of education from educated persons, so that the materials which they get or the training they receive is not of what we would call first-class composition, and that that leaves them as easy prey—I am talking about the students—to any fadism or theories which are presented to them.

The net result of that has been to make the propagation of subversive ideas an easy matter, a comparatively easy matter, with those students.

Now, the only connection with the foundations is that it has also been charged that this program of teachers' training has been financed or supported by the foundations, and to that extent the charge is that the foundations are furthering a system of education which makes subversion a comparatively easy matter.

Mr. WRISTON. Well, in fairness to the committee, I must first say I am a biased witness because I have been all my life a violent proponent of the liberal arts, and the only contribution I think I have ever made to educational thinking in literature was a chapter which I wrote on a theory of disciplines which laid emphasis upon the necessity of training people in the methods of thought, the discipline of precision which you get from mathematics and from foreign language, the discipline of hypothesis, which you get from science where you have to project and form a theory as the basis for your experimentation, a discipline of opinion which is not guesswork but it is a study of political science, and the forming of responsible judgment, and a discipline of appreciation, which is learning to hear music and to see art not in a snobbish esoteric way, but appreciably so that you get some enjoyment out of it.

That is heresy to the so-called educationists. I have all my educational life fought against this tendency to teach people how to teach things that they don't know.

The classic case that came to my attention about 25 years ago was in one of the great Midwestern universities where a person flunked mathematics and got a hundred on how to teach mathematics. It was a real, actual case that came under my observation. And it showed this terrible split that you have discussed between methodology on the one hand and substance on the other.

I think it is a thing which has fastened on us textbooks, for which I have a very strong allergy, because a textbook in which opinion is concealed as fact. When you read Adam Smith you know what you are reading. If you read Karl Marx's *Das Kapital* you know what you are reading, you know his bias, but when you read Joe Doakes' textbook, you never heard of Joe Doakes and you don't know what his bias is.

So that as far as the substance of your criticism is concerned, I associate myself with it fully. I have worked with these people in the field of education a great deal and see many of their points of view, but on that I hardly disagree.

I think work in education ought to be a graduate study, and that beneath it should be a sound experience in the discipline.

I may say that this is partly a function of the financing of the schools, because for example in most of the States of the Union when you get a teacher's certificate, you have a certificate to teach anything, so that even if you started out studying history, we will say, if they have a shortage of somebody in French, why they will have you teaching French whether you know any French or not, and they will have you teaching science even if you never had any. That again makes the teacher utterly dependent on the text. And the text, as I say, is one man's opinion stated in dogmatic form. So again I think this has been a very bad thing in American life.

Now when it comes to the foundations' relationship to it, I think it is very tenuous. There have been only a very few institutions with teachers' colleges in private hands. One of course is Columbia which I think has changed enormously and I think is now almost all graduate work. I am not in close touch with it, but I think that is true, instead of undergraduate work. Certainly the vast majority of its work is in graduate work.

The second was Chicago which gave up its school of education. It has only a department of education, and that is now all at what they call the university level. They have a different system there as you know, and give the A. B. at a different time, and their whole graduate work is organized differently from anybody else. And also Peabody in Nashville. I think Harvard, for example, has also been a graduate division.

But the great teachers' college development has been by the States, the State normal schools, and then the schools of education in the great State universities.

This particular development of which you speak tended to come at what we used to call the normal school level and then became the teachers' college level, and is now generally speaking called the State college level. And I don't know of my own knowledge of anything the foundations have done to stimulate that.

There have been grants—I remember one grant made at the teachers' college to Dr. I. L. Kandel, for whom I have the highest respect as a scholar, on testing. And there have been many other grants on teaching of citizenship and that kind of thing, of which I don't have enough familiarity to speak.

But so far as developing the type of education that you are speaking of, I would say that was about  $99\frac{4}{100}$  percent the work of the States and the foundations had only a trivial impact upon it.

Whether we are making headway, I think the answer is "Yes." The original normal schools were for training primary teachers in the three R's; that is where this "How To Teach" became important, because they knew how to read, write, figure to the rule of three, and spell.

It was when that process crept upward and these normal schools became State teachers' colleges and began to train people first for the junior high schools and then for the senior high schools and did it at the undergraduate level, that this overaccent on methodology at the cost of substance became, in my judgment—and as I say, on this I am a biased witness—a great evil.

Mr. KEELE. Is the Ford Foundation's experiment in Arkansas an effort to alleviate that situation, a State-wide project of teacher training?

Mr. WRISTON. I don't know enough about it to give you an intelligent answer, Mr. Keele. I am sorry.

I am familiar with the Ford Foundation's effort in certain colleges, both private and public, to cut out a year of high school and short-circuit that, and have heard reports at first-hand from some of those institutions.

I am also familiar with their countereffort to balance it in three great private institutions and three great private preparatory schools, to see whether they can skip the freshman year of college.

I also understand they have a project, I think it is in New Mexico, in trying to get these racial groups, of which the Congressman spoke, who don't go to college, to be stimulated to go to college, but I don't know the Arkansas situation.

Mr. KEELE. In substance what they are attempting to do, as I understand it, is that they are getting the State teachers' colleges to cooperate with them in a plan whereby they are going to give prospective teachers 4 years of general education, and then a fifth year of intensive



training in teaching and methodology largely on the interne system.

Mr. WRISTON. Well, that of course would have my hearty blessing.

Mr. KEELE. Of course, it has been seriously challenged, as I understand it, from what I can read—I am sure of it—by the educational hierarchy in this country who say that it is not a revolutionary experiment but is a reversion to the training of the Medieval Ages.

Mr. WRISTON. Well, I would have to identify the hierarchy, but if it is the group I think it is I am in just a thousand percent disagreement with them.

That is to say, there has been almost a pressure group on this teacher training showing what seems to me hostility to breadth and laying so much emphasis on methodology as to in effect give us uneducated teachers.

Mr. KEELE. The charge has come to us both from persons who have been to see us, written to us, and from those we have talked with—and some of those persons are themselves professors of standing, teachers of standing—that the National Education Association and related bodies, what I might call the educational hierarchy who have for the most part backed the so-called progressive education, have such pressure groups that anyone who criticizes or who attempts in the teaching profession to criticize that method suffers from the sociological and sometimes the economic pressures which they are able to exert, and it is all part and parcel of this general thought that I expressed or attempted to express a while ago.

Mr. WRISTON. Well, I sit in the outer darkness so far as that group is concerned. I am on some kind of an index I should judge, so I am not a good witness on that because I have never had any part of it.

Again any reputation I have is based upon so vigorous a defense of the liberal arts that people who take the other point of view simply write me off as beyond redemption.

Mr. KEELE. Well, isn't it true that in the higher educational institutions there is comparatively more freedom of thought ideologically and otherwise than in the secondary schools?

Mr. WRISTON. Oh, yes. That certainly is true, and I think that is the nature of higher education. I think at many levels indoctrination is not only right, it is necessary. I myself can't go along with this business of teaching people without any critical faculties having been trained to be critical of everything under God's green earth, because I don't think that they have the equipment to do it.

It is the specific function of course of higher education to train people to think and to be critical and to form evaluative judgments, and that is what distinguishes the two.

It isn't the mere matter of age. It is a matter of maturity, and we want our mature people to exercise judgment.

We want our young people to begin to have judgmental exercises, but the basic thing is we want them to know something, how to read, write, and spell and know their history and not be lost in the world. But I think, as I say, the specific difference between secondary education and higher education comes in this area of critical thinking.

The CHAIRMAN. Doctor, is radicalism in the colleges and universities on the increase or is there evidence of a falling off?

Young men come back from the bigger universities, fellows that I know and in whom I have had an interest since they were small boys.

I question them and you probably have observed already that I am what you might call an ultraconservative.

They come back and tell me that radicalism is the thing that is just running away with these colleges and schools, and that the problem of the young fellow who wants to stay in the center is either to conform or to be ostracized. And the notion is pretty general that radicalism has been rampant and probably still is in our fine educational institutions.

Mr. WRISTON. Well, can I tell you a story which I think illustrates my point. When I was in Wisconsin, I had one trustee who was continuously worried about this, though I saw no signs of it myself. But someone, when I was on a visit to New York, said, "Is so-and-so still a single taxer?" And I said, "Come again." And he said, "Why, when he got through college he was a wild-eyed single taxer."

I went home and I didn't say anything to him, but the next time he jumped me about instruction in the college, I said, "Are you still a single-taxer?" He flushed a moment, and he said, "Where did you hear about that?" He said, "Of course, I am not." I said, "When did you get over being a single-taxer?" And then at last he put a smile on his face and said, "When I bought my first piece of property."

Now youth is a peculiar thing. As Dean Hawks of Columbia once said, what the older generations see as red is really green, and there is a real point there, that they have training in their critical faculties but they cannot have perspective.

I remember when I was beginning to teach American history the chairman of my department said that nobody should teach American history until he was 50 year of age. Well, it annoyed me. Hadn't I just gotten graduate training? Didn't I know it all?

And when I got to be 50 I knew what he was talking about, namely, that everything I had learned from books had been tested in watching life go on, and it therefore was not mere critical faculty, it was experience.

And I think that there is a great misunderstanding about the young people in this thing, that they always want to go back and shock the parents. I believe the word for that now is "communication." I never have understood what communication was, but they like to go back and scare them to death.

But this is what I find: That when they are 5 years out they are in banking and they are in business and they are all over that aspect of the thing, and I think that is just what Dean Hawks was talking about. They always have a tendency when they don't have to do anything about it, to take the new view.

On the other hand—and the Congressman sitting beside you knows this very well—when it comes to action, they are the most conservative crowd in the world. There isn't any group that is more dominated by tradition than that.

And when I tried to make what I regarded as a minor reform in fraternity life at Brown, it blew the top off the university for about 5 years, and I had to go in and out of town by the subway. But I myself don't feel any alarm about this matter.

I will say this, and I wrote an article on this which has been republished many times, and I won't bother you to give the speech. But there has been a detachment of the teaching profession from the economic system.

Let me explain that in a very few words. When we had the depression, all teachers' salaries were cut, and in many a Midwest college they didn't get any salary except what was left over when the other bills were paid.

I knew many, many colleges—I was then very active on the North Central Association and on its board of review, and I visited them, and the faculty had no salaries except what was left over when the coal bills and other bills had been paid. They therefore suffered by economic reverses.

But when there is a boom, and particularly when there is inflation, they don't profit. And there has been a steady detachment of the teaching profession from our economic system.

And without being in the slightest degree critical—and I must emphasize that because I believe heartily and wholeheartedly in State education, because the private institutions cannot carry the load—it is pretty hard for a professor who draws all of his income from the State, to be too critical of Government activities. I mean he becomes predisposed to things—

The CHAIRMAN. You are saying it is difficult for a beneficiary of a grant from a foundation to criticize the foundation.

Mr. WRISTON. That is right, although if you will read this book on *The Economics on Financing Higher Education* you will find that however difficult it is, we did it.

We put some facts in there and opinions which we don't ask them to love us for, but we thought it was for their own good.

But broadly speaking—

Mr. KEELE. Will you pursue that point you were making there about the fact that they are dependent upon the State, the natural consequences?

Mr. WRISTON. Well, the natural consequences are that they are not going to bite the hand that feeds them. And when you find, as you do find now, that the balance is changed and the people in the State institutions almost all have special grants for inflation, emergency increases, the whole balance of payment has changed so that in the public institutions the salaries are higher than in the private institutions. And as a consequence, there is a steady drift to a continuing dependence of the professoriate on Government.

That certainly is true in science. I remember in one of the great institutions a man said we could run our cyclotron 3 days on the assets of the university. It runs every day of the year on the Navy Department.

Now you are not going to get the man who has that experience to say that Government activities should be greatly curtailed. It isn't human nature.

Now I think it is a serious matter. I haven't got a ready solution for this except that people should give us lots of money, and that is the solution for all problems, but what I called the detachment of the teaching profession from the economic system is a very serious matter, because they suffer in depression and they don't profit in boom.

They can't go on for a century without having a certain attitude of mind, and you see it, of course, in Britain. Sixty-six and two-thirds percent, as I said earlier, of the university income in Britain comes from the Government.

I don't think it is any astonishment, therefore, that generally speaking, the professors belong to the Labor Party. I would think it was abnormal if they didn't, if that goes on 30 years.

Mr. KEELE. And your point is that this dependence upon state funds tends in the end to emphasize in their minds the importance of subsidization or at least assistance from the Government, which in the end tends toward a socialized state?

Mr. WRISTON. That is right. Now one of the great contributions of the British institutions is to maintain that balance, and that in this report of the Commission on Financing Higher Education is emphasized, that if we can keep a lively balance between over-all governmental or over-all private, it will be a very healthy thing.

This, from my point of view, is one of the great merits of the tremendous surge that I spoke of in the growth of Catholic institutions, which incidentally the President's Commission on Financing Higher Education totally overlooked.

Now, they do not have a direct dependence upon the economic system, but they have a system of discipline of their own which doesn't make them either dependent upon the Government, you see. And I think that has been one of the healthiest things in the last 30 years.

People are sometimes surprised that I am so enthusiastic about Catholic education, being a Protestant, but I have observed it over the years.

Mr. KEELE. I think you want to correct a point. You said the President's Commission on Financing—

Mr. WRISTON. I beg your pardon. It is the President's Commission on Higher Education.

Mr. KEELE. It is not to be confused with this study that has just been made.

Mr. WRISTON. Not at all. That was appointed by the President of the United States. It made a report perhaps 5 years ago in five paper-bound volumes, the principal part being in volume I.

The CHAIRMAN. Doctor, what percentage of top-flight people in the field of education agree with you on the views to which you have in part given expression this morning? It makes me wonder if I didn't make the mistake of sending my four grandsons to the wrong school.

Mr. WRISTON. Well, I think that perhaps others might be a little less candid, but the fact that I have held office is indicated by the fact that I am not a deviationists, so to speak.

Broadly speaking, if they are totally out of sympathy with your ideas, they don't trust you, but I think that across the country—and I can speak best for the private institutions—there would be very strong agreement with most of the general points of view that I have given.

Mr. KEELE. Have you any further questions?

Mr. FORAND. I have one question that I would like to ask. It is on a statement that the doctor made earlier when he was referring to the pension system under the Carnegie set-up.

I may not be using your words.

Mr. WRISTON. That is all right.

Mr. FORAND. But the statement was to the effect that people have to remain in Carnegie colleges in order to retain their pension status.

Mr. WRISTON. That is right.

Mr. FORAND. Would you explain that a little clearer for me, please?

Mr. WRISTON. Yes. Mr. Carnegie gave first \$10 million and hoped that would buy pensions for professors in selected colleges. And then later—this is a measure of how poor we all are as prophets—he gave \$5 million to take care of the professors in State institutions.

Now, as I say, at that time there had never been actuarial studies on annuities, and I think I am speaking by the books when I say that all insurance companies who went into annuities ran into heavy weather for two reasons.

In the last 50 years the expectation of life has increased by 20 years, due to better medical education and better hygiene and vitamin pills and what not, and we also found that people on pensions live longer. They have a sense of calm and peace which tends to make them live.

The second thing was that they all had certain expectations of the interest rate which over a hundred years had not varied greatly from 4 percent, but with war finance it dropped down to 2 at least, as you know.

The upshot was that most of the insurance companies had to throw in very heavy reserves to take care of their accumulated obligations.

Now, the Carnegie Foundation therefore closed its list of colleges and of participants in 1915, and it became one of their rules that the man did not carry his pension with him if he moved from one institution to the other, unless the other one was on the Carnegie list.

Well, when I moved from being a professor at Wesleyan, which was on the Carnegie list, to being president of Lawrence, which is on the Carnegie list, I carried it with me, but Brown had refused to go on to the Carnegie list back in 1905, in a great battle over whether to change the charter. They had insisted that they wouldn't change it.

Mr. FORAND. Typical Rhode Island independence.

Mr. WRISTON. That is right. As a matter of fact, after we had lost the approximately \$2 million we would have gained by joining the list, we did change the charter.

Mr. KEELE. But you were under no compulsion to do it?

Mr. WRISTON. No compulsion to do it, and no bribery to do it.

Now, with TIAA, however, it is different. That is just an insurance policy that goes with the man to whatever institution he goes. The other was a free pension. You made no contribution to it at all; and, therefore, you had no contract. You had what was known as expectations of benefits.

And those were attached not to you, except as a teacher in one of the colleges on that list. Of course, it has ceased to have any importance practically now because there are only—I looked yesterday in connection with my work as a member of the executive committee of the foundation—there are less than a hundred people of my age or younger who are on the list who have not yet got their pensions.

Most of them are all drawing their pensions. But this was a measure, of course, of the failure of Mr. Carnegie's calculations to see what it would cost.

Just as a rough guess, I would say he didn't foresee, first of all, the growth of the colleges and of the rise in salaries; and, if you are going to give a man half his salary and you don't know what it is, it could be a fantastic sum of money, and I doubt if you could have done with \$500 million or a billion what he thought he was going to do. As you knew, the leverage is tremendous on this. That is what I meant.

If you move from a Carnegie institution to a non-Carnegie institution, as I did from Lawrence to Brown, that free pension is lost. But my insurance policy with TIAA is my own, and I carry it with me.

Mr. FORAND. You have cleared up the point very well. Thank you, Doctor.

Mr. KEELE. I have only one other question, I think, Dr. Wriston.

Do you feel that education would benefit from more experimentation?

Mr. WRISTON. Oh, yes. There are so many new things in the world, for example, in science. You can't stop that.

The moment that atomic physics came in, you had an enormous range. Of course, in medicine we have only scratched the surface of the antibiotics and of these chronic diseases. In the field of economics we have one of the most difficult and complicated problems in the world.

They talk about trade, not aid, but we have followed a certain policy for a long, long time with reference to tariffs, and so on, and only a doctrinaire thinks you can change that overnight.

I heard yesterday one of the greatest economists in the country say he had always been a free-trader but he didn't know how to change in that direction now. There needs to be enormous study on that.

Even in the field of insurance we have need for vast studies. I can't see any field—I have mentioned Africa, I have mentioned Russia. The Middle East needs study.

Point 4 launches us upon something we haven't any idea of the political consequences of economic aid, and yet we all know from our own experience with the Indians that you can destroy a culture but it is awfully hard to alter a culture.

So that, speaking as a professional, I can see no end to research, and that is basically dependent on experimentation.

So far as teaching is concerned, the curse of good teaching is you learn it and then turn to follow your routines and go down; and, if you don't bring refreshment and enlightening experience in, then you get to be a pendant instead of a teacher. And so from my standpoint as a professional in the field of experimentation I think we are just on the threshold.

Mr. KEELE. And that must come largely, under existing conditions, from foundation aid; is that right?

Mr. WRISTON. So far as the pioneer things are concerned, they are trail blazers.

Mr. KEELE. If there are no further questions, I should like to say before Dr. Wriston is excused two things: One, I had the privilege of attending Brown for part of my academic days and am very proud of our president.

The CHAIRMAN. He is a very extraordinary fellow.

Mr. KEELE. Secondly, this committee is very indebted to Dr. Wriston, not only the committee but he has helped us greatly in our work.

The CHAIRMAN. He is a man of stature and deep understanding; there is no question about that.

Mr. WRISTON. I have a serious feeling that this committee can perform a great service really in bringing before the public and making available for future research the work we need to know.

The CHAIRMAN. We appreciate the assistance you have given us, Doctor. We hope you won't leave us and will continue to help us in the future.

Mr. FORAND. Mr. Chairman, I intended to make this statement at the outset of the hearing this morning, but I make it at the close.

Dr. Wriston is one of the outstanding men of our State, and we are very proud to have him here.

Insofar as his contribution to the committee is concerned, I say to you right now that it is minute as compared to the contribution he has made to the welfare of our State of Rhode Island and to the educational system of Rhode Island. We are proud of you, Doctor.

Mr. WRISTON. Thank you, Congressman.

Mr. FORAND. The chairman has just suggested that I announce that the committee will now rise and we will meet again on Monday, at 10 a. m., in this same room.

(Whereupon, at 12:20 p. m., the select committee recessed to reconvene at 10 a. m., Monday, November 24, 1952.)





## TAX-EXEMPT FOUNDATIONS

MONDAY, NOVEMBER 24, 1952

HOUSE OF REPRESENTATIVES,  
SELECT COMMITTEE TO INVESTIGATE TAX-EXEMPT  
FOUNDATIONS AND COMPARABLE ORGANIZATIONS,  
*Washington, D. C.*

The select committee met, pursuant to recess, at 10:10 a. m., in room 1301, New House Office Building, the Honorable Brooks Hays presiding.

Present: Representatives Cox (chairman), Hays (presiding), Ford, and Simpson.

Also present: Harold M. Keele, counsel to the committee.

Mr. HAYS. The committee will be in order, please.

Our first witness this morning is Mr. H. Rowan Gaither, director of the Ford Foundation.

Mr. Gaither, the committee appreciates the opportunity of having your statement. Mr. Keele will direct the testimony.

Mr. GAITHER. Thank you.

### STATEMENT OF H. ROWAN GAITHER, JR., ASSOCIATE DIRECTOR, FORD FOUNDATION

Mr. KEELE. Mr. Gaither, will you state your name and place of residence, and your position with the Ford Foundation for the record, please.

Mr. GAITHER. My name is H. Rowan Gaither, Jr. I am a resident of San Francisco, Calif.; I am an associate director of the Ford Foundation.

Mr. KEELE. Mr. Gaither, the committee feels that we would like to know in considerable detail the development of the Ford Foundation and, particularly, the latter phases of its development, because we are fortunate in having an opportunity to see first-hand and hear from those who formulated the policies of the foundation the story of how the largest foundation, and one which is comparatively in its swaddling clothes, and the committee feels, and the staff feels, that there is no better way for us to get an understanding of foundations and how they operate than to have the development traced in considerable detail. So, I am going to ask you, if you will, rather than merely answer the question in a direct, concise way, if you will elaborate, proliferate, a bit on the questions which have to do with the development of the foundation.

First of all, as I understand it, you are a lawyer as well as an associate director of the Ford Foundation; is that not right?

Mr. GAITHER. That is correct, Mr. Keele.

Mr. KEELE. Would you describe for us your relationship to the Ford Foundation prior to the time you became an associate director, which, I believe, was in what—1951 or 1950?

Mr. GAITHER. I was elected associate director in January of 1951.

Mr. KEELE. All right.

Prior to that time what had your relationship been to the Ford Foundation?

Mr. GAITHER. My relationship with the Ford Foundation started in November of 1948, at which time I had been asked, was asked, by the trustees of the foundation, to direct a study which would advise the trustees on a program and on policies for the administration of that program.

Mr. KEELE. Can you tell us how you happened to be selected, if you know, for that position?

Mr. GAITHER. I knew one of the trustees of the Ford Foundation, Dr. Karl T. Compton, who, at that time, was president of Massachusetts Institute of Technology.

I was casually acquainted with Dean Donald K. David of the Harvard Business School, who was also a trustee.

I had never met any member of the Ford family or any of the officers of the Ford Motor Co., and I knew none of the other trustees.

It was in October of 1948, I believe, that I received a telephone call from Dr. Compton asking me if I would be willing to come to Cambridge, Mass., to talk to him about a matter which he felt was quite important in the public interest.

I went to Cambridge and conferred with Dr. Compton, and learned that Mr. Henry Ford II was anxious to find someone who could organize a group of men to advise the foundation on its programming policy.

Mr. KEELE. All right.

Will you just pick up from there then and tell us what took place from that time on?

Mr. GAITHER. Well, I, of course, was very much interested in learning more of the Ford Foundation. I knew very little about it. I had heard that it would receive substantial resources by reason of the gifts of Mr. Henry Ford, Sr., and Mr. Edsel Ford, and Dr. Compton and Dean David related to me the history of the Ford Foundation up to that time.

Mr. KEELE. May I interrupt you for one moment there? By the way, how did you happen to know Karl Compton?

Mr. GAITHER. During the war, Mr. Keele, I had been assistant director of the radiation laboratory at MIT. You may recall that this was the large laboratory established under the direction of Dr. Bush and the OSRD, to prosecute the radar development for the armed services.

I had been there for 4 years and, of course, had an opportunity to become personally acquainted with Dr. Compton.

Mr. KEELE. All right; I am sorry; go ahead now.

Mr. GAITHER. Well, after my meeting with Dr. Compton and Dean David, I went out to Detroit at Mr. Ford's invitation, and there I met with Mr. Henry Ford II, with his brother, Mr. Benson Ford, Mr. James Webber, another trustee of the foundation, and also Mr. B. J. Craig.

They discussed very frankly the problem which confronted the trustees in planning the organization of this foundation, and planning Ford's program.

They discussed very frankly the problems which confronted them as trustees. They said that they had devoted considerable time and discussion as to how they might organize the foundation, in anticipation of the resources which the foundation would receive from the estates of Henry Ford and Edsel Ford when they were distributed.

I understood that they expected distribution of these estates, perhaps, as early as the middle of 1949 or, perhaps, by 1950. They, therefore, were very anxious to get on with their planning job so that when they received these resources, which at that time, I think, were reported at somewhere around \$300 million, estimated, that they would be fully prepared to discharge their responsibilities.

This, of course, was an intriguing assignment. I was interested, of course, in learning more of the attitude of the trustees, what it was that they really wanted to accomplish by a study of this sort.

I do not know, Mr. Keele, whether you are interested in this much detail, but I will be glad to go into it.

Mr. KEELE. Yes. I think so because, as I say, this gives us better than anything else could, I think, exactly how a foundation is put together, at least, how one large modern foundation has been put together, and I think the manner has a great deal to do with it. So, being somewhat familiar with what the story is, I wish you would go ahead in detail.

Mr. GAITHER. Well, Mr. Henry Ford II told me that it was the decision of the Ford family and the other trustees of the foundation to organize this foundation as a truly great public trust; the responsibility which was imposed upon them by these very large gifts in the public interest was one which weighed heavily upon them.

They, therefore, wanted the foundation organized as a public trust, but they sought advice as to what this meant, what did it mean in terms of actual operations and actual plans as distinguished, of course, from simply alleging or asserting that the foundation would be a public trust.

I had had a few notions as to what constituted a nonprofit corporation, and what constituted a public trust in the sense of a foundation, so I had several points in mind as the discussion proceeded.

I was interested, first, in learning what the attitude of the trustees might be in terms of the relationship between the foundation and the Ford family. After all, this great wealth had been accumulated by the Ford family, and it had been left or given to the foundation.

I do not know to this day whether Mr. Ford resented my question—I do not think he did—but I got a very direct answer. He said that the decision had been reached that at the appropriate time, preferably at an early time, any control, any semblance of control by the Ford family would be terminated.

The CHAIRMAN. Would be what?

Mr. GAITHER. Would be terminated; that it was his opinion that this foundation had been dedicated to public purposes, as a public trust, and he felt that it was inconsistent with that purpose to have the control reside in his family or in any other donor family.

That, more than anything else, convinced me that this was a very important undertaking and, frankly, one which otherwise I would have undertaken quite reluctantly.

I had heard, of course, that there was some relationship between the foundation and the Ford Motor Co., and I asked questions pertaining to this. I found that there had been a complete separation between the foundation and the Ford Motor Co. and, in fact, that there had not ever existed any interlock between them.

Mr. Ford had appointed separate counsel, there was no interlock anywhere along the line, and I felt that this was a very significant fact because it was evidence that this would be a public trust, that it would not be used in any way for the benefit of the Ford Motor Co. or would not be influenced by the Ford Motor Co.

Mr. Ford told me also—and this was concurred in by the other trustees, because by this time I had talked to all of them at some length, in fact I think nearly for 3 days—that he wanted and they wanted an expanded program; that theretofore the foundation had been operating in substantial figures annually for philanthropies which had been important to the family, were important, of course, to everyone, but the resources which they anticipated receiving would permit them to have a very expanded program.

So the trustees had spent a good deal of time trying to find out how they might develop a program, because the wills of the two Fords had placed no restrictions on the use of the funds except that they would go to the foundation for the charter purposes, for scientific, educational, and charitable purposes, so that this had to be defined because any worth-while activity, of course, could be subsumed under one of these three categories, but he realized that even with this great fortune which would pass to the foundation, that the trustees would be confronted with the problem of selection among many worth-while things.

The approach that he had in mind, very frankly, intrigued me. He wanted to know what the people of the United States thought this foundation should use its resources for in the interests of the public welfare, and he knew of no better way than to go out and find out what people thought.

If you do not mind, Mr. Keele, I think the best expression of that is a letter which Mr. Ford wrote to me in November—November 22, 1948.

Mr. KEELE. I think you ought to read that letter.

Mr. GAITHER. This is addressed to me in San Francisco under the date I have just mentioned:

DEAR DR. GAITHER: I am most gratified to learn that you will be able to organize and direct a study to recommend to the trustees of the Ford Foundation the policies and program which should guide the foundation in the activities it expects to undertake in the near future.

The foundation was established for the general purpose of advancing the national welfare, but the manner of realizing this objective was left to the trustees. Now that the time is near when the foundation can initiate an active program we think that its aims should be more specifically defined.

The people of this country and mankind, in general, are confronted with problems which are vast in number, and exceedingly disturbing in significance. While important efforts to solve these problems are being made by Government, industry, foundations, and other institutions, it is evident that the needs far transcend the total of present efforts, and that new resources, such as those of this foundation, if properly employed, can result in significant contributions.

We want to take stock of our existing knowledge, institutions, and techniques in order to locate the areas where the problems are most important, and where additional efforts toward their solution are most needed.

You are to have complete authority and responsibility in this undertaking, and you are to have a high degree of discretion subject, of course, to the general policy approval of the trustees in the means you employ and in the choice of consultants and other personnel. We believe that the potential social value of the foundation cannot be underestimated, and we, therefore, want the best thinking available in the United States as to how this foundation can most effectively and intelligently put its resources to work for the public welfare.

Since we now believe that the Ford Foundation will be able to commence an active program in 1950, we would like to have the conclusions of your study by the early summer of next year.

Please feel free to call upon me and the other trustees at any time for any assistance we may render. We all feel the tremendous challenge and we want to put forth our best efforts in the discharge of the great responsibility resting upon us as trustees of this important trust.

Very sincerely,

HENRY FORD II.

That, Mr. Keele, I think is the best expression—

The CHAIRMAN. What was the date of that communication?

Mr. GAITHER. Judge Cox, it is dated November 22, 1948.

I think that is the best expression of the objectives of the foundation trustees in 1948: It certainly provided the frame of reference for the study, although the trustees, as you will note from the letter, gave me a high degree of discretion as to how I should proceed and who I might employ to assist me, and made me an independent consultant, so that no one could say that my views were the views dictated by the trustees, but I would have the right to express my own views independently of the wishes of the trustees or anyone else.

I should say that I employed that same theory in the selection of people to assist me. They were independent consultants.

Mr. KEELE. You did go forward and organize a study committee, then, with its staff, did you not, Mr. Gaither?

Mr. GAITHER. Yes, I did; Mr. Keele.

Mr. KEELE. Will you tell us something of the people you selected for that committee, who they were, how you selected them, and what you did, and what the committee did.

Mr. GAITHER. Well, the task I had here was to organize people who could mobilize the best thinking, the best opinion available in 1949 to advise the trustees as to their program and policy.

Therefore the first thing I had to do was to select people in whom I had the right to place confidence, people who had access immediately to leaders of industry, people in Government, men in education, men in foundations—men and women, I should say—in order that they could learn in a comparatively short period of time what the problems were of human welfare, what were the great needs and what might a foundation, with these resources, do about them.

So, I proceeded as rapidly as possible to organize a committee.

I hope you will interrupt if I am going too far, Mr. Keele.

Mr. KEELE. I shall feel free to do so.

Mr. GAITHER. But I still was stimulated by the challenge which this foundation had at that time and the way that they discharged it.

The choice that we had, frankly, at least that I thought that we had, was to proceed by going to them, let us say, in medicine and public health and asking them, What are the great needs of medicine and public health, and what a foundation might do?

We could go to natural scientists and ask them the same question; we could go to social scientists, to educators, but the result of that, in my opinion, and I think in the opinion of the trustees, even before they first interviewed me, was that what you would come up with is a well-documented brief on many projects and many needs, all important, of course, but they would not be focused upon the major problems of human welfare if you proceeded by these conventional fields of knowledge or disciplines, as they call it, and if you relied upon the specialties of any individual.

So what we needed here were people who had access to the sources of information and sources of thought in the country, and yet were objective.

They were general—they were generalists in the sense that they could transcend, lift themselves above, the confines of their own training. I would expect a lawyer to forget the administration of justice as being important. It certainly is, and he was to speak to that, but he also was to be perfectly aware of the problems of medicine and health.

I expected this to be done by the natural scientists and the social scientists. I confess that this approach was not the easiest approach, and it may not be a novel approach, but at least it seemed to us to be the one which was most responsive to the directive which we had or I had received from the trustees.

With those thoughts in mind I, as quickly as possible, checked a number of people. I only knew two of them before, but I checked as carefully as I could for these qualifications over a large list of names, and I arrived at the following conclusions as to the people to go on the committee: One was Tom Carroll, Thomas Carroll, dean of business administration, now at the University of North Carolina. At that time he was dean at Syracuse. I had known him earlier when he was an undergraduate at the University of California.

There was Dean William De Vane of Yale; there was Dr. T. Duckett Jones, formerly member of the faculty of the Harvard Medical School. I knew him casually. I had read of his very important research work in one particular field, rheumatic fever, and I had watched with interest during the war some of his projects, and was attracted to him because he had moved out of a narrow specialty and was trying to advance medicine and public health on a broad scale. He had just then accepted the directorship of the Helen Hay Whitney Foundation, and he is still a director of that.

Charles Lauritsen is a physicist. You may recall a description of him in *Life* several years ago as the great experimental physicist. I knew he was widely associated, and was president of the American Physical Society. I had not met him. He had a very distinguished war career in science, and some of our most important contributions in the proximity fuze or rockets, I should say, he had been the very important scientist. He had been on the Los Alamos project, and he was still interested in many important activities to Government. He is now at California Tech, as he was then director of the radiation laboratory there.

Next was Donald Marquis, chairman of the social-science division at the University of Michigan. He was from Stanford. I had heard of him first on the Human Resources Committee of the Research and

Development Board, and he checked out very well, and I invited him.

Then there was Dr. Peter Odegard who, at one time, had been Assistant Secretary of the Treasury. He had been in academic life all of his career, president of Reed College in Oregon, and had just gone to the University of California.

The last was Dr. Francis Spaulding, who died in 1950, but at that time was commissioner of education of New York State. He was highly recommended.

These men constituted the committee. I then assembled a small staff to assist me. One was William McPeak, who came to me highly recommended, and the other was Mr. Dyke Brown. They served as my two assistants. I had no other personnel other than those that came in as consultants for temporary times.

Mr. KEELE. Mr. Gaither, in selecting these men, I have understood that you were a completely free agent to make these decisions without limitation from the Ford family or from the trustees of the foundation; is that correct?

Mr. GAITHER. That is correct. I reported to the trustees, I think, on around November 18, or thereabouts, in an informal but completely attended meeting, that I had selected this committee.

Mr. KEELE. In selecting the committee, I gather from what you said here and from what you have said to me at other times, that you sought the advice, the best advice, you could get from any quarter that you felt would be helpful in getting nominations, shall we say, for your committee, and that you relied not only on your own judgment in that respect but the judgment of those people you felt you could trust and who had knowledge of the subject?

Mr. GAITHER. That is correct, Mr. Keele.

Mr. KEELE. All right.

Now, how did the committee proceed which, I think, is the most interesting part of the story?

Mr. GAITHER. Well, they proceeded in a very peripatetic way, Mr. Keele.

In the course of a few months they covered a quarter of a million miles by air travel, and put in about  $7\frac{1}{2}$  man-years, not counting the time of the interviewees and conferees; they directly conferred with over a thousand men and women in the United States.

I have not any idea how many thousands of pages of memoranda and correspondence were received, but it was interesting that there was a complete response, a national response, to this approach.

I permitted each member of the committee to play in the other fellow's back yard. Dr. Jones could become quite interested in matters of international affairs; Dr. Odegard, a political scientist, could become interested in medicine, if he wished.

They proceeded to look for the problems. I did not control them as to how they would organize their efforts, and they each organized differently.

Dr. Jones had a committee of doctors—it was a rather formal structure—some of the leading names in medicine were on that and they worked very hard at it, and I think that it is quite interesting that the conclusion that this committee reached was that at that time the foundation should give its first attention to fields other than medicine and public health. This was in no way a reflection on the importance of those fields or of the needs, but I think it is significant

that in the evaluation of problems and needs that they came to this conclusion.

Each member of the committee proceeded differently. They commissioned papers, so to speak; they called conferences, they traveled extensively, and every few weeks we would get together for a formal session to see how we were getting along, what was the evidence that we were building up.

I suppose the best way to describe this is that the committee went to the public; they sought out the men and the women who could give them the best advice. They sought the best literature, and they analyzed the views, and reported as accurately as they could back in our committee meeting, and they did so in writing. They were responsible reports.

Mr. KEELE. What was the result of that study that your committee made, Mr. Gaither?

Mr. GAITHER. Well, I should say, Mr. Keele, that running in parallel with the work of the committee, which was directed toward finding the problems and the needs, and then evaluating them, coming to some sense of relative importance in order to advise the foundation on a program, while that was going forward, the staff of the study was proceeding with certain policy questions on which the trustees sought advice early in 1949, and prior to the time we could complete the report.

In think it was in January of 1949 that Mr. Ford became interested in how would we increase the board. He wanted to know what size the board should be, what were the qualifications that we should seek in the trustees; in general, what would be the best board that the trustees could possibly get.

They recognized, of course, they had to add additional members to the board, so we conducted a rather comprehensive analysis of this. We drew not only on the experience of business in composing boards, where the scope of the business represented a wide variety of activity, but we also looked at the experience of the trustees or members of the universities and colleges; we talked to the foundation trustees about the experience that they had had, and we came to certain conclusions as to size, qualifications, and what we recommended to the trustees to look for in deciding upon other men to be invited to the board.

This, of course, was important to one of the first steps that had to be taken in the expansion of the program of the foundation and in carrying out the decisions of the trustees that this should be a public trust. This is one of the first studies, Mr. Keele.

Another aspect of it was what, I think, you in the hearing have been calling public reporting or public accountability.

Early in 1949 we sat down and analyzed the question of what are the incidents or implications of a public trust. Well, I think, it is self-evident that there has to be reporting; that the foundation, if it is dedicated to public welfare, it should report to the public.

We recognized that there were certain disadvantages to this. People would try to tailor applications and projects to what they believed to be your particular program. There were others that would shoot at the foundation if there were disagreements as to judgment, but all these factors on balance were outweighed by the positive values, we felt, of public reporting. So we recommended that there be periodic



reporting by the foundation to the public. This meant not only making it available to the press but to give it to the libraries, to the universities, to anyone who requested it.

We thought that this should be at least annually reported. It would be a complete, clear statement of the activities of the foundation, but that was not enough. We felt that in addition there should be a balance sheet showing their assets and their liabilities. We thought they should provide a clear, concise statement of income and expense.

The question then was not whether to adopt this in the opinion of the trustees—this to them was a clear duty upon them, with this conception that they had of public trust; it was only when we do it.

Therefore, we considered the timing, and it was decided that they would announce their general aims as soon as their expanded program had been completed and had been adopted by the trustees.

They should announce their basic policies, as well as their general aims, and indicate, quite frankly and in advance, their principal fields of interest; and in this respect, perhaps, we did Mr. Hoffman a considerable disservice, because he was swamped when he became the president, with thousands, perhaps tens of thousands, of applications. But this was one of those minor disadvantages which, in the opinion of the trustees, was well outweighed by the positive advantages.

We also thought that the precedent established by Rockefeller and Carnegie was one which might follow; their reporting seemed to us to be fully consistent with the standards which we recommended that the trustees establish for the Ford Foundation.

Are you interested in other aspects of this concept of the public trust?

Mr. KEELE. Well, I think you have probably illustrated it sufficiently. I think the important thing here is the fact that, one, it was considered a public trust; two, the Ford family felt the foundation should be completely divorced from control by the Ford family or the donors; three, that in determining a plan or program of activities you went to the public rather than imposing upon the work of the foundation the ideas of a limited few.

Then I think this follows along the same line that you have told us here. Supposing you tell us now as to the results of that study, with reference to the areas of activity which were determined upon.

Mr. GAITHER. Perhaps one point occurs to me that I omitted here, and that is the action taken by the trustees. There is a distinction between recommendations which we made and the action on these.

Mr. KEELE. Right.

Mr. GAITHER. I can say very briefly that these policy recommendations of the staff sort that I have mentioned were accepted by the trustees. They were discussed many, many days of meetings, formal meetings, as well as regularly scheduled meetings being involved.

To me, one of the most significant acts occurred in April of 1950. At that time and by that time the trustees had added new trustees, additional trustees.

The effect of this was to place on the board of trustees a majority of people who were unrelated to the donor family, and had no connection, past or present, with the Ford Motor Co., so if you can visualize that board, then you had the donor family in a minority, and disinterested, what I describe as public trustees in a majority.

But the control had not been relinquished at that point because the membership, as distinguished from the trusteeships, was controlled by members of the donor family.

At the motion of Mr. Ford, as I recall it, the articles of incorporation were amended at the April 1950 meeting to make the members and the trustees synonymous, and with that one act, which drew little attention at the time, but with that one act, the trustees then passed control legally—in fact, it had earlier—but passed it legally and irrevocably from the donor family, and I think that was very basic.

Mr. SIMPSON. I am interested in asking a question.

On theory, as distinguished from tax law, what is the advantage of eliminating the brains—the Ford family—which made possible this foundation? What is the advantage of eliminating them from their usefulness in connection with the handling of the fund? Why is it public policy not to permit them to help direct?

Mr. GAITHER. Mr. Simpson, you are asking me to evaluate a question which was considered prior to the time that I became associated with the study for the Ford Foundation. I would say that in this particular incident, knowing personally the members of the family who have worked so hard to organize this foundation, nothing, in fact, was gained. But I think Mr. Ford was interested in the future.

The CHAIRMAN. In the public mind is there not a great deal lost from the foundation standpoint in Mr. Ford's severing his connection completely with the foundation?

Mr. KEELE. May I interrupt to say that Mr. Ford is on the board; is he not?

Mr. GAITHER. Yes, sir; he is chairman of the board.

Mr. KEELE. So that he is available for service?

Mr. GAITHER. Yes.

Mr. KEELE. He is, is he not, Mr. Gaither?

Mr. GAITHER. He is available for service, and works very hard at it.

Mr. KEELE. I believe you told me he had spent something like 42 working days with the foundation in 1 year; is that correct?

Mr. GAITHER. During the course of the study, according to my records, he had spent 42 full working days; I have not any idea how many more days he spent on it.

Mr. KEELE. I think the impression, perhaps, has been gained here that when you spoke of, and I spoke of, divorcing the control of the Ford family from the Ford Foundation it was assumed that that cut off all relationship between the members of the Ford family and the Ford Foundation. I think that ought to be cleared up.

Mr. GAITHER. I did not intend to convey that impression, Mr. Simpson.

Mr. SIMPSON. From the tax approach, in part, at least, one purpose is to avoid creating a trust by members of the family for their personal advantages, and exercising their authority for their personal financial advantage.

I have one other question. You touched on this matter of reporting. I would like to ask this: To what extent did the trustees adopt your recommendation with respect to reporting, and does it go to a reporting of the end use of the money, and in detail?

Mr. GAITHER. The trustees adopted the recommendation, Mr. Simpson. They issued the full statement of the program, published the study report, published their own trustees' report, and I believe it

was in September of 1950. At the end of 1950 they issued a full financial statement, and at the end of 1951 they issued their first annual report of the expanded program.

Mr. SIMPSON. Do they list the grants?

Mr. GAITHER. Yes, sir; they list the grants, the name of the grantee being clearly indicated, the amount, and, in addition, the purpose of the grant.

Mr. SIMPSON. Thank you, sir.

Mr. KEELE. How are those made available, Mr. Gaither? I mean, you say they published them. Are they available upon request, or are they furnished to libraries, or just how is dissemination made of the published report?

Mr. GAITHER. I cannot answer that accurately. I think the first mailing list that was prepared ran into a number such as about 5,000. This goes to not only the press; it goes to many of the universities and colleges, and goes to libraries all over the United States, and perhaps some libraries out of the United States.

I have not any idea how big that list is now. I would be glad to find out. It is available to anyone who wants it.

Mr. KEELE. I think, and I suggest to the committee the advisability of making the report of the study for the Ford Foundation on policy and program, which is in this form, an exhibit in this record, and I also suggest to the committee the desirability of making the report of the trustees of the Ford Foundation also an exhibit, and I think that in view of its brevity and conciseness, the second document, the report of the trustees of the Ford Foundation, appear verbatim within the body of the record rather than being attached as an appendix.

Mr. HAYS. May I see it?

Without objection, the documents will be included in the record, as indicated by Mr. Keele.

The CHAIRMAN. That is, one will be incorporated in the record of the testimony, and the other simply in the appendix.

Mr. HAYS. Yes.

(The report of the study for the Ford Foundation on policy and program was received as an exhibit and is on file with the committee.)

(The document referred to, Report of the Trustees of the Ford Foundation, follows:)

#### REPORT OF THE TRUSTEES OF THE FORD FOUNDATION, SEPTEMBER 27, 1950

##### THE TRUSTEES

Henry Ford II, chairman of the trustees, president, Ford Motor Co., Detroit, Mich.  
Karl T. Compton, chairman of the board, Massachusetts Institute of Technology, Cambridge, Mass.

Donald K. David, dean, Harvard School of Business Administration, Allston, Mass.

James B. Webber, Jr., vice president, J. L. Hudson Co., Detroit, Mich.

John Cowles, president, Minneapolis Star and Tribune Co., Minneapolis, Minn.

Benson Ford, vice president, Ford Motor Co., Detroit, Mich.

Charles E. Wilson, president, General Electric Co., Schenectady, N. Y.

Burt J. Craig, secretary-treasurer, Detroit, Mich.

##### INTRODUCTION

In the fall of 1948, anticipating final settlement of Federal estate-tax matters and the probable receipt during 1949 and 1950 of income sufficient to permit the Ford Foundation to undertake a greatly expanded program, the trustees author-

ized the appointment of a study committee to serve as independent consultants to the foundation.<sup>1</sup> This committee was made up of men widely known and respected in such fields as education, medicine and public health, the natural sciences, political science and government, the social sciences, the humanities, and modern business and industry. Members of the study committee were Mr. H. Rowan Gaither, Jr., chairman; Thomas H. Carroll, D. C. S.; Charles C. Lauritsen, Ph. D.; William C. DeVane, Ph. D.; Donald G. Marquis, Ph. D.; T. Duckett Jones, M. D.; Peter H. Odegard, Ph. D.; Francis T. Spaulding, Ed. D.<sup>2</sup>

A staff directed by Mr. Gaither served the committee and included Mr. William McPeak and Mr. Dyke Brown, assistant directors; Mr. Paul Bixler; and Mr. Don K. Price.

On November 22, 1948, the chairman of the trustees wrote the chairman of the study committee as follows:

"The foundation was established for the general purpose of advancing human welfare, but the manner of realizing this objective was left to the trustees. Now that the time is near when the foundation can initiate an active program, I think that its aims should be more specifically defined.

"The people of this country and mankind in general are confronted with problems which are vast in number and exceedingly disturbing in significance. While important efforts to solve these problems are being made by government, industry, foundations, and other institutions, it is evident that new resources, such as those of this foundation, if properly employed, can result in significant contributions.

"We want to take stock of our existing knowledge, institutions, and techniques in order to locate the areas where the problems are most important and where additional efforts toward their solution are most needed.

"You are to have complete authority and responsibility in this undertaking, and you are to have a high degree of discretion, subject, of course, to general policy approval of the trustees, in the means you employ and in the choice of consultants and other personnel. \* \* \* We want the best thought available in the United States as to how this foundation can most effectively and intelligently put its resources to work for human welfare."

The study committee agreed at the outset that the purpose of the study was not to accumulate a comprehensive catalog of projects which the foundation might undertake, but to block out in general terms those critical areas where problems were most serious and where the foundation might make the most significant contributions to human welfare.

The study committee also agreed at the outset that it should view the needs of mankind in the broadest possible perspective, free from the limitations of special professional interests, if it was to discover the most important problems and opportunities of human welfare. The study committee invited each member to ignore the confines of his specialty or profession and bring to the committee the best thought in his field concerning the most pressing problems of human welfare generally, whether they lay in his field or elsewhere. Each committee member by agreement respected the boundaries of his own experience and training only for the purposes of administrative coordination.

The magnitude of the study may be suggested statistically. More than 1,000 persons were directly interviewed by the study committee and the staff. Over 7 man-years went into the study exclusive of the time devoted to it by advisers and conferees who were acting without compensation. Materials prepared and accumulated run into many thousands of pages.

In the opinion of the trustees, the conclusions and recommendations of the committee were influenced by and responsive to the best American judgment of our times. Advisers represented every major segment of American life and every major discipline and field of knowledge. In the area of government and international affairs the committee secured the opinions and points of view of officials in State and Federal Government, representatives of the United Nations and its affiliated agencies, business and professional leaders, and the heads of private organizations concerned with world affairs. The presidents of many

<sup>1</sup>The Ford Foundation was incorporated in Michigan on January 15, 1936. Its principal assets consist of stocks, bonds, cash, and real property contributed to the foundation by the late Mr. Henry Ford and the late Mr. Edsel Ford during their lifetimes, by their wills, by Mrs. Clara J. Ford, and by Ford Motor Co. A detailed financial report of the Ford Foundation, which has awaited recent settlement on matters in connection with the estates of Mr. Henry Ford and Mr. Edsel Ford, will be published as of December 31, 1950.

<sup>2</sup>See p. 24.

leading universities contributed generously. The views of military leaders were sought and obtained. The viewpoint of labor was solicited. Conferences were held with the heads of many small enterprises—often sole proprietorships—as well as heads of large corporations.

It is significant that the General Report of the Study Committee, which followed some 22 special and individual reports, carried with it unanimous committee endorsement.

It is this report which provides the basis for the following report from the trustees of the foundation.

For the trustees:

HENRY FORD II, *Chairman.*

#### PART I. HUMAN WELFARE

The purpose of the Ford Foundation is simply stated in its charter: "to receive and administer funds for scientific, educational, and charitable purposes, all for the public welfare."

Fundamental to any consideration of human welfare is human survival. All efforts to prolong life, to eradicate disease, to prevent malnutrition and famine, to remove the causes of violent accidents, and—above all—to prevent war, are efforts to forward the welfare of man.

The improvement of physical standards of living is also vital to human welfare. Living standards finally can be considered high enough only when the inhabitants of the entire world have been freed from undue anxiety over the physical conditions of survival and from extreme preoccupation with obtaining those conditions.

But it is clear that the welfare of man requires far more than mere human survival and the improvement of physical standards of living.

Basic to human welfare is general acceptance of the dignity of man. This rests on the conviction that man is endowed with certain unalienable rights and must be regarded as an end in himself, not as a cog in the mechanisms of society or a mere means to some social end. At its heart, this is a belief in the inherent worth of the individual and the intrinsic value of human life. Implicit in this concept is the conviction that society must accord all men equal rights and equal opportunity.

Human welfare requires tolerance and respect for individual social, religious, and cultural differences, and for the varying needs and aspirations to which these differences give rise. It requires freedom of speech, freedom of the press, freedom of worship, and freedom of association. Within wide limits, every person has a right to go his own way and to be free from interference or harassment because of nonconformity.

Human welfare requires that freedom be enjoyed under a rule of law to guarantee to all men its benefits and opportunities. It calls for justice, self-government, and the opportunity for every citizen to play an effective part in his government.

Human welfare requires that power at all levels and in all forms—political, economic, or social—be exercised with a full sense of social responsibility and the general good. It requires, further, that individuals recognize an obligation to use their capabilities, whatever they may be, to contribute to the general well-being.

It is clear that these requirements for human welfare are in substance the ideals and aims of democracy. The ultimate concern of both is with the individual, and the welfare of the individual can advance only in an environment that encourages individual freedom.

For men can be only as free as the arrangements and conditions of society enable them to be. Men cannot forsake society in search of freedom. They must live together whether they want to or not. All are thrust from birth into an immense network of political, economic, and social relationships. This interdependence can be a curse where men are enslaved by state machines or other men. It can be most fruitful and rewarding where free men work together in confidence and mutual respect.

In the modern world large-scale and complicated arrangements are needed to provide the social and economic and political conditions under which human freedom may be assured and human welfare advanced. This is not to say that political institutions in and of themselves can assure human welfare—or even constitute democracy. Undemocratic institutions may be found in a free, democratic society. Majority rule alone does not guarantee democracy. What dis-

tinguishes a democratic society is the respect for others which makes men unwilling to be either slaves or masters. When the democratic spirit is deep and strong it animates every phase of living—economic, social, and political relations among groups and nations, as well as personal relations among men.

In times of uncertainty there is a tendency to resist change out of an illusion that free institutions are made more secure by an unchanging order. This, we believe, strikes at the very heart of democracy. Democracy must do more than declare its principles and ideals; it must constantly translate them into action. For its great strength lies in its ability to move steadily forward toward the greater achievement of its goals and the more complete fulfillment of human welfare—to meet the eternal challenge of change by giving, where necessary, fresh forms to its underlying principles. It is man's faith in this dynamic ability which assures the survival of democracy.

In the light of these convictions, and in view of their obligation and opportunity to advance human welfare, the trustees of the Ford Foundation therefore state as their purpose the advancement of the ideals and principles of democracy.

#### PART II. HUMAN NEEDS

The critical problems which obstruct advancement in human welfare and progress toward democratic goals are today social rather than physical in character. The problems and opportunities of our time arise out of man's relations to man—rather than his relations to the physical world.

How large and far-reaching a domain of interest this may be is seen in even the most general review of the many issues and problems of our time.

Among all problems in human relations, the greatest challenge is the achievement of peace throughout the world. There is vital need for adequate military preparedness to protect the free nations of the world against aggression, and for concerted effort to mitigate current tensions. But there is also the greater long-range need for unremitting efforts to remove war's basic causes and to build a world foundation for permanent peace.

This is the greatest single issue of our times. In the balance is the very survival of man.

The underlying causes of war are many—poverty and disease, the tensions which result from unequal standards of living and economic insecurity, racial conflict, and the forces, generated by political oppression and conflicting social theories. Half the people of the world are either starving or lack adequate food. Illness and disease are widespread.

Ignorance and misunderstanding, actually fostered in many parts of the world by political censorship of the free exchange of information and ideas, add greatly to the unrest which stems from material lacks. They pose dangers as great as the prejudices induced by the distortion of information. When knowledge goes unshared, the minds of men have no common ground on which to meet.

Such conditions produce unrest and social instability. Men submit to dictators when hunger and frustration undermine their faith in themselves and in the existing order.

Hundreds of millions of dollars and organized effort on the part of men and women all over the world are today focused on this goal of lasting peace. The needs of freedom-loving people everywhere—particularly in relatively undeveloped areas—are seemingly endless; yet the United States is striving at hard cost of blood and resources to strengthen their economies in the belief that on the eventual prosperity of these peoples depends our own, as well as world, security. The working record of the United Nations justifies the faith which created it, though it has not yet proved adequate to the task of ensuring that the rule of law shall govern relations among nations.

Foundation-supported activities can, where such private aid is proper and officially welcomed, assist in the analysis of fundamental issues or policies where our Government or the United Nations may lack objectivity, talents, or time. A foundation can support studies by special committees, individuals, or research institutes where official agencies are hampered by foreign or domestic political considerations or by the appearance of self-interest. It can, in appropriate situations, make available to the State Department or to the United Nations expert knowledge and judgment on important subjects. It can attempt to anticipate problems upon which independent advance thought and study are important to the adequate formulation or execution of policy.

There is constant need, also, for public understanding and support of the policies of our Government and the United Nations in international affairs.

This does not imply that a foundation should sponsor or support activity having as its purpose the propagandizing of the views of the State Department or any other agency or group. To the contrary, it must preserve impartiality and objectivity in all its activities; if the results of such studies are critical of existing policy, their wide dissemination is perhaps even more important.

Although the conduct of international affairs urgently needs men and women of the highest intellectual competence and stature, government is often unable to find, attract, and hold the quality of persons required in sufficient number. Efforts to establish a high tradition of public service and to select and train more and better leaders for public service must be undertaken promptly.

Inevitably linked with the search for peace is the need to strengthen democracy and our own domestic economy. The processes of self-government, designed to keep political power responsive to the people and to express their will in action, are often seriously affected by lack of citizen participation in government and civic affairs, and by ineffective governmental machinery.

Ways must be found to reduce misunderstanding and downright ignorance of political issues, personalities, and public needs, and to increase constructive participation.

There is need to achieve increased economic stability, both at home and abroad, with a satisfactorily high output and the highest possible level of constructive employment. Despite the fact that our industrial economy is the most productive in history, it is still characterized by booms and by depressions which cause suffering and waste and create social and political tensions.

The lack of industrial peace continues to result in diminished individual and business earnings, in reduced output, and in public inconvenience and social friction.

There is need for every citizen to have some adequate understanding of the economic institutions, problems, and issues in our industrial society. Economic questions underlie government policy, affect the daily existence of every citizen, and are world-wide in their implications.

As important to our own economy as to our search for peace is the need to strengthen, expand, and improve our educational facilities and methods.

Democracy requires equal and unlimited opportunities for education and educational institutions geared to the needs and goals of society as a whole. It has been said that, "No society can long remain free unless its members are freemen, and men are not free where ignorance prevails."

Even in this country persons of all races and colors do not have equal access to education. The advantages of education are also walled off behind economic barriers. Free tuition alone does not guarantee all children a chance to attend primary and secondary schools. Some are barred by such things as the cost of books, clothing, and supplies; others must drop out because their families need the money they can earn. The poorer families, and those composed of members of our minority groups, are the ones most urgently requiring educational opportunity to improve their economic and cultural status. Yet they are the very ones against whom these educational barriers loom highest, and in consequence their cultural and economic inequalities tend automatically to be inherited.

The high cost of college and of higher education in general makes real equality of opportunity impossible. More and more of the financial burden is being thrust upon the student in the form of higher tuition fees. In consequence, higher education threatens to become increasingly the prerogative of the well-to-do.

For education to depend so largely on individual economic status presents grave dangers to democracy. We thereby deny to millions of young people an equal chance to make the most of their native abilities; we also deprive society of a vast number of potential leaders and of citizens educated to assume their adult responsibilities—personal, civic, and social.

Perhaps the greatest single shortcoming of our school system is its tendency to concern itself almost exclusively with the dissemination of information. School should be the most important influence outside of the home for the molding of whole persons. Yet individual purpose, character, and values, the bases of which are laid in the home, are often inadequately developed by institutions which could, by precept and deeper teaching, assume a major share in supporting them most successfully.

Education must meet the needs of the human spirit. It must assist persons to develop a satisfactory personal philosophy and sense of values; to cultivate tastes for literature, music, and the arts; and to grow in ability to analyze problems and arrive at thoughtful conclusions. Only thus will graduates of our

schools and colleges attain the wisdom necessary to live integrated and purposeful lives.

If we are to train youth for effective citizenship, we must bring about a satisfactory relationship between general and special knowledge. While specialization is to be encouraged as a proven technique, there is need also to understand how specialized knowledges fit together for the constructive interests of society as a whole. This means more than graduating adequate numbers of specialists and general students; it will require the development in both of an understanding of their relations one to the other and of the relations of both to society. We are today, perhaps, turning out too many graduate specialists who lack a sense of our society as a whole.

Our educational system faces numerous other problems, such as the great shortage and often the poor quality of the teaching personnel at the primary and secondary levels; the pressure of enrollment upon physical plant during the growth of the postwar school population; the apathy of parents and other citizen groups toward school requirements; the difficulties of obtaining adequate financing, particularly in regions of low economic potential; and the slowness with which schools adopt new procedures and aids for teaching.

Attention needs also to be given to the less-publicized types of education which exist outside the schools. The formative and continuing influences of the home, the church, the school, the college and university have been profoundly modified by the enormous development of mass media of communication—newspapers, magazines, radio, movies, television. Because the effects of these are so strong upon the individual and so pervasive from early childhood to the end of life, they present many major problems for society as well as for the individual.

Concerned with individual dignity and well-being, the trustees are disturbed by the extent to which our society fails to achieve one basic democratic objective—the full development and use by each person of his inherent potentiality.

No census can show how many persons in our society labor under the disabling effect of emotional maladjustment. The estimates range widely; some authorities regard emotional maladjustment as the most characteristic and widespread ill of our civilization. In a small percentage of instances this takes the form of crime, delinquency, and insanity. In the great majority of cases it is disclosed in illness, in unstable family life, in erratic and unproductive work habits, and in inability to participate effectively in community life. Maladjustment makes people unable to live happily with their fellows, makes them unwilling to cooperate adequately, or unable to compete successfully.

The lack of satisfactory adjustment manifests itself significantly in the use of leisure time. Shortened hours of work, earlier retirement, and the medical advances which have increased life expectancy, have all made great increases in leisure time. Nevertheless, many persons appear unable to find constructive uses for their nonworking hours, and this contributes significantly to personal and social tensions.

The problem of personal adjustment is probably also affected by the nature of the jobs which must be done in a mass-production economy. Many psychologists state that human beings possess a fundamental need to feel the significance of their daily work by close identification with its end result. As clerical and mechanical tasks have become more specialized, as machines have taken over more of the functions formerly performed by brain or hand, this occupational satisfaction and sense of identification with the end result of one's effort has decreased. While mass-production techniques obviously cannot be abandoned, the problem is to develop new sources of satisfaction to replace those lost.

Beyond the need to reduce social unrest and individual maladjustment, there is an even greater challenge in the need for positive steps to provide opportunity for the development by individuals of their full potentialities. The mere absence of maladjustment can never be an ultimate goal. By whatever means can be discovered, creative functioning in all aspects of individual and social living should be encouraged.

Considerations such as these have led the trustees to a general conclusion that man must choose between two opposed courses. One is democratic, dedicated to the freedom and dignity of the individual. The other is authoritarian, where freedom and justice do not exist, and human rights and truth are subordinated wholly to the state. This is a critical point in world history.

The democratic course is the choice of the peoples in free countries of the world, and perhaps the hope of tens of millions who are now citizens of totalitarian states. But the making of the choice is not a single, simple act of selection; it is a way of total living, and to choose it means to choose it again and again, today and tomorrow, and continuously to reaffirm it in every act of life.



At this crossroad we face two great and related needs. The first is the establishment of a lasting peace. The second is the achievement of democratic strength, stability, and vitality.

To work toward these objectives means attack upon many subsidiary problems, all interrelated, all urgent:

The need for governments, national and international, to be more truly responsive to the people, to be more efficient and at the same time to be grounded more firmly in the active participation of its citizens;

The need to achieve a relatively stable and more healthy economic system with greater opportunity for personal initiative, advancement, and individual satisfactions;

The need to develop more able and public-spirited leaders in all fields of responsibility and endeavor;

The need to improve our educational system for the better development of such leaders and for the preparation of men and women everywhere for the increasing tasks of citizenship and for the conduct of more purposeful and better-rounded lives.

One great need underlies all these problems—to acquire more knowledge of man and of the ways in which men can learn to live together in peace in a complex, conflicting, and ever-changing world.

In recognizing the challenge of these human needs, the trustees are conscious of the breadth and depth of the opportunity revealed. We are conscious, too, of the relatively small part which any private foundation can play in meeting the challenge. But the power of free men and women when moved by faith and high purpose is limitless. In this American spirit of great hopefulness, we have chosen five areas within which to concentrate, for the present, the resources of the Ford Foundation, leaving to others the continued exploration of such vitally important fields as the physical sciences, medicine, and public health.

#### PART III. FIVE AREAS FOR ACTION

##### *I. The Ford Foundation will support activities that promise significant contributions to world peace and the establishment of a world order of law and justice*

The foundation will support activities directed toward—

- (a) The mitigation of tensions which now threaten world peace.
- (b) The development among the peoples of the world of the understanding and conditions essential to permanent peace.
- (c) The improvement and strengthening of the United Nations and its associated international agencies.
- (d) The improvement of the structure and procedures by which the United States Government, and private groups in the United States, participate in world affairs.

##### *II. The Ford Foundation will support activities designed to secure greater allegiance to the basic principles of freedom and democracy in the solution of the insistent problems of an ever-changing society*

The foundation will support activities directed toward—

- (a) The elimination of restrictions on freedom of thought, inquiry, and expression in the United States, and the development of policies and procedures best adapted to protect these rights in the face of persistent international tension.
- (b) The maintenance of democratic control over concentrations of public and private power, while at the same time preserving freedom for scientific and technological endeavor, economic initiative, and cultural development.
- (c) The strengthening of the political processes through which public officers are chosen and policies determined, and the improvement of the organizations and administrative procedures by which governmental affairs are conducted.
- (d) The strengthening of the organization and procedures involved in the adjudication of private rights and the interpretation and enforcement of law.

##### *III. The Ford Foundation will support activities designed to advance the economic well-being of people everywhere and to improve economic institutions for the better realization of democratic goals*

The foundation will support activities directed toward—

- (a) The achievement of a growing economy characterized by high output, the highest possible level of constructive employment, and a minimum of destructive instability.

(b) The achievement of a greater degree of equality of economic opportunity for individuals.

(c) The improvement of the structure, procedures, and administration of our economic organizations: business firms, industries, labor unions, and others.

(d) The achievement of more satisfactory labor-management relations.

(e) The attainment of that balance between freedom and control in our economic life which will most effectively serve the well-being of our entire society.

(f) The improvement of the standard of living and the economic status of peoples throughout the world.

(g) Raising the level of economic understanding of the citizens of the Nation.

*IV. The Ford Foundation will support activities to strengthen, expand, and improve educational facilities and methods to enable individuals more fully to realize their intellectual, civic, and spiritual potentialities; to promote greater equality of educational opportunity; and to conserve and increase knowledge and enrich our culture*

The foundation will support activities directed toward—

(a) The discovery, support, and use of talent and leadership in all fields and at all ages.

(b) The clarification of the goals of education and the evaluation of current educational practices and facilities for the better realization of democratic goals.

(c) The reduction of economic, religious, and racial barriers to equality of educational opportunity at all levels.

(d) The more effective use of mass media, such as the press, the radio, and the moving pictures, and of community facilities for nonacademic education and for better utilization of leisure time for all age groups.

(e) The assistance of promising ventures in education making for significant living and effective social participation.

(f) The improvement of conditions and facilities for scientific and scholarly research and creative endeavors, including assistance in the dissemination of the results.

(g) Improving the equality and ensuring an adequate supply of teachers in preschool, elementary, and secondary-school education, and in colleges, universities, and centers of adult education.

*V. The Ford Foundation will support scientific activities designed to increase knowledge of factors which influence or determine human conduct, and to extend such knowledge for the maximum benefit of individuals and of society*

The foundation will support activities directed toward—

(a) Advancement of the scientific study of man—of the process of development from infancy to old age; of the interaction of biological, interpersonal, and cultural influences in human behavior; and of the range of variations among individuals.

(b) The scientific study of values which affect the conduct of individuals, including man's beliefs, needs, emotional attitudes, and other motivating forces; the origins, interactions, and consequences of such values, and the methods by which this knowledge may be used by the individual for insight and rational conduct.

(c) Scientific study of the process of learning, so that individuals may become more effective in acquiring knowledge, skills, and attitudes and in adapting themselves to the demands of living.

(d) Scientific study of the processes of communications, including their channels and content, and their effects upon human behavior.

(e) The scientific study of group organization, administration, and leadership, for greater effectiveness of cooperative effort and for increased individual satisfaction.

(f) The scientific study of the causes of personal maladjustment, neurosis, delinquency, and crime, and the improvement of methods for prevention and cure.

(g) The development of reliable measures of the effectiveness of professional practices extensively used in psychiatry, social work, clinical psychology, and guidance counseling; and of ways of comparing the relative effectiveness of alternative practices and testing scientifically the theories underlying such practices.

(h) Increasing the use of the knowledge of human behavior in medicine, education, law, and other professions, and by planners, administrators, and policy-makers in Government, business, and community affairs.

## ACKNOWLEDGMENT

The trustees of the Ford Foundation wish to express their grateful thanks and deep appreciation to all those who contributed so generously and so effectively to the investigations leading to this report.

The work of the study committee, assisted by its staff, represents, in the judgment of the trustees, one of the most thorough, painstaking, and significant inquiries ever made into the whole broad question of public welfare and human needs. Their policy recommendations were accepted unanimously by the trustees and are believed to represent the best thought in the United States today.

The names of those responsible are gratefully listed here. Their own report to the trustees, on which this is based, will be published and copies made available to those interested in its findings and conclusions.

Special thanks are due more than 1,000 men and women in business, industry, the professions—in colleges, universities, foundations, and elsewhere—who most generously contributed through interviews, private memoranda, special studies, and otherwise to the investigations of the study committee and staff. There is not space here to name them all. Moreover, in any such study the contributions of wisdom and insight are so many and so various it is impossible even to know every contributor.

We hope that each individual who assisted in this inquiry will enjoy a deep sense of personal satisfaction from having helped guide the Ford Foundation toward what we hope may be significant and effective contributions to the good of our country and the advancement of human welfare here and throughout the world.

## THE STUDY COMMITTEE

H. Rowan Gaither, Jr., chairman: Attorney, San Francisco; chairman of the Rand Corp. and adviser to other nonprofit organizations. Formerly assistant director, radiation laboratory, Massachusetts Institute of Technology; consultant, National Defense Research Committee; faculty member, University of California Law School.

Dr. Thomas H. Carroll, chairman, division of business: Dean of the School of Business, University of North Carolina. Formerly assistant dean, Harvard School of Business Administration; dean, College of Business Administration, Syracuse University.

Dr. William C. DeVane, chairman, division of humanities: Dean, Yale College; Sanford professor of English; director, Yale University division of humanities. Formerly chairman, American Council of Learned Societies; literary editor, Yale Review.

Dr. T. Duckett Jones, chairman, division of medicine: Director, Helen Hay Whitney Foundation; director, American Heart Association; adviser, National Heart Institute. Formerly member of the faculty, Harvard Medical School.

Dr. Charles C. Lauritsen, chairman, division of natural science: Professor of physics and director, Kellogg radiation laboratory, California Institute of Technology; member, National Academy of Science; adviser to the Office of Naval Research.

Dr. Donald G. Marquis, chairman, division of social science: Chairman, department of psychology, University of Michigan; chairman, Committee on Human Resources, Research and Development Board, National Military Establishment. Formerly chairman, department of psychology, Yale University; president, American Psychological Association.

Dr. Peter H. Odegard, chairman division of political science: Chairman, political science department, University of California. Formerly president, Reed College; Assistant Secretary of the United States Treasury; member, President's Commission on Migratory Labor.

Dr. Francis T. Spaulding, chairman, division of education: Until his death in March of 1950, commissioner of education and president, University of the State of New York. Formerly Chief, Education Branch, Information and Education Division, United States War Department; dean, Harvard School of Education.

## STAFF OF THE STUDY COMMITTEE

H. Rowan Gaither, Jr., director.

William McPeak, assistant director: Planning and organizing consultant to nonprofit institutions. Formerly Division Chief, Information and Education Research Branch, United States War Department.

Dyke Brown, assistant director: Attorney, San Francisco. Formerly assistant dean, Yale University School of Law.

Don K. Price: Associate director, Public Administration Clearing House, Washington, D. C. Formerly assistant to the chairman, Hoover Commission.  
Paul Bixler: Librarian, Antioch College, and chairman, editorial board, the Antioch Review.

Mr. KEELE. Mr. Gaither, would you tell us now something of the operations—we are going to ask Mr. Hoffman later to tell us more in detail, and we will ask Mr. Ford to tell us the part of the story from the time that he first became acquainted with the foundation until such time as you took over the work of the planning.

First I would like to ask you this: You are not counsel for the foundation, are you?

Mr. GAITHER. No, sir; I am not. I am associate director only part of my time.

Mr. KEELE. Who are the other associate directors?

Mr. GAITHER. The other associate directors are Mr. Chester C. Davis, Mr. Robert M. Hutchins, and Mr. Milton Katz.

The CHAIRMAN. Who was the last one?

Mr. GAITHER. Mr. Milton Katz.

Mr. KEELE. Will you tell us something of the background of those men and their experience and work?

Mr. GAITHER. I think Mr. Hoffman could tell you that in much greater detail, Mr. Keele.

Mr. KEELE. I think, perhaps, it would be wise to wait until Mr. Hoffman takes the stand with reference to that point.

The CHAIRMAN. May I inquire as to who are the incorporators of the foundation?

Mr. GAITHER. To the best of my knowledge, there were three incorporators, Mr. Edsel Ford, I believe Mr. Clifford Longley, an attorney in Detroit, and Mr. B. J. Craig. Mr. Ford could answer that.

The CHAIRMAN. What was the number of trustees that they first elected, and how are the trustees chosen?

Mr. GAITHER. Do you mean in 1936, Judge Cox?

The CHAIRMAN. Yes.

Mr. KEELE. The foundation was started in 1936, was it not?

Mr. GAITHER. It was started in 1936.

I am sorry I cannot answer that. My familiarity with the foundation begins in—

The CHAIRMAN. Has the number of trustees increased?

Mr. GAITHER. The number of trustees has been increased, Judge Cox. There are now nine trustees, and the recommendation of the study, at least, was that the additional trustees should be added slowly so that the men, of course, could be indoctrinated in their responsibilities and that, perhaps, a desirable size board would be close to 15—12 to 15.

Mr. KEELE. What is the eventual number that is thought you will have on the board?

Mr. GAITHER. I think the articles place a limit of 15. The Michigan law, as I recall it, permits up to 21. I personally believe 21 is too large, and I think somewhere around 12 to 15 is a desirable number, but only operating experience will indicate the desirable number.

Mr. KEELE. Would you tell us something of the deliberations and considerations that entered into the decision to enlarge your board of

trustees, and as to the number to which you hoped to go in having a full board?

Mr. GAITHER. Well, the sheer magnitude of the responsibility of the trustees here, the task of adopting a program, organizing, selecting the president, selecting the officers, and then going forward into the actual development of the programs is a staggering responsibility.

It obviously had to be shared by a larger number than six or seven—I have forgotten the number at that time. So we felt an additional number was needed.

So we recommended that it should go to nine as soon as possible, and that recommendation was adopted by the trustees. We recommended that thereafter they should add slowly because you cannot take men and suddenly throw them into a task of this sort and expect them to understand fully the job that they must perform.

So we recommended the rate be slow and that the ultimate number should be indicated, of course, by the experience of the foundation, but looking at it generally from the experience of other organizations, we thought an effective size would be somewhere between 12 and 15.

Mr. KEELE. Mr. Gaither, in the work of the staff we have noticed that there tends to be what we call an interlocking directorate on the part of trustees of the foundations. I think that was first pointed out many years ago by Professor Lindeman, in his book on wealth and culture.

In looking over the members of the board of trustees of the Ford Foundation, we have noted that their trusteeships of other foundations or related organizations are comparatively limited. I mean by that, it is limited in comparison with a number of the other foundations.

Was any policy adopted with reference to that very problem?

Mr. GAITHER. Mr. Keele, I cannot say that there was any policy adopted. I know of no formal recommendation which was formally adopted.

I know that the subject was considered at some of the informal sessions with the trustees, at which members of the study staff presented their recommendations.

We felt that what the board of trustees, as then constituted should do was to broaden its experience and broaden its interests so that instead of duplicating the qualifications and experience of the men who were on the board, that they should expand and supplement them, that these men should have a broad interest in social, economic, and political affairs, a deep sense of the responsibility which they would have as trustees, an awareness of the responsibilities which they would have to discharge.

That is not something that could be undertaken lightly. This would be particularly true in the formative years.

Therefore, we did consider this question of interlock in a general way. Obviously, a first requirement, in addition to these basic qualifications, would be time to do this job, and men who were heavily committed with other trusteeships and other directorships, would, by reason of that alone, be disqualified.

Secondly, well, I, perhaps, should not put it quite this way, but I think that the attitude was that this responsibility was so great and the opportunity so unique really in the history of philanthropy, they wanted to take a full and fresh approach to it.

I think all of us are sometimes inhibited by our own experiences. I think any one of us who had worked too long in developing a particular program or a particular project in the field of interest might necessarily carry that over into another organization, and I think that was one of the elements that entered into our discussion.

Interlock, however, as such—or I should not say interlock, but service on another foundation, as such—certainly will not exclude a man; in many instances it would qualify him.

Mr. KEELE. I think that you might say a word here as to the areas of activity which were decided upon in your plan and program, five areas for action which were decided in your plan, as submitted, or your report, and which were adopted by the trustees.

Would you just enumerate those with some notation, shall we say, of the significance of each of those five areas?

Mr. GAITHER. I will describe these very briefly, because I think the best expression of any program is in terms of the activities and, after Mr. Hoffman became president of the foundation and assembled a staff, he proceeded very rapidly to develop a program, so I think rather than to discuss these objectives in any detail—

Mr. KEELE. I thought if you would just mention them and leave for Mr. Hoffman the discussion of them, that would be satisfactory.

Mr. GAITHER. The study committee proceeded, as I have indicated, by analyzing problems in needs, and then after having evaluated the problems and, I think, this is a sound approach, to find out what are the most critical needs of human welfare, the critical needs of democracy, and so forth, and they then started to narrow.

You cannot narrow too much, but you can narrow it to at least give some guideline, some standards for program planning.

Five areas emerged, and by an area here I mean a cluster of problems or a cluster of needs which could be grouped in a rather logical way to call it an area.

Well, it was obvious in 1949, just as it is obvious today, that people were preoccupied with the threat of a third world war. The desire for peace is something which has gone on for thousands of years. It still is the great desire of the American people, and this was a response we were reporting, you see, to the trustees, not sitting around a conference table and trying to give the trustees our ideas; but this was something the people were talking about, this was a pressing problem pre-Korea; and, therefore, we put as the first area this as a goal of the foundation, that the foundation will support activities that promise—it could not guarantee anything, but activities that promise—significant contributions to world peace and the establishment of a world order of law and justice.

Mr. KEELE. All right. Your second one?

Mr. GAITHER. In the process of this we, of course, became aware of the problems—what some people have called the internal strength of America, the democratic functioning, the democratic institutions and processes, which make us a great nation.

So the second area then was that the foundation will support activities designed to secure greater allegiance to the basic principles of freedom and democracy in the solution of the insistent problems of an ever-changing society.

We also looked at the internal strength of America in terms of its economy. If you pull the bottom out of our economy, your aspirations for peace and other things obviously are a long way from realization. So the third major goal or area we described in this way: that the Ford Foundation will support activities designed to advance the economic well-being of people everywhere and to improve economic institutions for the better realization of democratic goals.

A fundamental underpinning to freedom, to the democratic institutions, is obviously education. It had to come in for great emphasis in the course of the study, so we, therefore, recommended a fourth goal, and that is that the foundation will support activities to strengthen, expand, and improve educational facilities and methods to enable more fully to realize their intellectual, civic, and spiritual potentialities; so promote greater equality of educational opportunity; and to conserve and increase knowledge and enrich our culture.

The last area deals with individual behavior and human relations. We frankly know too little. Many of our—in fact most of our—great social, political, and economic problems require a better understanding of why people behave and why they act as they do as individuals or in groups or in all kinds of organizations, and since this was so inter-related to the other problems which were expressed in the first four goals, we recommended a fifth goal: The Ford Foundation will support scientific activities designed to increase knowledge of factors which influence or determine human conduct, and to extend such knowledge for the maximum benefit of individuals and of society.

Those, Mr. Keele, are the five basic objectives. They are, in very general terms, descriptions of the five program areas of the foundation.

They were announced by the trustees in September of 1950.

Mr. KEELE. Now, Mr. Gaither, those represent, do they not, the essence or the distillation of the opinions that you were able to gather through your staff, and members of your study committee; isn't that correct?

Mr. GAITHER. That is correct.

Mr. KEELE. I believe you have said to me, and I assume you would say it here, that it represents the crystallization of the best thinking you were able to obtain in the year 1949 as to the needs for action by a foundation; is that correct?

Mr. GAITHER. That is correct. That was our objective, and I have considerable confidence that we reported the thinking in 1949 quite accurately to the trustees.

Mr. KEELE. In other words, that is the composite thinking—

Mr. GAITHER. Yes, sir—

Mr. KEELE. Of probably thousands of people, the result of many monographs and papers that were written on the subject, and represents the end result of the study you made as to what the activities of the Ford Foundation should be at this time; is that right?

Mr. GAITHER. That is right.

The CHAIRMAN. May I observe that even though a tailor is undertaking to make the finest suit that can be tailored, do not depend too much on that because later he may be undertaking to pick your pocket.

Mr. KEELE. What we are trying to show here, what seems significant, is that opposed apparently to the way the earlier foundations went about formulating their program, namely, by calling in a few

people, able as they were, and that you attempted to go out and get the views of literally thousands of the citizens of the country. That is the thing that to us, on the staff, at least, is an interesting development in this foundation, and that is why I think I have tried to lead you on to discuss this at great length.

I have no further questions at this time of Mr. Gaither, unless the committee has some.

Mr. HAYS. Thank you very much, Mr. Gaither, for a very informative statement.

Mr. GAITHER. Thank you, sir.

Mr. KEELE. We would like to have Mr. Ford called.

Mr. HAYS. We are very glad to have Mr. Henry Ford with us this morning. Mr. Ford, if you will take the witness chair, we will hear your statement, sir.

The CHAIRMAN (Mr. Cox). Mr. Chairman [Mr. Hays], will it be possible to make one statement? This young man, if I may call him a young man—and he is—probably enjoys a greater nature of public esteem than any other living American.

I deem it extraordinary that he should volunteer to come here and give us his views on the questions that we are undertaking to investigate, and I think it is extraordinary that a young man of great wealth like himself should seemingly consider himself somewhat as a trustee for the use of the great funds which are his.

Again I say, Mr. Chairman, I think we have been very much complimented, and I mean complimented, in having this visitation from this fine young American.

Mr. FORD. Thank you, sir.

**STATEMENT OF HENRY FORD II, CHAIRMAN OF THE TRUSTEES,  
FORD FOUNDATION, AND PRESIDENT, FORD MOTOR CO.**

Mr. HAYS. Thank you, Judge. Judge Cox speaks for the committee, Mr. Ford, in welcoming you before the committee.

Mr. FORD. Thank you very much.

Mr. HAYS. We are very much delighted that you could be here to give us the benefit of your thoughts and your experience in this very important subject.

Mr. KEELE. Mr. Ford, will you state for the record your name, your connection with the Ford Foundation, and your business or occupation.

Mr. FORD. My name is Henry Ford II; I am chairman of the Ford Foundation and president of the Ford Motor Co.

Mr. KEELE. All right.

Mr. Ford, you have heard Mr. Gaither trace for us the early stages of the recent development in the Ford Foundation.

I wish you would take us back to the time when you first came to have an interest in the Ford Foundation, and tell us something of what has happened in a general way since that time. I believe you have said it was some time in late 1943, after you had returned from service, that you first became associated with the foundation in an active way or at least took an active interest. Is that correct?

Mr. FORD. That is correct; yes, sir.

Mr. KEELE. All right. Beginning with that period, 1943, will you tell us, generally, what has happened in the Ford Foundation?



Mr. FORD. I have prepared a statement, Mr. Keele, of 4 or 5 minutes' duration, which I can read; or, if you prefer, I can answer your questions specifically.

Mr. KEELE. I think that statement will be helpful. I have seen it. You have pretty well encompassed the answer to that question, and you may read it, if you will, with the permission of the committee. It will be very helpful.

Mr. FORD. Thank you.

Mr. HAYS. Yes, sir.

Mr. FORD. We believe that the history of the Ford Foundation actually falls into three phases. The first phase covers roughly the 12 years from 1936 to 1948.

During this time our operations were limited in character. The foundation during those years was never in a position to spend in any one year much more than about \$1,000,000.

Approximately 50 percent of the grants during those years were made to educational and charitable institutions which had been established some years before by my grandfather and my father.

This seems, in my estimation at least, a natural thing to have done because certainly the foundation was formed, in part, to provide a convenient means for carrying on the many obligations of the Ford family to education, charity, and scientific progress.

Two of the institutions established by my family were particularly important to them—the Henry Ford Hospital and the Edison Institute, named after Thomas Edison.

From the first, the hospital was designed to be the best of its kind, experimental in many respects, scientifically progressive in all respects.

From what I have been told, the Edison Institute grew out of my grandfather's belief in the opportunities in America for those who follow such basic precepts as honesty, thrift, hard work, and ambition.

It was a question whether either of these institutions could ever be self-supporting, and the foundation was looked on as the best way to meet their deficits and assume them.

Incidentally, the Ford Hospital admitted more than 27,000 patients last year, and in addition there were nearly half a million calls made in the out-patient department, and this year so far 642,000 people have come from all over the country to visit the Edison Institute.

Phase 2 of the foundation's history was forecast as early as 1946 when it became clear that the administration of my father's estate was nearing an end. It was known, of course, that much of his estate would become an asset of the foundation.

With the prospect of enormously increased resources thus available to the foundation, our trustees realized that a careful planning for expanded operations was needed—that planning which Mr. Rowan Gaither has just explained to you.

Preliminary studies were conducted and, although they were helpful, the more comprehensive study which Mr. Gaither undertook was decided upon. The trustees drew heavily on the recommendations of this study group in adopting late in 1950, as you have already heard, the general program that the foundation is following today.

Mr. Paul Hoffman agreed to take the presidency of the foundation late in 1950, and he will be able to tell you the methods used to make

effective the various program commitments agreed upon by the trustees.

Mr. Hoffman is the organization's principal executive, and the trustees have placed on him and his associate directors the duty of devising the means for most effectively reaching the goal established by the trustees in their report.

The third phase, of course, is the future, and I would like to comment on this briefly because you may find useful some of the views that have been talked over by the trustees of our foundation.

It seems clear to us that foundations have played a unique and most constructive role in American society, and that they can continue to play such a part.

We believe that foundations, by and large, provide what someone has called the venture capital of philanthropy. There is a large area in human affairs that cannot adequately be attended to by unorganized charity and, in our estimation, at least, should not be attended to by government. It is in this area we think that foundations can do the most good.

To do so they must from time to time pioneer, under right experiments, and encourage programs and projects that might otherwise never have a chance.

Like any human institution, a foundation is bound to make mistakes. We are certainly aware of the possibility of mistakes and criticism in a program of the kind we have undertaken, dealings, as it does, with the problems of peace, human behavior, education, and the like.

But in the judgment of the trustees of the Ford Foundation—

The CHAIRMAN. Just a moment. You say "peace, human behavior, education," and what?

Mr. FORD. And the like, sir.

Mr. KEELE. And "the like."

Mr. FORD. But in the judgment of the trustees of the Ford Foundation it is better to risk mistakes in enterprising efforts to help solve such important problems than to leave the problems unsolved.

I think it is in order here for a minute to tell you something of the function of the trustees of the Ford Foundation.

During most of the first phase of the foundation's history, the trustees were all associated with the Ford family and company in some way or another. As I have indicated, the foundation program was devoted largely to the support of charitable institutions in which the family had a long-range interest.

The first step in a continuing effort to broaden public representation on the board was taken in 1945, when the late Mr. Gordon Rentschler was made a trustee. He was followed by Dr. Karl Compton in 1946, Mr. Donald David and Mr. James B. Webber in 1948.

Since that time, five additional board members have been added: Mr. Charles E. Wilson, formerly of Washington, and the General Electric Corp.; Mr. John Cowles, Mr. Paul Hoffman, Mr. Frank Abrams, and Judge Charles Wyzanski, Jr.

Of these, only Messrs. Webber and David have any other connection with the Ford name or interests. Both, as you know, became directors of the Ford Motor Co. after they had been elected trustees of the Ford Foundation.

My brother Benson and myself complete the trustees of the foundation.

It has always seemed in the best interests of the foundation, at least as long as a majority of its assets are in the Ford Motor Co. stock, to have foundation representation on the board of the Ford Motor Co., men who are not members of the Ford family and not owners of voting stock of the Ford Motor Co.

None of my fellow trustees regards his job as a soft berth or as anything but a public responsibility of great weight.

The quarterly meetings of the board run from 2 days to a week in length, and between meetings the trustees are required to keep abreast of the continuous flow of material from Mr. Hoffman's office and those of his associates.

In choosing new trustees, the trustees of our foundation have sought out men with wide experience in their respective fields, and with the demonstrated interest in philanthropic activity and with the willingness to devote the great amount of time that is needed to keep abreast of the varied activities of the foundation.

We intend to expand the board still further in the future. We also hope to make the foundation ever more responsive to the public purposes for which it was created. Thank you.

Mr. KEELE. Mr. Ford, have you commented on the fact that in the early period from 1936 to 1948, a 12-year period, the benefactions or gifts, grants of the foundation, averaged a little more, let us say, than a million dollars a year, and were confined largely to the two items that you have mentioned: the Ford Hospital and the Edison Institute.

Now, beginning in 1948, there was a complete change in the program or the area, let us say, of activity that you hoped to enter; is that not right?

Mr. FORD. Yes, sir.

Mr. KEELE. And that was because of the fact that at that time your father's estate and, possibly, your grandfather's—I am not sure of that—would approach settlement, and there would be available to the foundation greatly amplified funds and income.

Mr. FORD. Yes. Up until that time our income was relatively small, and it appeared that in about 1950 we would receive the income from the estates of my father and grandfather to spend on these purposes for which the foundation was established. Therefore, in the year 1948 we asked Mr. Gaither and the people whom he assembled, which you have already heard, to make this study report for the trustees.

Mr. KEELE. All right.

Now, Mr. Gaither told us, as you heard here, of your determination to divorce the control of the foundation from your family or the members of your family, and it has been suggested here that possibly that might deprive the foundation of the abilities of your family.

Would you tell us why you made that decision, and what your thinking was in connection with it?

Mr. FORD. Well, we thought that the amount of funds that would be available in this public instrument was of such magnitude that it would hardly be right for one family to have the decision as to the distribution, in how they should be spent for educational, charitable, and scientific purposes.

Further than that, I think it was said, and probably justifiably so, that people have left their moneys to charitable organizations so that

they can keep control of it, and we felt that this trust was so large that the family should not have control of it.

Naturally we want to—we feel that we have an obligation as a family to—carry out to the best of our ability the desires of our forebears, and we intend to do so; I am speaking of my brothers and myself. We intend to do our part as a trustee of the foundation.

However, we felt that for the benefit of the whole thing it would be better to have the members and the trustees the same, and also have a majority who were not either connected with the Ford Motor Co. or members of our family, so that, if a matter came to a vote within the foundation, we would not have the control.

Mr. KEELE. You do, however, do you not, take an active part in the affairs of the foundation, as any other trustee does?

Mr. FORD. Yes, sir; I do.

Mr. KEELE. I assume, to some extent, a greater part inasmuch as you are chairman of the board?

Mr. FORD. Yes, sir.

Mr. KEELE. And your brother Benson is also a member?

Mr. FORD. That is correct, Mr. Keele.

Mr. KEELE. And a member of the board of trustees.

Mr. FORD, it has been suggested many times—and you have heard this, I am sure—that the whole scheme and plan of the Ford Foundation was a method whereby the Ford family could retain control of the Ford Motor Co. Would you care to say something along that line as to your views and your understanding of that?

Mr. FORD. Well, at that time the foundation was started in 1936, I was not actively connected with the company or with the foundation. As a matter of fact, I was in prep school, so anything that I may say is simply from having heard the story recounted, and I do not ever recall having heard it directly from either my grandfather or my father.

But if you put yourself back into 1934, 1935, our country was in a somewhat different condition than it is today, and my family had undertaken certain obligations, as I have just described, in the hospital and in the Edison Institute, that they felt they were obligated to keep up, and they were not sure just how that could be accomplished if the country were going to stay in the condition that it found itself in 1933 and 1934.

I think that was one of the reasons they wanted to start this foundation; in other words, to carry on their obligations to charity, as they saw them.

Certainly, there may have been some other reasons, and far be it from me to say that some may not have been to get this stock in one's hands, that may be with the possibility that they could still maintain a certain relationship between their stock and the operations of the company.

Mr. KEELE. Perhaps we ought to say something at this point as to the financial structure of the foundation.

The CHAIRMAN. Let me emphasize the significance of the statement he made, and that is that the Ford family, in the accumulation of great wealth, considered it to be the obligation that rested upon them, the members of the family, to spend the fund for the public good.

Mr. KEELE. I was about to ask you, Mr. Ford, about the assets of the foundation. They consist, as I recall it, of primarily the common nonvoting stock of the Ford Motor Co.; is that correct?

Mr. FORD. That is correct; yes, sir; not a hundred percent of it, however, sir.

Mr. KEELE. I believe you have said approximately 90 percent or, perhaps, more than that of the nonvoting stock of the corporation, that is, of the Ford Co.?

Mr. FORD. Yes, somewhat more than 90 percent of the nonvoting stock.

Mr. KEELE. All right.

There is no connection, as I understand it, between the foundation and the Ford Motor Co. other than the fact that the foundation does have as its principal asset something in excess of 90 percent of the nonvoting stock of the Ford Motor Co.; is that correct?

Mr. FORD. Other than the fact that Messrs. David and Webber, and my brother Benson and myself are both trustees of the foundation and directors of the Ford Motor Co.

Mr. KEELE. I believe it has been your policy in the foundation to avoid having employees of the Ford Motor Co. in the organization of the foundation, other than the trustees that you have mentioned; is that correct?

Mr. FORD. That is correct; yes, sir.

Mr. SIMPSON. Mr. Ford, it seems to me that inasmuch as the assets of the foundation are largely in the Ford Motor Co., that it would be a matter of good business practice to have substantial representation on the board of trustees of the Ford Motor people. You would not be doing justice to the foundation if you do not keep that in mind.

The CHAIRMAN. I rather share that view myself.

Mr. SIMPSON. The trusteeship, is that self-perpetuating? How do you determine the membership of the trustees?

Mr. FORD. Of the trustees of the Ford Foundation?

Mr. SIMPSON. Right.

Mr. FORD. Well, the matter of choosing new trustees is one that we have spent a considerable amount of time discussing in the meetings of the foundation, and one which Mr. Gaither gave some time to in the study of his report.

We tried—what we have tried to do, as far as the board as a whole is concerned, is to get a cross section of all types of people in the United States, the best people we can get, the people who are the most qualified, the best qualified, and people who we think can do service to the Nation through our trust, and also people who are willing to give of their time because this actually, unbelievable as it may sound, is a time-consuming job for the trustees.

I was just going, for 1 minute, to say that we have reviewed lists upon lists of various names, and we have put people on in what might seem to be a relatively slow manner, but we felt it was better over the long pull to take people on relatively slowly rather than to go on and, say, put on two or three or four people at one time, and it seems to me that it is very difficult for a person to assimilate what is going on within the foundation and, therefore, we felt that one person coming on at a time would have the benefit of talking and conversing with the other trustees and getting up to date more quickly that way.

Mr. SIMPSON. Are they selected and elected by the present board?

Mr. FORD. Yes, sir; they are.

Mr. SIMPSON. I should think that one of the considerations would be a certain amount of business sense, and evidently that would assure some continuity and interest in the preservation of the assets of the foundation.

Mr. FORD. We certainly do.

Mr. SIMPSON. The welfare of the Ford Motor Co. It should—

Mr. FORD. I agree with you. We certainly want business sense on the foundation. We want people with business acumen and business knowledge, and of general good common sense.

On the other hand, we feel that it would be highly inadvisable to have people who are connected with the Ford Motor Co. in numbers represented on the foundation board of trustees, because we open ourselves, sir, in that way to the accusation that the Ford Motor Co. is controlling the foundation, and is dealing with itself, which we felt would be very disadvantageous and, from a public-relations standpoint, highly inadvisable, sir.

Mr. SIMPSON. Well, if I may suggest, if you were to be unwise enough to make very poor selections on your board of trustees of the foundation, and were to be profligate with your money, and put it into purposes which were not consistent with these you have discussed so far, I can see how you would not only hurt your foundation but the Ford Motor Co. We want to preserve the foundation, and do that by preserving your assets.

Mr. FORD. I agree with you, sir.

Mr. SIMPSON. That is all, Mr. Chairman.

Mr. FORAND. Mr. Ford, are the trustees of your organization serving without pay, or are they remunerated?

Mr. FORD. No, sir, Mr. Forand; we pay our trustees \$5,000 a year. We feel that this is justified, and they earn a great deal more than that.

We feel that they deserve some compensation for the time and effort that they put into our problems.

Mr. FORAND. That is a fixed compensation and not based upon the percentage of the assets of the foundation, is it?

Mr. FORD. No, sir; it is just a fixed compensation, and we have never changed it, and we have no plans to change it, sir.

Mr. FORAND. Thank you, sir.

Mr. KEELE. You gave that matter of compensation of trustees considerable study, I think, did you not, Mr. Ford, or Mr. Gaither did or his group did?

Mr. FORD. We have.

In the beginning we had no compensation and, as the board became large and the amount of time required, and the amount of effort to be put in by each one of the individual trustees increased, and in reviewing what had been done not by business institutions, but, as I understand it, in some cases, by other foundations, it was evident that it was the thing that was pretty generally accepted, and we felt that we would not be criticized for such a move.

We thought it was the only fair thing to do, and we have done it.

Mr. KEELE. All right.

You have no reason at this time to reverse your decision in that respect; you feel it is working out well?

Mr. FORD. No, sir. I do not have any reason to reverse it, in my estimation; I do not know how the other trustees feel about it.

Mr. KEELE. Those are all the questions I have.

The CHAIRMAN. Mr. Chairman, I see no room for unfavorable criticism of anything that Mr. Ford has said. The observation that I might make, and which would be most satisfactory to myself, and best express my views, is that Mr. Ford and his young brother are chips off the old block.

Mr. FORD. Thank you, sir.

Mr. HAYS. Mr. Keele, do you have any other questions?

Mr. KEELE. Well, most of the material that we expect to have introduced here will come from Mr. Hoffman. Mr. Ford could tell us much of the same thing as could Mr. Gaither, but to avoid—I have two or three more questions, after you finish, Mr. Simpson, but that is about all.

Mr. SIMPSON. This is a matter of policy. After an award or a grant is made, are your hands entirely freed from the ultimate use of that money, or do you have a continuing check to make certain that it is used in accordance with the intention of the trustees?

Mr. FORD. Well, we have a follow-up procedure, Mr. Simpson, to see that the money is spent in accordance with the way that we have designated that it should be spent.

In some cases, we actually have our own people, our own paid staff, on the ground to watch this dime by dime, as it were, or penny by penny.

In some cases where we give to larger institutions, we are not able to follow it up into the smallest detail, but we do watch the programs, and we do see that they follow out to the best of our ability the programs to which we gave the money.

We specifically do not give to an institution just because it is an institution. For instance, we would not give money just to Harvard University for the sake of giving money to Harvard University. If Harvard University had a specific program that we felt fell within the five areas, and one which we felt would be within the scope of the things that we would try to do, we would give to such a program.

We would evaluate the program and study the program, and then give to the program, and we would then follow up after the donation had been made to see that the funds were properly used.

Mr. SIMPSON. Yes.

Mr. Ford, I know you are familiar with the resolution under which this committee was created.

Mr. FORD. Yes, sir.

Mr. SIMPSON. It is inconceivable to me that with the intent of your trustees or trustees of any foundation with which I am familiar, they would grant money which should be used for purposes which might be termed "un-American" in any sense whatever.

Now, at the same time, this situation is alleged to exist in some places, namely, that foundation money has been used for un-American purposes.

The only way that would be possible, if it exists, is if the will of the trustees was violated, and that is why I inquired whether you have a continuing survey of the use of the money to the extent that you could withdraw if you found that the money was being used improperly.

Mr. FORD. I do not know, sir, whether we could withdraw a particular grant that we had made. We have never faced the situation and, possibly, we could. I would hope that we could if we found out that anything subversive or of a socialistic nature would exist.

Mr. SIMPSON. Yes, that is what I mean.

Mr. FORD. Actually, we have never been faced with a situation where we have had to withdraw funds for those reasons or for any other reason, and I would be unable to tell you whether that would be legally possible. I could tell you this, that we would never give them another dime, but whether we could take back what we had already given is just a question I cannot answer.

Mr. SIMPSON. Certainly, the unexpended amount.

Mr. FORD. Yes, we could hold that back; yes, sir.

Mr. SIMPSON. That is all I have.

Mr. KEELE. Mr. Ford, there is one thing that has interested us, and that is the approach that you took to the problem of your activities, what they should be.

Normally, as we understand it, a foundation decides upon a field or an area which it is going to enter. Apparently, the approach taken by your foundation has been to the problems existing rather than to an area or field, and I believe that, contrary to the usual practice or the one we have met most frequently, is this: that you have first selected your program of activity, and then elected your officers; is that correct?

Mr. FORD. That is correct; yes, sir; Mr. Keele.

Mr. KEELE. The usual procedure, of course, is for a foundation to select its officers and then determine upon the field or area in which it is going to operate. This may seem a bit personal, but will you tell us what motivated you in selecting Mr. Hoffman as the president or operating head?

Mr. FORD. As you have just stated, we did have the results of the study committee, and had agreed, as trustees, on the areas in which we wanted to operate.

We had made the decision prior to this time that we wanted to have the areas outlined, and from there on we would go and find someone that we felt could best carry out the work as outlined by the study report.

We spent some time reviewing the possible people, and we could never agree on any particular individual to fulfill the job of carrying out the areas, as outlined in the study report.

Mr. Hoffman's name was suggested, and we all readily agreed that he was the fellow who could best do it, in our estimation, in the five areas.

He had certainly had great experience in the problems of maintaining peace, and in furthering our democracy, and in education, and certainly in the behavioral sciences, and although he denies any knowledge of them, I think facetiously, I know he has a great deal of knowledge in those fields.

So we felt, all in all, that he was by far the best fitted to carry out the areas as outlined in the report, and we then went to him, and I gave him a copy of the report and asked him whether he would be interested.

In those days he was still the Administrator of ECA, but I knew he was going to get out, and after reading the report and surveying the problem, I believe he said that in the beginning he did not feel



that he was very much interested, but after he had read the report and had reviewed the areas in which the trustees felt there was something to be done, he felt there was a contribution that the foundation could make, and he accepted.

Mr. KEELE. Did you consider at that time the advisability of attempting to obtain the services of some person who had been experienced in the foundation field?

Mr. FORD. No, sir; we did not.

Mr. KEELE. You decided that Mr. Hoffman was the man who filled the bill as far as you were concerned, and that he was the man you wanted?

Mr. FORD. Yes, sir; that is correct.

Mr. KEELE. Were the choices as to the other members of the staff—I mean those who were the officers and associate directors, and so forth—made on the same general basis?

Mr. FORD. I believe that it is fair to say that the choices of the staff were almost completely left to Mr. Hoffman's original recommendations, with the approval of the trustees, after he had chosen the specific individuals.

The CHAIRMAN. You mean by that Mr. Hoffman has operated as probably the controlling influence in the foundation?

Mr. FORD. In the fact, Judge Cox, that he is the operating head. However, the trustees have final approval on all the donations, appropriations, and grants which the foundation makes, and also we have the right of a veto over individuals whom he might select as important operating people within the foundation.

The CHAIRMAN. That is a fair and satisfactory answer.

Mr. KEELE. I have no further questions at this time.

Mr. HAYS. Thank you, Mr. Ford.

Mr. Paul Hoffman will be our next witness, and the committee will be in recess until 2 o'clock.

(Whereupon, at 12 o'clock noon a recess was taken, to reconvene at 2 p. m. the same day.)

#### AFTERNOON SESSION

Mr. HAYS. The committee will be in session.

Our first witness is the distinguished American, Mr. Paul Hoffman, president of the Ford Foundation. Mr. Hoffman, it is always a pleasure to have you before our committee. We recall with pleasure your previous appearances before many of the standing committees and the very great service that you have rendered the country.

Mr. HOFFMAN. Thank you, sir.

Mr. HAYS. This is a new role for you, but one that we are happy to have you fill, and we will appreciate any help that you can give us in the assignment that Congress gave us in the resolution with which you are familiar.

All of us have but one purpose, and that is to strengthen our defenses, and I am sure that you can be helpful, and we are therefore happy to have you give us your experience and opinion with respect to the problems.

Mr. HOFFMAN. Thank you very much indeed, Mr. Chairman. We will certainly help as best we can because we do regard this as a cooperative effort, and we think much good will come out of it.

Mr. HAYS. Mr. Keele, will you proceed.

Mr. KEELE. Mr. Hoffman, will you state for the record your name, place of residence, and your business or occupation at the present time?

**STATEMENT OF PAUL G. HOFFMAN, PRESIDENT AND DIRECTOR,  
FORD FOUNDATION**

Mr. HOFFMAN. My name is Paul G. Hoffman. My place of residence is Pasadena, Calif. My occupation is that of president and director of the Ford Foundation.

The CHAIRMAN. Can you pull the mikes a little bit closer? They do not seem to be working too satisfactorily.

(Discussion off the record.)

Mr. HAYS. Suppose you just proceed, Mr. Hoffman.

Mr. HOFFMAN. If they aren't working, I can raise my voice.

Mr. KEELE. All right, would you give us something of your background and experience, Mr. Hoffman, before you went with the Ford Foundation.

Mr. HOFFMAN. I was with the Studebaker Corp. for 38 years in various capacities, except for one and a half years in World War I.

I was president of Studebaker Corp. from 1935 to 1948. At that time I left the corporation and became the Administrator of ECA, and remained in that capacity until September 30 of 1950, and then on January 1 I became the president and director of the Ford Foundation, January 1, 1951.

Mr. KEELE. What made you decide to take a job with the Ford Foundation, Mr. Hoffman?

Mr. HOFFMAN. As Mr. Ford said, he asked me to have a talk with him some months before I actually took on this post, and asked me if I would be interested in being the director of the Ford Foundation.

I was highly complimented, but almost totally disinterested because I will admit having then had almost 2½ years in Washington that I had a rather nostalgic yearning to get back to private business, but he asked me at the end of our interview if I would be willing to read the study report which Mr. Gaither spoke of this morning, and I said I certainly would be delighted to read it.

I did. I found myself, as I think anyone would, very moved and very excited by the goal set forth in that report, and after I got through that exercise, I told Mr. Ford I would like to have a second interview with him, and I asked him in that interview two questions. I said:

"Mr. Ford, I would just like to know if you and your trustees are as excited about the opportunity by this program as I am."

He assured me that they had become excited long before I had. And the second question I asked him was this. I said:

"You realize that if this program is to make a contribution, a real contribution, it is going to call for very bold and very imaginative action, and you might very well with that kind of action invite criticism, probably unavoidable. Are you prepared to take the criticism that will come if we proceed in a bold manner?"

He assured me that he was; as a matter of fact, I used an illustration with him. I said:

"You know your grandfather, for whom I had very great respect, financed a peace ship to Europe and the peace ship never got there, but it was a very noble gesture on his part. It is quite possible that in seeking these goals, we may launch some ships that won't get to shore, and we will have to take that chance, but if we can get one ship through, it will be worth taking on whatever failures we have to take on."

He assured me that that was the whole spirit with which the trustees and he were approaching this task. And on that I said, "All right, I would love to have the job."

Mr. KEELE. What caused you to say to Mr. Ford that you would probably enter fields or do things which might bring about criticism? Was it the program that you had read or was it your ideas of the place of the foundation in society or both?

Mr. HOFFMAN. Well, I think it is both there. I think that basically if the foundation dollars are to be used most effectively, they should be used in activities that are what I would call of high risk.

In other words, this is I think, as Mr. Gaither said, the venture capital of social progress. If a project or an activity is sufficiently conventional, if it has been proved, it could be financed in some cases by Government.

If, on the other hand, it happens to be the kind of activity which has public appeal, you can get those dollars from the public, but there are any number of activities that can't be financed, should not be financed, by Government because they are highly experimental, and also probably cannot be financed by private subscription because they are either long range in their goals or they don't have any emotional appeal. May I illustrate?

Mr. KEELE. Certainly.

Mr. HOFFMAN. For example, you take the behavioral sciences, this study of what makes us act the way we act as human beings. It would be I think quite inappropriate for the Congress to appropriate money for long-range studies on this subject of human behavior.

It is perfectly all right to appropriate money for scientific research in the field of physical sciences, but in this field, no; it is too intangible. The results are too far away.

You couldn't possibly raise private capital for this purpose because it doesn't have the appeal, for example, of a campaign to raise funds to try and alleviate the cause of cancer, the problems of heart disease. It hasn't that kind of emotional appeal, and yet perhaps we don't know. We have put some eight and a half million dollars in that field in universities trying to train people and get them interested and bring new brains into this field.

It is quite possible that out of those studies within the next decade will come some principles that will be understandable to all us humans, and therefore contribute to every goal toward which the foundation is committed, the goal of peace and the strengthening of democratic institutions, the strengthening of our economy, the improvement of education.

All those goals finally involve human nature, and if we can learn more about human nature, we can certainly proceed with more certainty toward these goals. That is what I mean by foundations providing the risk capital.

I think, Mr. Chairman, you and the Congressmen will agree with me that it would be entirely inappropriate for the Government to devote money for that purpose. It would be impossible to raise private funds, but we can go into that field because we are not a profit-making institution and therefore don't have to worry about producing dividends next year, and we don't have to explain to our voters why we devoted this money for this long-range purpose.

It is only our trustees whom we have to satisfy, who are hard-headed businessmen, but who can of course give us support because there you have a chance to give the explanation necessary to get the individual assent.

Mr. KEELE. But to whom in the last analysis do you feel your foundation and foundations generally have accountability and responsibility?

Mr. HOFFMAN. Well, absolute accountability to the public. A foundation is a public trust. It is accountable to the public, and unless it pursues its goal in that spirit it is not discharging its responsibilities.

Mr. SIMPSON. Mr. Chairman, do you mind if I interrupt a moment?

Mr. Hoffman, to the extent that you receive tax advantages through a foundation, you are using moneys which otherwise would be used by the Federal Government.

Mr. HOFFMAN. That's right.

Mr. SIMPSON. You have suggested that there are limitations upon the Federal Government spending that money if it collected it. How do you rationalize the use of that money which the Government would have in taxes but doesn't get, how do you rationalize the expenditure by foundations for purposes other than what the Government would undertake?

Mr. HOFFMAN. I think the Government and the foundations must both work in the public interest, but there are practical limitations upon what Government can and should do that don't apply. You know there is this tax exemption. It seems to me that if the public interest is served—and I think we can show you clearly it can be served—that should be the test.

Mr. SIMPSON. Aren't you saying in other words the fact that there are areas where you as citizens believe experimental work should be done, but the Government, which must be as conservative as are the Members of Congress who are accountable for the money, dares not go into that field?

Mr. HOFFMAN. I think that is right. I think in a manner of speaking we are your agents, you see.

Mr. SIMPSON. You are using money in part which otherwise—

Mr. HOFFMAN. That is right, we are your agents. If we don't use that money in the public interest—but I think you oftentimes have found that you do employ agents who perhaps do spend money in ways that would be very difficult to get a direct appropriation for. I have in mind a number.

Mr. SIMPSON. It would be unconstitutional in some instances perhaps.

Mr. HOFFMAN. I couldn't answer that. May I illustrate what I mean?

Mr. SIMPSON. Surely.

Mr. HOFFMAN. I was coming to this later. I think it fits here though as an illustration.

In the field of peace to which we hope to make some contribution, we visited with High Commissioner McCloy, of Germany. At the time of our visit there was a great deal of misunderstanding on the part of the Germans, the good Germans, as to the American attitudes, and we asked Mr. McCloy what if a private foundation could make a contribution toward promoting better understanding on the part of the good Germans as to the American attitude.

At that time there was a great deal of furor about the rearming of Germany and a great deal of propaganda on the part of Russia. He said:

"If you would be willing to take a look at the Free University of Berlin and could help them get that university established, it would do more to promote understanding between Germany and America than we could ever accomplish with Government money, because any time Government money goes in, there is a thought that there must be a consideration for it."

We made a complete and thorough investigation. Mr. Ford was with me, Mr. John Collier, Mr. Hutchins, and others, and concluded that that university which you perhaps know serves Berlin, and 40 percent of the students attending the university come from Eastern Germany, often at the risk of their lives—they come there because they want education in a free institution.

In fact, the statement was made to me that the \$1,000,000 that we contributed toward that university did more to building understanding and morale than could have been brought about by the spending of many times that amount through Government channels. So I say there is this area in which private foundation funds can be used, definitely it seems to me, in the public interest, where you could not use Government funds for that purpose.

Mr. KEELE. Perhaps this might be a good time for you to comment on certain activities and projects of your foundation in Pakistan and Indonesia.

It is not quite the order I anticipated, but I think this is a natural place to pick up the question of whether or not they would accept possibly the funds of Government whereas they will as I understand it, funds of the foundations. Will you comment on that, Mr. Hoffman?

Mr. HOFFMAN. I will be very glad to. In the first place I want to make it perfectly clear that we have no delusions of grandeur as to what we can do. In other words, we know we can only do a little bit in a few places to help promote peace, but there are these little bits we can do that we think may make a significant contribution.

For example, a group of us visited India in August of last year, which by the way is not a good time to visit India from the standpoint of the weather at that moment.

We visited India. We found a rather high state of tension. We found that there had been much misunderstanding between their Government and our Government, and we had no idea as to the kind of reception we would get, but we had first cleared this with the Indian Government; told them they must not assume that because we visited India there would be any contributions coming, but we would like to take a look.

We were invited by the Government. Mr. Nehru invited us to see him when we first got there.

I don't know how familiar you are with the problems India is facing. They can be summed up in this way. India has a population of 360,000,000 people. It has an annual budget of \$800,000,000. It has to defend its country externally and internally against communism, and here is a man upon whom depends the question of whether India goes Communist or does not.

We felt it important that if there be any little thing we might do to promote understanding, better understanding, it would be worth while.

We told Mr. Nehru our purpose was just simply to see if we could help in any way, and he asked us to see his ministers, which we did. Out of that evolved a program for assisting the provinces in the establishment of something that closely resembles our Rural Extension Service.

I think that ours was a very small part of that program, but perhaps did provide a trigger action, and I have good authority that that trigger action resulting as it did in substantial action on the part of the provincial government and the Central Government of India, and on the part of the United States Government, which is now also in the picture, it is entirely probable that the agricultural yields in India will be increased some 20 percent in the next 5 years, which is the difference between an India that hasn't enough food to go around, that has starvation in India, and that at least is operating at a subsistence level.

We can move in there; there is no suspicion of us, because we want nothing. In other words, we are not trying to get a treaty; we are not trying to do anything but work people to people.

If we are ever going to have peace in the world, we have got to have governments working government to government, and we have got to have people working people to people.

Mr. KEELE. That leads now to another question, and that is, What is the basis for determination of the spending of a substantial, fractional but substantial, amount of your funds in foreign countries? I believe the record showed something like 13.7 percent.

Mr. HOFFMAN. I think it might total a little more than that. I think you have got to relate this all to the goal.

If your goal is peace, contributing toward peace—remember, I said a little bit in a few places—if your goal is that, what you want to do is find the places where those dollars will prove to be most effective in their use.

Now, from the standpoint of this goal, it makes no difference whether the money is spent in Arkansas, if I may say so, or in India. We want a world at peace, and I think that every dollar we have ever spent abroad can be related intimately and closely to the interests of the American people.

If it won't stand that test, then of course it shouldn't be spent.

I know of nothing that is more important to the American people than the achievement of peace. As I say, without exaggerating at all, what we can do, we do feel that projects that will contribute toward that goal, even in a very small way, have almost a first call on our dollars.

Mr. KEELE. Do you supplement the point 4 program overseas in your overseas activities?

Mr. HOFFMAN. Not quite as formally as that. In other words, let me take another country, Pakistan, where we are also operating, a very important country.

Unless you have visited these new democracies that are struggling to exist in Asia, you can't appreciate their problems, but they are right where we were when our country was being founded.

In other words, the last part of the eighteenth century is now being reproduced in India, Pakistan, Burma, Indonesia, in those countries.

No you take on this question of Pakistan; there you have a country that has its influence throughout the Moslem world. There on the question of programs a very different need developed.

There they have no trained mechanics of any kind. Working with your hands had never been regarded as dignified, and the people who are now running that government, who are in charge of that government, recognize that they must dignify human labor, and they asked us to help establish a polytechnic high school, which we did.

We put some million and a half dollars into foreign exchange to buy the things that they had to buy outside of Pakistan. Pakistan itself furnishes all the labor, furnishes all of the materials that they can get locally, because in every program we put in overseas an effort is made to, No. 1, put the responsibility for the planning of the program on the local people, and secondly, to provide the very largest possible participation by the local people in the project.

In Pakistan I think their contribution went considerably beyond ours, but I think it has a very definite effect and I think it made considerable contribution.

Mr. KEELE. Does the foundation enter into any formal agreements with those foreign governments? You have touched on that.

Mr. HOFFMAN. Yes. We enter into them very definitely. We have a formal agreement with the Central Government of India, which is backed up by agreements with the provincial governments. We endeavor whenever we go into a country to see our way out.

In other words, we don't want the country to become a permanent pensioner, even in a very small way, of the Ford Foundation, so that in India the program in the first year of this 4-year program we are putting up about three-quarters of the money, next year about half, we go down finally so that at the end of the fourth year the provincial governments take over the entire program of training what we like to call these Indian county agents.

The same thing applies as I say in other countries.

Mr. Cox. May I inquire right there, Mr. Keele?

Mr. Hoffman, are the operations of the foundations, or of your foundation particularly, of course, within foreign fields in anywise influenced by our State Department?

Mr. HOFFMAN. Before we go into any foreign country we consult with everyone about the conditions in that country. In other words, we had long talks with the people in the State Department about India.

Now we are independent, and while we take these safeguards, we never will compete with the Government on a program. If Government funds are available, either Indian Government funds in the case of India, or funds of the United States through point 4, we don't compete. We simply try to find the gaps.

The CHAIRMAN. But in the setting up of your programs in India and Pakistan, for instance, are you in a measure controlled by the views of the State Department?

Mr. HOFFMAN. No; we are not controlled by their views. We do endeavor of course to make sure that what we are doing fits into the broader program.

If it doesn't, why, it might very well be a waste of money. In other words, we are fully apprised of what the State Department is doing, what is being done through U. N., and it is only after we are convinced that there is need and a very great usefulness for some foundation money in that field, do we go into the country.

Mr. KEELE. Are your formal agreements subject to the approval of the State Department?

Mr. HOFFMAN. Oh, no.

Mr. KEELE. I am talking now about formal agreements with foreign countries.

Mr. HOFFMAN. Strictly between the foundation and the country in question.

Mr. KEELE. I assume from what you have said that the State Department is not only consulted in advance, but they are kept advised as to what you are doing.

Mr. HOFFMAN. Certainly, surely.

Mr. KEELE. But there is no formal approval given to your formal agreements, nor are you subject to their direction; is that right?

Mr. HOFFMAN. That is correct.

Mr. KEELE. But you do not operate counter to their views as to what is permissible?

Mr. HOFFMAN. Oh, no. If the State Department said, "For reasons that we won't disclose because of high secrecy, we don't think you ought to operate"—

The CHAIRMAN. There are those of us who have the feeling possibly that what the State Department has done as regards India, Pakistan, and many others has been quite radical. Of course, what you are interested in is in cultivating friendship and broadening the influence of your own country. Have you found that Pakistan is more stable and is far more friendly to our country than is India proper?

Mr. HOFFMAN. I think that was definitely true, Judge a year ago.

From what evidence we have now from our field representative, Mr. Ensinger, who is in New Delhi, and who travels the country constantly, I would say that there has been a very definite change of attitude on the part of India.

The CHAIRMAN. Have you found something in the behavior of India that would cause you to feel that she is less interested in Russia and the ideology of communism than has heretofore been true?

Mr. Nehru has a record, you understand, and that record establishes the fact that he lives far to the left. He is, of course, conscientious, learned, and strong, but have you seen anything from what has happened in India proper that would indicate a turning back of that sentiment?

Mr. HOFFMAN. Yes, I definitely have. There has been a very definite improvement in relations, and from rather long and intimate talks with Mr. Nehru, I concluded that economics wasn't his field; that he was trying to feel his way; that he came, I think, to the problem with a certain prejudice against capitalism, probably because



some of the capitalists in India perhaps stirred up that prejudice in his mind.

The CHAIRMAN. You raise a point right there that is giving concern to lots of people. Speaking of capitalism, there are those who fear, you understand, that the foundations are all creatures of capitalism and have in many instances operated to bring the system into disrepute.

Have you found anything in the record of the foundations that would support the thought that maybe the foundations do too often lean too far to the left?

Mr. HOFFMAN. Judge, after all, I have been associated with a foundation 2 years only and have been very busy on the affairs of the Ford Foundation, and therefore am not in a position to talk for any foundation except the Ford Foundation.

The CHAIRMAN. Confine your remarks to the Ford Foundation. Of course, I know you do not want to pass judgment on any of the others, but just on the Ford Foundation.

Mr. HOFFMAN. I think a very subtle job has to be done. I happen to believe that we have in America evolved a new kind of capitalism that is very different from the capitalism that you would find prevailing in either Europe or Asia.

I think that while you can go out and preach it, if by deeds we get across interest in this American economy, not by preaching, because it won't work, but by deeds, we promote an interest in American capitalist system.

And I want to tell you that it is only as you learn about so-called capitalism and about socialism in other countries that you can really appreciate what we have here in America.

We have got something terrific, and the rest of the world doesn't know about it, and probably, as I say, they can't learn quickly, but what we have, what we have evolved, is a new form of free society here that is enormously productive and which the benefits of that production are fairly distributed.

As I say, the thing that I was always depressed by in both Europe and Asia was the fact that it is so hard to make the people understand.

We talk about American capitalism. We aren't talking about the kind of capitalism that they have in too many countries.

The CHAIRMAN. We have our own kind of capitalism.

Mr. HOFFMAN. I really feel that the work of the foundations—as I say, I don't want to exaggerate it, because after all, in these goals you are seeking, we are seeking, we have been at it for centuries and billions of dollars have been spent, and we have only a relatively few dollars, so we must not exaggerate what we do, but I really feel that in this work which we are doing abroad, and for that matter the work we are doing home, that we are strengthening this American society, this American way of life, if you want to put it in that way, in a way that perhaps is rather unique and that perhaps only foundation dollars can be used to strengthen.

The CHAIRMAN. Do you find anything in the record of the Ford Foundation, taking into consideration the manner in which the funds have been expended, the type of people that it has selected as its managers, as its trustees, that would indicate such an interest in socialism as would justify the criticism that is quite often heard?

Mr. HOFFMAN. I certainly don't.

The CHAIRMAN. You do not?

Mr. HOFFMAN. I do not; as I say, I think that most of us know too much about socialism, and it is a very anemic form of economic organization. It doesn't work well for the people.

The CHAIRMAN. In your foreign operations, have you confined your interest to countries that are entirely friendly to us? Have you gone into countries that are behind the iron curtain?

Mr. HOFFMAN. The only operation that we have behind the iron curtain is the operation in Berlin.

The CHAIRMAN. Is the Berlin University in the American zone?

Mr. HOFFMAN. Free university in Berlin is in the American zone.

The CHAIRMAN. I did understand you to say that 40 percent of the students of the University of Berlin are from the Russian zone?

Mr. HOFFMAN. That is right.

The CHAIRMAN. And that to the extent that they have been benefited as a result of what you have done, you have to that extent penetrated behind the iron curtain?

Mr. HOFFMAN. I think perhaps that the young people being trained at that free university in Berlin are going to be the future leaders of a free Germany, a free Eastern Germany.

When that will come, I don't know; but they come into the university—you might be interested in knowing the university didn't start until I think 1948, with a handful of students and a handful of professors.

Today it has 275 professors, 5,500 students. These young German boys and girls, I assure you, one of the most thrilling things you could ever do would be to just sit down with them, because they really know how important freedom is.

The CHAIRMAN. Is the University of Berlin as conservative as our great American universities, which could still be far to the left?

Mr. HOFFMAN. Well, I would say from what I know about the free University of Berlin, that it would be a middle-of-the-road institution. That is where I would peg it.

The CHAIRMAN. Well, then, as I gather from what you say, the purpose of the Ford Foundation is to confine its operations to somewhere near the middle of the road?

Mr. HOFFMAN. Yes; I think that is a fair statement.

The CHAIRMAN. I hope that is true.

Mr. HOFFMAN. Yes; I think so. You yourself said India leans toward the left. We are in India.

Pakistan, I think, is far to the right with their government, although it is a forward-looking government. It is a middle-of-the-road government. I think that is a fair statement, Judge.

The CHAIRMAN. What percent of your grant or your giving goes into foreign countries?

Mr. HOFFMAN. Something less than 17 percent of our dollars go abroad.

The CHAIRMAN. How did you reach that figure?

Mr. HOFFMAN. That just happens that way. We never have put the test of: "Shall we send this many dollars abroad, spend this many dollars?"

What we are after is certain goals. In other words, we are trying, as Mr. Gaither said, to do what we can to bring about peace. We are trying to strengthen the democratic institutions as best we can, our

own domestic economy, improve education, advance the behavioral sciences, and the locale where the dollars should be spent is determined by an effort on our part to get maximum value out of that in terms of the goal we are seeking.

The CHAIRMAN. Has the question of whether or not there should be a grant of tax exemption on funds of foundations that went into foreign fields arisen in your mind?

Mr. HOFFMAN. It never has, because I think the important thing is the goal. After all, what is more important to the American people than peace, and if we can help bring peace by working in Berlin and India, that is of great importance to the American people any way you figure it.

The CHAIRMAN. Thank you, sir.

Mr. KEELE. To what extent do you follow up these grants made to countries where, shall we say, there are tensions, to see that the funds do not eventually get into the hands of Communist influences or are not available to them?

Mr. HOFFMAN. As I said earlier, we never finance a vague program. The program we finance is specific, and the terms are set forth in a contract so we know what we are financing and can follow it up very easily.

In India we have a resident agent; we have a resident agent in the Near East where we are also operating. We do not have a resident agent in Berlin, but we have ways to follow up and make sure that money is being spent as it should be spent or as the agreement was to spend it. I think we can say we have whatever follow-up is necessary to make sure that our funds are devoted to the purposes set forth in the contracts and these projects.

Mr. KEELE. You might tell us at this time something of the organization that you have in foreign countries. Of what does it consist, and how many people, who those people are, how they are selected, just generally.

Mr. HOFFMAN. I can give you the precise statistics if I look in my black book. I can tell you we operate with as small a staff as possible.

In other words, Mr. Ensinger we have as resident officer in New Delhi, and are establishing a resident officer in Pakistan. We already have a resident office in Lebanon. Mr. Ken Iverson is following our activity in that area. Also, the only places we have resident agents today because those are the only places we have any programs—

Mr. KEELE. What are the duties of resident agents?

Mr. HOFFMAN. First of all they of course are responsible in part for the development of the program. They bring the proposals to us in some instances.

For the most part, however, our programs are established by a working committee which we send out from here, and the work of the resident agent therefore is more administrative than anything else.

He is to keep in touch with the projects primarily to make sure the money is spent for the purposes for which it was committed, and secondly he is to keep us informed of conditions and keep us informed as to whether we are getting results we hoped for from the program.

Mr. KEELE. As I understand it the duties of these resident agents are somewhat different from the duties of the field teams you send out to survey the situation in advance.

Mr. HOFFMAN. That is right.

Mr. KEELE. In other words, there are two stages, I take it, to this expenditure of money over there in foreign countries. One, you send out a team to survey the situation and make recommendations, and secondly you send out your own people to observe the administration.

Mr. HOFFMAN. After we have the program established, Mr. Keele. You are quite right.

Mr. KEELE. And that is the control you have?

Mr. HOFFMAN. That's right.

Mr. KEELE. Or the way, at least, that you follow up these grants?

Mr. HOFFMAN. That is right.

Mr. KEELE. Now you were speaking about middle-of-the-road institutions, but before that you spoke of experimental work.

I wonder if you would explain how it is possible, if it is possible, to experiment in fields which may be controversial and still maintain an attitude of not getting off to the left or to the right.

Mr. HOFFMAN. Well, most of the work we do is not critical in nature, so that we don't really have this problem of right or left. I will go now into the field of education where we are spending a very substantial part of our annual income right here in America.

I know you are going to call on Mr. Eurich and Mr. Hutchins later, but I will take one experiment to illustrate this point. There has been, I think, a certain amount of uneasiness among educators as to whether our teachers are being appropriately and well trained, and never does the foundation through its funds attempt to dictate as to what should be done. We merely are glad to finance experiments, and perhaps one of the most challenging experiments we have is going on now in Arkansas.

That is an experiment in teacher training quite different from that practiced as in certain other parts of the country. In other words, it involves major emphasis on the requirement by the prospective teachers of a liberal education, and then their actual training through internships, whereas in some areas the emphasis has been pretty largely on teaching techniques, in other words, high school, and you go to a teaching college and get a thorough training in teaching techniques.

What is involved here is an experiment to see whether through internships through a more formal education a better teaching can result. We don't know. We don't have any preconceived ideas.

That does not involve whether it is left or right, and that is characteristic, I would say, of most of the experiments that we finance. There is no political consideration involved. I am just trying to bring to my mind other projects. There may be some coming along. I can look through the list, but as of the moment I don't recall any where I can say this is right, left, or middle.

The CHAIRMAN. Has the foundation manifested any concern over the extreme radicalism that is found in the teachings of this country from the university schools right on down to the high schools?

Mr. HOFFMAN. I think the approach there is this, Judge: That as these experiments develop, I think the best possible cure for radicalism is knowledge, and as teachers are given the opportunity to acquire knowledge and become good teachers, they, I think, by the very process of learning become less radical.

The CHAIRMAN. How long do you think it would take to educate a confirmed Communist teacher out of his Communist leanings? The possibility isn't very great, is it?

Mr. HOFFMAN. I would say if you mean a hard-core Communist, he is a fanatic and can't be reached through reason.

The CHAIRMAN. They are all more or less fanatical, are they not?

Mr. HOFFMAN. Yes. As I say, I have no way of knowing how many confirmed Communists are teaching. I don't think a confirmed Communist, of course, could teach objectively, myself.

Mr. FORAND. Mr. Hoffman, does your organization pay over the funds to some individual or always to some organization?

Mr. HOFFMAN. Almost always through another organization.

Mr. FORAND. Rather than directly to some individual, it is through an organization?

Mr. HOFFMAN. Yes. As a matter of fact we have employed very largely what I would call, because of my business background, subcontracting. In other words, we do a great deal of subcontracting, and we feel in that way we can bring in additional brain power into the operation, and we also can get quicker results.

Mr. FORAND. How much study is given to the caliber of the subcontractor?

Mr. HOFFMAN. I think we do a very thorough job. First of all, we not only check the staff of any organization to which we are going to give money, but we go behind that, and we check their board of directors, and then we also check any other sources of finance they have.

Mr. KEELE. How do you check them?

Mr. HOFFMAN. Well, you check the individuals by methods with which we are all familiar.

I think that if you will give me a list of people for any board of directors, within 48 hours or maybe 72, I can have not only the formal checks that you can get through looking their records up and seeing whether they pay their bills and things like that, but beyond that there is hardly a place in the country that we can't telephone to people and say, "We are taking a look at this particular organization. What do you know about R. A. Jones? What is his record?"

We can get it on a very confidential basis.

When it comes to sources of funds, unless they are willing to disclose sources of funds to us, we wouldn't go ahead with it, so it really is not difficult to make the checks that I am suggesting be made.

Mr. KEELE. Going back for a moment to the expenditures in foreign countries, are you prepared to say what proportion of the money that is spent overseas by the Ford Foundation is used for the purchase of materials or commodities here in the United States?

Mr. HOFFMAN. Well, you are getting into the field of economics, and I can just make a broad and general statement that there is no dollar ever spent abroad that does not have to come home to be spent finally, because this is the home of the dollar.

Furthermore, in the present situation of the world it comes home in a great hurry because there is such demand for American goods throughout the world that there is just a desperate need of American dollars, so a dollar that goes out from our shores comes hurrying back to buy something American.

Mr. KEELE. Do you have any policy or agreement whether or not foundation dollars spent for commodities must be purchased in the American market or anything of that kind or are they free to purchase where they choose?

Mr. HOFFMAN. They can purchase wherever they can get the most for that dollar.

Mr. KEELE. Would you say something of the nature of the work that is being done under the Ford auspices in Pakistan, for instance?

Mr. HOFFMAN. I will be very glad to. I said earlier that in Pakistan the problem is training mechanics. That is the real problem. They have automobiles there, they have tractors there, but they have nobody to keep them running.

You have this age-old tradition that it is something undignified, there is something undignified about working with your hands, so that the Pakistanian Government asked us if we would not cooperate and collaborate with them in the development of a polytechnic high school—it isn't really a high school, but they call it that—to train mechanics in those trades and a domestic-science school to train the women in home economics. Those were two separate ventures.

We put approximately a million and a half dollars into the polytechnic high school. Fortunately, we were able to get the deputy administrator of one of the best trade schools in America, from Boston, to go to Pakistan and take this on. He is having a very exciting time building up this polytechnic school there.

My guess is that land, native materials, and labor, taking them together the Pakistanian Government is probably putting considerably more in than we are, more into that venture.

Mr. KEELE. I would like to ask you whether you asked the foreign governments to match your funds to any extent.

Mr. HOFFMAN. We have a formal contract with them in which we agreed to put so many dollars for so many things. Most of that equipment has to come from America. We can get some things in England. If we can get them there, that is perfectly all right with us.

We do not specify America, because if the dollar goes to England, say, it only goes there long enough to stop for a few minutes and it is on its way back to America to buy some wheat, so whether it makes a stop along the way doesn't worry us much. It comes home.

But that is the general way in which we contract. The Indian program is a very different program. I will be glad to give you any details you want.

Mr. KEELE. All right, suppose you tell us something about the Indian program.

Mr. HOFFMAN. In India the problem is food. That is the primary problem, food.

There we found that many of the efforts that had been made to help the Indians had not been too successful because there had been an insistence that they abandon certain of the traditional practices of India, many of the things which we don't understand and don't particularly approve of, such as letting the sacred cows run around, and things of that kind.

Well, if you want quick results you can't begin to knock over traditions in these foreign countries, but we were very fortunate in having with us in our party Chester Davis, whom I consider one of the really great agricultural experts of this country, and he had with him other very competent people, and we found that there had been experiments going on there on the part of one provincial government, in which by doing very simple things they had increased crop yields over one-third.

They had used better seed. They dug shallow wells. They used

what they call a green fertilizer, a cover crop, which they plowed under.

Like most people, the Indian farmers—and, incidentally, they put a steel point on the wood plow, and that was about all. Well, those are simple things that cost very little, but there again they found that in order to get acceptance of these better methods, they had to go and demonstrate on the ground. They learned through demonstration.

This had been a 4-year experiment, but so spectacular were its results that what he did was to agree, working with the provincial governments, to establish some 15 training centers, centers that have about 80 to 100 villages in them, and there those centers are demonstration centers in each province and out from those provinces go the men who are trained within that demonstration center.

It is our hope that in time—and as I say, we provided only a trigger action: Point 4 is in there now with a program of some \$50,000,000 to provide for seed and things of that kind, and other services. We hope within 5 years perhaps we can reach a substantial percentage of the 500,000 villages in India.

That is quite an undertaking, but it isn't beyond hope at least that by, as I say, this program of which we are playing only this small part, we are taking over because no one else could, really the establishment of a rural extension service in India, working at this central training level.

We are also giving to five agricultural colleges in India funds to expand their programs for the training of men higher up in agricultural echelons.

Allahabad is an American college with practically all Indian instructors; however, we gave that college, which has been operating very successfully for 70 years, I think, or more, \$1,000,000 to expand its programs; so, in all, we are providing experts at the various levels right down to the man who goes out and says, "Will you give me a half acre of your ground so I can show you how you can grow more wheat?" We work right from the top down, and that program is in effect.

The CHAIRMAN. May I take you back to Pakistan, before you get too far away.

Mr. HOFFMAN. Yes, sir.

The CHAIRMAN. Does prejudice against the use of the hands you referred to exist on the farms?

Mr. HOFFMAN. No. Your great mass of people are agricultural, of course, Judge. That isn't true of the peasants. You have two classes there, the merchant class and then you have the peasants.

Now they are breaking that down. There are some very exciting things going on in the world. This is perhaps getting away from the main subject, but you have a demonstration of what can be done that the American people know little about, in Turkey.

In 25 years Turkey has been transformed from a feudal state, a state that was living in the traditions of a thousand years ago, a transformation under the leadership of a very great man, one of the great men of the present age, Ataturk, the plans he laid down that today you can say with assurance it is one of the bastions of the free world and is on the road toward being a sound modern democracy.

The CHAIRMAN. Do you see that same difficulty in India proper?

Mr. HOFFMAN. I think that the problem of India is more difficult

than the problem was in Turkey because India has so many diverse people. They have Hindus, they have Moslems, they have Christians, and they have some 13 languages they speak in that country. There is only one common language in India, which is English, and they are trying to get away from that, so that the problems faced by India are difficult.

I do think that taking first things first, the first thing I think is to see that people aren't as hungry as they have been.

The CHAIRMAN. Repeat that, please.

Mr. HOFFMAN. I say the first thing is to see that their agricultural production is increased.

You might be interested in this. This program, the Etawah project, called not only for increased agricultural yields but a very simple health service; very simple. It called for education through three grades, and also for what they call a resurgence of certain Indian cultural activities.

That four-point program was carried out with remarkable success in Etawah, and wherever it has been repeated it has had similar success or promise of success.

The CHAIRMAN. It just happens I deserve some of the blame or the praise, whichever it might be, for point 4. I was going to ask you your thought on whether point 4 has been somewhat abused; but never mind. That's all.

Mr. HAYS. Mr. Hoffman, I believe you could profit by a 5-minute recess. Suppose we suspend for about 5 minutes

(A short recess.)

Mr. HAYS. Mr. Keele, will you proceed?

The CHAIRMAN. Let me ask a question that might raise some controversy. Mr. Hoffman, have you detected any clashing in the thinking of the Ford Foundation and these other foundations as regards what foundations should probably do in the educational world?

Mr. HOFFMAN. Perhaps I shouldn't admit that I haven't had a great deal of contact with other foundation officials, principally because we really have been so occupied in trying to get our own program into action. As far as I know, I am not conscious of any conflict, but I couldn't speak with too much assurance about that.

Mr. FORAND. Mr. Hoffman, I think those mikes are dead. Will you push them away from you and just lift your voice instead?

The CHAIRMAN. We can hear you better now.

Mr. FORAND. You have got more volume than the mike.

Mr. KEELE. Mr. Hoffman, what has been the press reactions in the foreign countries where you have operated, toward the foundation's activities?

Mr. HOFFMAN. I would have to say it has been overgenerous. In other words, I think that the press of India, for example, overstressed what we had done in India.

For some reason or other it appealed to their imagination, and the leading peoples of India gave a great deal of attention to the Ford program, and gave us much more attention than we deserved.

Mr. KEELE. That was friendly, I take it?

Mr. HOFFMAN. Oh, yes, very friendly.

Mr. KEELE. You were talking at the beginning of your testimony about the role that foundations play and in connection therewith you said that you deemed it to be their function to go into those fields



where government could not properly go in, advisedly could not go in. Are your duplicating point 4's activities in any of those countries? In other words, are you in a field where government actually is working?

Mr. HOFFMAN. Sometimes we do a little ice breaking and we get in there, but we get out. In other words, the minute point 4 will take over, we move out, because, as I say, our whole theory is that these private dollars will have real significance only as they are multipliers.

If we can break in, get something started by the government, preferably the government of the country in question, that is our whole effort in the first instance, having the government of the country we are working in take over. If they take over, we are out, but if point 4 wants to move in, we move out. In other words, we don't compete. We have too few dollars.

Mr. KEELE. You are in the private projects. The moment they follow in behind, you pull out?

Mr. HOFFMAN. That's right. We do the pilot operations. I think we gave proof in India through our private operations that there was really great promise of success in our undertakings, and within the year both point 4 and the local governments were in. We are on our way out.

Mr. KEELE. Are there any other areas besides Pakistan, India, and Berlin where you are operating?

Mr. HOFFMAN. Oh, yes; we are operating in the Near East, and there is a very different situation there. There we are feeling our way, because there you just have emerging two or three governments that are strong enough, so you could even make a contract with them, you see—just beginning to emerge. There what we are doing at the present time is trying to keep alive those very few institutions that are promoting understanding and good will toward the Western World.

Mr. KEELE. What is the attitude of those governments down there with reference to your activities in comparison with their attitude toward the expenditure of point 4 money, let us say.

Mr. HOFFMAN. Well, as far as I know we have never had any government unwilling to accept whatever help we felt we could offer.

I don't want to name the countries, for obvious reasons, but there are two or three countries of very crucial importance to the free world that, for one reason or another, will not accept government funds. They have been not only willing but eager to have us come in, because they know we come in without any political objective.

Mr. KEELE. So that you can operate in certain countries?

Mr. HOFFMAN. We do.

Mr. KEELE. Which you choose not to name where the government cannot operate?

Mr. HOFFMAN. We are operating.

Mr. KEELE. We didn't say very much about the organization here at the beginning of the Ford Foundation. I wonder if we could return to that for a moment and have you tell us what you did when you first went to the Ford Foundation, and especially with reference to the programming of the activities.

Mr. HOFFMAN. I will be very glad to. These goals which Mr. Gaither gave you and which I have repeated, namely, the goal of peace and the goal of trying to strengthen democratic institutions, strengthen the domestic economy and advance education and pioneer

in the field of behavioral sciences, those are all goals, most of them, at least four of them, are goals that the people have been working toward for centuries, and that billions of dollars have been spent on.

The first conclusion is that we want to recognize that after all we don't have billions, we only have a limited amount of money, and in order to make that limited amount effective, we have got to very carefully select the areas in which we will work, even the areas within those areas, and my first conclusion personally after I got through reading the study report and begin to try to envision how a program might be evolved that would take us toward those goals, my first conviction was that I couldn't do it by myself, that I had to have help and have help quickly.

I told Mr. Ford:

"The first thing I am going to do is to try to get four people associated with me who will approach this task from what I consider to be the right standpoint, and then after I have gotten four associates, then I am willing to sit down and start as a group to do some planning."

It seems to me that these are the criteria that we had to establish. First of all, anyone going into this kind of activity—and some people will and some people won't—have got to have a real devotion to the promotion of human welfare.

Second, they have got to have behind them a rather rich and varied experience, because the program of the foundation is so varied and this problem of selectivity comes into such an extent.

The next thing they have got to have is a good deal of imagination, because following conventional practices won't yield the results we hope for. In other words, it has got to be a hard content of imagination and boldness in the program, or it won't produce the results you want.

If you are going to get that kind of a program, you have got to find people who are bold and imaginative. I wanted also some associates with a great deal of courage so that they could hold my hand and I could hold their hand on occasion when we are engaging in some program we know might invite criticism. I think such programs are bound to develop and we are bound to have failures, and as I say, I wanted to be sure that I selected as my associates in this venture men who had those qualities.

Mr. KEELE. Now who are the men that are your associates?

Mr. HOFFMAN. I will give them to you alphabetically. Chester Davis, whom I mentioned. At the time I selected him he was president of the Federal Reserve Bank of St. Louis. He had a very distinguished career in Government. He also was, I should say, one of the prime experts on resource development, both domestic and international. He has a very excellent knowledge of economics and he also has a great deal of courage.

Next was Mr. Gaither whom you heard this morning and who had, I think, produced the most brilliant study of philanthropy that, as far as I know at least, has been produced on this American scene.

Next was Mr. Hutchins who was, at the time I discussed this with him, chancellor of the University of Chicago. I had had the opportunity of knowing Mr. Hutchins because for 15 years I was a trustee of that university, and like all other trustees, while occasionally Mr.

Hutchins would come forward with some program that seemed to be of great departure from the conventional, as some of my other business trustees said to me, if you go back over the last 15 years these programs on which we raised questions about at the time, 95 percent of the cases proved to be programs that had in them real advance. As you know, Mr. Hutchins' father was president of Berea College for years and his brother is now president, and I doubt if there is any family that has a more distinguished record in education than the Hutchins family.

The fourth man I had selected was a man I had worked with for 2½ years and that is Milton Katz who was the United States special representative in Europe, administering the Marshall plan in Europe part of the time that I was Administrator.

All these men have broad interests, but he brought to the foundation, of course, a very specialized knowledge of activities both designed to produce development within countries and also a very specialized knowledge of the kind of activities that will promote peace. Those are the four men that I selected, and that have been associated with me since the very start of our planning for the work of the foundation.

Mr. KEELE. We note one very interesting characteristic of the Ford Foundation, and that is that it has established certain funds that we of the staff have termed a sort of decentralization.

I wonder if you would comment on that structure and why you determined upon it, how it has turned out, the type of men you found to staff that as trustees or as employees.

Mr. HOFFMAN. I would like to very much indeed. As the five of us got together and began to take a hard look at these goals, we realized that if we operated as just the Ford Foundation—and if I may use my own term—and did no subcontracting, that the results we could get would be limited; that if we wanted to get results quickly and wanted to get results on a large scale, we had to subcontract, bringing in, if possible, existing organizations to do part of the work, which we have done in any number of cases, but, if necessary, create organizations, because what we wanted was brain power.

Now take in this field of advancement of education: As all of us know, that is a field that divides itself naturally between formal education and adult education.

We decided to establish two separate funds and with those funds we wanted to attract not only a staff but also wanted to attract as directors of the funds men who would bring to that activity wisdom and judgment. There isn't a single program that has been carried out in either fields that has not been approved by an independent board, the members of which have a very special interest in one field or the other.

We have been very gratified by the type of person that we have been able to attract into these funds. If I may, I would like to read the names to show you the kind of people who have been willing to devote time to these very vital problems.

For the fund for the advancement of education, Mr. Frank W. Abrams is the chairman. He has had a very great interest in education. He is the chairman of the board of the Standard Oil Co. of New Jersey.

Mr. Barry Bingham, who is the publisher of the Courier-Journal and Louisville Times Co.; Mr. Ralph J. Bunche, who is the Director of the Division of Trusteeship, United Nations; Mr. Charles D. Dickey, who is the director and vice president of J. P. Morgan. He has had a very keen interest in education in various universities, but mostly Yale.

Next is James H. Douglas, Jr., who is an attorney in Chicago; Mr. Eurich, who is vice president of the fund. He was formerly president of the State University of New York. Mr. Clarence H. Faust is the president of the fund. He came to us as dean of humanities from Stanford. Mrs. Douglas Horton, formerly president of Wellesley College; Mr. Roy E. Larsen, president of Time; Mr. Walter Lippmann, author and journalist; Mr. Paul Mellon, president of the Old Dominion Foundation of Pittsburgh; Walter P. Paepcke, chairman of the board of Container Corp. of America; Mr. Phillip D. Reed, chairman of the board of General Electric; and Mr. Owen J. Roberts, former Associate Justice of the Supreme Court of the United States.

Well, I think answering certain of the questions I heard this morning that were asked, that that board embodies so much common sense and so much experience that they are not going to approve any crackpot experiments, but they will approve experiments, no matter how bold, that hold real promise.

Mr. KEELE. How does that fund operate? What is its connection with the Ford Foundation? What is the relationship?

Mr. HOFFMAN. It is an independent fund. What they do is come to us not necessarily only once a year but they are now in the process of developing a program for next year. I had better talk about this last year.

The CHAIRMAN. What is the source of the fund?

Mr. HOFFMAN. The fund comes from the Ford Foundation. We are the sole supplier of money to this fund, although that isn't necessarily so.

They are independent and if they wanted to turn from us to someone else they could, but of course we are a reliable source of funds for them.

They came to us last year with a program that called for a total I think of \$9,000,000, and they presented their program. Our trustees are hard-working trustees. They spent a full week going over our program for 1952.

The CHAIRMAN. All right, you might return now to Mr. Keele's question.

Mr. KEELE. I think that was part of it, Judge.

The CHAIRMAN. I may sometimes ask a question that does not seem to be wholly relevant because I am unable to hear all you are saying.

Mr. HOFFMAN. My voice is not carrying now? I will try again.

The officers of this fund come to the Ford Foundation, the trustees of the Ford Foundation, once a year, and they present a program in general terms.

I mean they might want to spend X dollars for teacher education. They want to spend X dollars to provide fellowships for high school teachers. They want to provide X dollars for scholarships, and that program is either approved or not approved. If it is approved, the funds are made available.

Now when they come to us for additional they have to of course account for the money that was given them in the previous year.

As a matter of fact, we have a running liaison with them, a continuing liaison, so that we know pretty well almost from month to month the results they are getting, but we have over the fund for advancement of education and the fund for adult education about the same power that you in Congress have over an executive agency.

In other words, I can very well recall having to come before Congress and say, "This is the way we spent the money last year. We want this much this year," and we had to justify what we had done with the money previously given us or we got no more, or had it cut back. Now that is exactly the relationship of the fund to the Ford Foundation, these two funds. Is that clear?

Mr. KEELE. All right, do I state it correctly? The fund was set up, several funds, but we are talking about the fund for advancement of education; that fund was set up by the Ford Foundation and it is staffed by men selected by the Ford Foundation?

Mr. HOFFMAN. As directors.

Mr. KEELE. Not staff; trustees or directors. You call these men directors, is that right?

Mr. HOFFMAN. That's right. Those directors are selected by the Ford Foundation. Having selected them, you give them complete control of the way in which they dispose of the funds which you grant them.

Mr. HOFFMAN. That's right.

Mr. KEELE. Subject, however, of course to the fact that when they return and ask for additional funds for the next year, let us say, they have got to account for what they did and present their program for the following year?

Mr. HOFFMAN. I will have to amend that slightly. They have complete power to spend the money in accordance with the program presented and approved. The program is presented in general terms, not in detail. In other words, they come to us and ask us for funds for we will say a series of projects, and funds are supplied for that program.

Now if they want to go into another field, they have got to come back and they do come back and ask for a supplemental appropriation. But they can't, without involving themselves perhaps in some trouble, take money that we have allocated to them for fellowships and spend that to build a new schoolhouse out in Idaho. That would not be in accordance with our understanding.

Mr. KEELE. But so long as they stay within the limits of the purposes set out by them in their projects, then the manner in which they spend it is a matter of their business?

Mr. HOFFMAN. That's right.

Mr. KEELE. And are there other funds besides that fund? What are the other funds, Mr. Hoffman?

Mr. HOFFMAN. Well, we have the Fund for Adult Education in that same field. I don't think I will take time to read you the list of people, because I think the people are similar in caliber to the people who are on the fund for the advancement of education.

In the field of peace where we are operating, we have two independent funds also. One fund we call the East European Fund. That fund has several purposes. Its purpose, I should say in the first in-

stance, is to finance projects which will add to our knowledge of Russia.

There are some scholarships there provided for individuals who want to make a study of Russia. There is also provision in that fund for publishing monographs from Russian scientists who have escaped and come to America, and I think I can say that out of that work has come material of considerable value at times to our Government and a source of very rich and important information.

That fund also supervises or helps these escapees or emigrees from countries behind the curtain to accommodate themselves to freedom. We do subcontract most of that, and we have found that people coming out of countries where they have led completely regimented lives—

Mr. SIMPSON. From where?

Mr. HOFFMAN. These people coming from countries where they had led completely regimented lives were helpless in America. They had been told what to do from morning until night and they put themselves in a country that is free and they just didn't know what to do.

You take, for example, these two aviators, as you may recall, who escaped and came to America. One of them voluntarily went back to Russia because he didn't know how to accommodate himself to freedom.

We have found it is very important to provide for reeducation of these people for a certain length of time, and just accustom them to making decisions for themselves, ordering their own lives. That work has been done through a number of organizations, but we think it was important work as long as there was quite a stream of people coming in.

The CHAIRMAN. Have you at the present time succeeded in converting any one of these people?

Mr. HOFFMAN. These people are all people who left the countries behind the curtain; who escaped. They are for the most part escapees or displaced people, and they came here because they wanted freedom.

But still even wanting it, they have to have a little retraining before they can really accustom themselves to freedom.

That fund also has as a subsidiary the Chekoff Publishing Co. The Chekoff Publishing Co. publishes Russian classics in Russian and makes them available on a commercial basis to Russians in this country and throughout the world.

Many of the great Russian classics have been of course on the black-list of the Kremlin, and to keep alive some of these Russian traditions among the Russian people outside seems to have been no more a useful device than the publishing of some of these books.

Incidentally, the Chekoff Publishing Co. is having unexpected sale of those books among the Russians. They also translate into Russian some of our American classics and make them available to the Russians so that they can have some understanding of American literature.

There again there is an avid interest in all things American, but of course most of the emigrees from Russia living outside of Russia, most of them read only Russian, and the only Russian literature available to them was Communist literature. We are trying to make literature available to them that is non-Communist, and we think that that is performing a useful enterprise.

We think that Chekoff Publishing Co. is doing a most important work and at a somewhat lower subsidy than we thought it would require.

This East European Fund was originally directed by Mr. George Kennan who, of course, had to give up that post when he went as Ambassador to Russia, and in his place Dr. Philip Moseley, of Columbia University, was elected. That is one of the two funds as I said operating in that field.

The other fund is an intercultural publications corporation. That fund is publishing in the first instance a quarterly magazine called Prospectus, which is circulating among—I hate to use the word, but I think it fits—the intelligentsia of foreign countries.

I think every one who has worked abroad is impressed and depressed by the lack of understanding on the part of the foreign intellectuals of American culture. They haven't been subjected to it, it hasn't been available to them because the cost of American magazines, cultural magazines, abroad is prohibitive.

This prospectus is being published in a number of languages. We think it will make a very important contribution to a better understanding of America. Of course, this is a fact that is worth perhaps putting some emphasis on: That in the Far East, for example, and all through Asia most of these new governments are being run today by or are under control of what we would call in America, the intellectuals, and it is very important that those intellectuals have some understanding of America, so we have this fund which is publishing this magazine.

It will probably engage in other ventures of cultural activity, with the purpose of promoting understanding among intellectuals throughout the world of this America of ours.

Mr. SIMPSON. How is it distributed?

Mr. HOFFMAN. It is distributed through commercial channels, but at a low cost. It is a subsidized publication. The president of that company, Mr. J. Laughlin, of Pittsburgh, either has just returned or has been in India, where one of the major problems from the standpoint of promoting understanding is this: The Communists flood India with literature at low cost, subsidized cost. In other words, for the equivalent of 10 cents you can buy a book on communism, but the only books that tell about America cost over \$2.50, and an Indian hasn't got \$2.50.

We are hoping that we can perhaps get into that field in a somewhat larger way and make available to the people who really want to know, the scholars of India—and oftentimes they are eager to make a sound judgment, but they don't have available—

The CHAIRMAN. In formulating a program like that, would you use the Indian as your expert to put together this book that you expect to make available to the Indians at low cost?

Mr. HOFFMAN. This magazine, Judge, Prospectus, is a magazine which gives once every quarter the best of contemporary American literature and also articles on art. That is pure American.

The CHAIRMAN. Unhappily we have not been too successful in our programs that we have sought to broadcast to the rest of the world. Take, for instance, the Voice of America. At one time it was—I will not say in disrepute, but it was not regarded as amounting to very much.

Of course, I think it has improved, improved considerably, but I was wondering if the people in this particular undertaking that you referred to were taking pains to guard against repeating the mistakes made by the Voice of America.

Mr. HOFFMAN. Yes; I think I can answer that affirmatively, Judge, and tell you that we wouldn't do anything in India unless we had counsel and advice from the best-informed people in India.

Mr. KEELE. That was the question you wanted to ask, the formulation of that. He said that they would not formulate—

The CHAIRMAN. Oh, I got that. I got the force of his statement. I heard him.

Mr. SIMPSON. The Department of State approves it also; do they not?

Mr. HOFFMAN. No; we don't submit anything formally to the Department of State, but we wouldn't go into a project without discussing it, because we want all the information we can get from every source before we ever reach a decision as to a project.

Mr. SIMPSON. Does the Department of State recognize their limitations in trying to reform foreign countries?

Mr. HOFFMAN. Well, you are asking a question that I can't—

Mr. SIMPSON. Do they evidence that by coming to you with suggestions as to where you might be able to spend money?

Mr. HOFFMAN. Yes; they come to us with suggestions.

Mr. SIMPSON. Would you care to tell us whether you accept all they suggest or some that they have suggested you didn't agree to?

What I am interested in knowing is whether they are too extreme to the left or—

Mr. HOFFMAN. No. I don't think that that has entered into it to any extent at all, Mr. Simpson.

Mr. SIMPSON. Could you tell us some areas you didn't care to go into?

Mr. HOFFMAN. Well, we had a meeting with various people and they presented programs to us. Well, they wanted us to go, for example, into a very elaborate program in Pakistan that called for the reclamation of waterlogged lands. Well, it was just too big a project for us, though undoubtedly a worthy project.

For the most part the projects that came to us we didn't feel represented the very best use of our limited funds. It wasn't a case of being left or right, but a question of judgment as to how you would get the most for your dollars.

Mr. SIMPSON. This opens a subject that I am interested in, and that is this: The record made before the committee has been highly favorable to foundations. You and the other witnesses have presented a very fine case as to why they should be continued. I know you believe in them.

Do you think they should be bigger and better? Should they be bigger and better, and more of them?

Mr. HOFFMAN. Bigger and better foundations?

Mr. SIMPSON. That's right. Should we encourage as a part of our national policy the growth of foundations, and putting it all in one question, should government make it more attractive to individuals to put their money in foundations than it is today?

Mr. HOFFMAN. Well, I really feel that foundations such as Rockefeller, Carnegie, and, we hope in time, the Ford Foundation, founda-



tions of this type, have a very great deal to contribute, and I would hope after you hear all the testimony you would all feel the same way.

I don't know how much additional encouragement is needed. In other words, I think the fact that there is a tax exemption is a very great encouragement to people with money to put those funds in foundations.

Mr. SIMPSON. There is a field, though, you have told us where this venture capital is needed which Government can't provide or won't provide.

Mr. HOFFMAN. That's right.

Mr. SIMPSON. At the same time we are told that you are swamped with requests for money, out of which you can pick only a limited number?

Mr. HOFFMAN. That's right.

Mr. SIMPSON. Now, does that mean that there is a great area in which foundations should be allowed to expand and cover more of the field that ought to be gone into but which you can't because of the limitation in funds?

Mr. HOFFMAN. I think America would be better off if we had many times the number of foundations that we now have——

Mr. SIMPSON. You would like it done privately?

Mr. HOFFMAN. Oh, yes.

Mr. SIMPSON. As distinguished from government?

Mr. HOFFMAN. Oh, yes; I am sure of that.

Mr. SIMPSON. And the State Department having a sort of liaison——

Mr. HOFFMAN. That's right.

Mr. SIMPSON (continuing). Between what they think ought to be done and the private-capital institutions would be advisory and might work together with government?

Mr. HOFFMAN. That is in the foreign field. Of course, you see, the major portion of our funds have gone into America. The major part of our funds are spent right here at home in the first instance.

I think in the last 2 years our appropriations for education exceed \$35,000,000. That may sound like a large sum, but we had applications for over \$300,000,000. So, while they all wouldn't pass the test, I would say that you could use many times the number of millions available today through foundations for American education, to the great advantage of American education, because I am one of those who believe that it is highly important that the independent colleges and universities be kept alive. I don't want to see higher education in America become exclusively a state enterprise.

Mr. SIMPSON. You don't want, I assume, the Government to control the foundations in such a way either to direct the use of their money or to further curtail the ease with which they are created?

Mr. HOFFMAN. I think, sir, that the point there is I don't believe the Government should control the operations of a foundation; if they get into operations, I think there will be a curtailment of the freedom necessary to get most effective use of the dollars.

Mr. SIMPSON. Do you suggest that they still further control the creation of them?

Mr. HOFFMAN. No. I would encourage their creation. I think it has already been borne out our attitude is that the foundations are a public trust and, therefore, the public is entitled to full information

about their income and about the way they spend their income, and we feel—I think this has already been said in these hearings—that if the foundations operate in a glass bowl you will have self-policing as a result. That at least, I would say, would probably tend to correct most of any evils that may have developed.

Mr. SIMPSON. I am inclined to agree with you on that; but, to the extent that the Government through the tax power can affect the growth or curtail the growth of foundations, you would prefer that the tax laws be written in such a way that the foundations can expand?

Mr. HOFFMAN. That is an understatement, sir. I think it is highly important that we give every encouragement to the establishment and expansion of the right type of foundations.

Mr. SIMPSON. I wonder if you are prepared to concede that legislation that would give this Government the power to look in, you understand, and to guard against the abuse of the funds which the foundations have to use, might be proper; not governmental supervision, not governmental control, but the power to guard against the abuse of the power which the foundations enjoy.

Mr. HOFFMAN. I only want to be sure that I understood what you meant by “guard against abuse.”

In other words, that I am afraid calls for passing a judgment. That may prove to be necessary. I don't know, but it seems to me clearly that the first step is to put the foundations in a goldfish bowl so you can see them and let's see what happens.

It should be perfectly possible; those reports should come to a central place; they should be public reports; they should be available. Anybody interested should be able to look at them, and you will find that the American public can do a pretty good policing job where there are any abuses going on.

My feeling—my guess is perhaps a better way of putting that—is that is about all that you need. Now, certainly it should be, in my opinion, the first step.

If it became evident that it was possible to really find out what all foundations are doing—of course, as you know, we report our operations completely. There is nothing that the Government wants to know about the Ford Foundation that it can't find out, and that holds true of most of the larger foundations, and I think that that is a good idea, because we take a long, long look at anything.

I don't think we need that kind of policing, but still I say as a public trust that is our responsibility.

Mr. FORAND. May I ask a question?

Mr. Hoffman, you made mention of the translation of the Russian classics and so forth. What kind of check is made upon these translations?

What I mean is this: Once an individual makes a translation, what kind of check is made to see that the translation is accurate and that propaganda doesn't enter into that translation?

Mr. HOFFMAN. In the first place, up to the present time the list has been selected for translation by George Keenan and by Philip Mosely and by people who I think probably know as much about Russian classics as anyone, and they tell me that some of the most telling attacks on the present regime in Russia can be found in the Russian classics where they use the power of ridicule to really show

up the kind of tyranny to which the Russian people are now subjected.

As I say, the protection is that the people who select the list to be translated are, as far as I know, the best-informed people we now have.

Mr. FORAND. That part is all right.

Now, how about the other part of it? Once a translation has been made, is there a check made of that new translation to see that it is an accurate translation and not translated so as to serve purposes other than which you set out to show?

Mr. HOFFMAN. As far as I know, you have the usual precaution there. The translation is checked by another person in the publishing house, but these books are also read by some of our principals.

I don't say that it is impossible; and, now that you bring the point up, I am going to find out to make sure we have enough checks so no one could slip in a sly sentence or other, but I have every confidence we will find out it is all right. It is a good question, and I am glad you asked it.

Mr. FORAND. I am very much interested in making sure that that is done, because it would be very easy for some of these smart alecks to slip something in.

Mr. HOFFMAN. It is a good question, and we will certainly check it.

Mr. FORAND. That is all.

Mr. KEELE. Mr. Hoffman, Edward Embree was considered, was he not, to be a very capable, shall we say, "philanthropoid," a man familiar with foundations and knowledge about that field?

Mr. HOFFMAN. You are now showing how unknowledgeable I am, because—

Mr. KEELE. Let me say this: Edward Embree, as you may or may not know, was for many years a vice president of the Rockefeller Foundation.

Mr. HOFFMAN. I know the name, and I know the connection.

Mr. KEELE. And then he was the president of the Rosenwald Fund. He seemed to be a very articulate spokesman. I am just referring to an article that he wrote that appeared in Harper's in 1949 in which he said, among other things, the following, and I think he said this very well [reading:]

Occupational diseases that can easily affect foundations are traditionalism and self-preservation.

He was talking about in this—and I will make other references to this—the tendency of foundations to become ultraconservative in their approach to new problems.

What efforts are you making, if any, in the Ford Foundation to avoid that situation?

Mr. HOFFMAN. Well, I would say that we have the hazard very much in mind, and your protection against the hazard, of course, is people, and if you have the right kind of people you aren't at least in the same danger.

I think there is also a very great protection in this subcontracting principle. In other words, if you subcontract a substantial part of your program, you sit in judgment on that and you aren't under the risk of engaging solely in self-appraisal.

We are doing an arm's-length appraisal of all of the activities carried on by either existing organizations that are not affiliated with

us—you see, we spend a great deal of money, for example, with the Institute for National Education in handling exchanges of people. They get their money from several sources. We are just one of their sources.

We are obviously very critical—I mean, we may have a very critical attitude toward them—and there is no danger of that changing, whereas, if it were just one of our departments, we might not subject our own department to quite the same kind of examination.

I think there is a natural tendency in that direction. So, I think we have a protection in the fact of the kind of people on our board and, I think, in my associates, at least, in the management of the foundation, and I think we have the further protection of subcontracting.

Mr. KEELE. Another one of the charges that he makes in this article, and which we have heard repeatedly made, is that there is a tendency toward interlocking directorates and what has been termed intellectual in-breeding, the fact that a trustee of a foundation is apt to be a trustee of a half dozen, or perhaps not that many, but a number of other foundations, and that sort of thing.

Have you considered that problem in the Ford Foundation?

Mr. HOFFMAN. Well, I think we have a great protection there because our trustees have to put in so much time they just can't take on many other foundations.

You see, we have the one annual meeting which I think this year will extend perhaps 10 days, in which the year's program is considered—a week at the very least—and we have quarterly meetings that usually run 2 days.

Then we officers harass our trustees in between times. We try to see them all at least once in each quarter; so, they are spending so much time on the work of the Ford Foundation that they just can't take on other foundations or other work.

In other words, we really work our trustees, as Mr. Ford suggested. He put in more than 40 days last year.

Mr. KEELE. What is the situation with reference to the directors of your subfoundations, shall we say? Are they compensated?

Mr. HOFFMAN. Yes. We pay them a compensation because again they are worked very hard and make a contribution worth far more than the amount we pay them.

Mr. KEELE. What do they receive?

Mr. HOFFMAN. We pay these directors of these independent funds, not all of them, as some of them serve without compensation, but for the most part they receive \$3,000 a year.

Mr. KEELE. I suggest, with compensated trustees or compensated directors as it may be, you feel freer to call upon them at all times for their services than if they were acting without payment?

Mr. HOFFMAN. Not only do we feel freer, but they are all people of conscience; so, they see that we get our money's worth, and more.

Mr. KEELE. That was a considerable problem—was it not?—as to whether you would compensate trustees or not.

Mr. HOFFMAN. Very; yes. I don't except myself, you see. I don't belong to many boards, but the boards I am compensated for I feel obligated, really obligated, to put in enough time to justify that compensation.

The one or two boards I belong to that pay you a stipend if you come I very rarely attend because I figure: "Well, if I pass up the fee, that's O. K."

We find that there is a very real value in compensating the directors of these funds. In fact, we get about 10 to 1, I would say, or 20 to 1 or 100 to 1 in the way of brain power from what we pay.

Mr. KEELE. Now, the Ford Foundation has approached its activities apparently in a different way than have many of the foundations. As we understand it, you determine certain areas but really you are looking at problems rather than fields or areas of activities; is that correct?

Mr. HOFFMAN. That is correct; looking at goals or looking at problems that have to be solved in approaching these goals.

Mr. KEELE. You don't say you have to look at the field of medicine unless you feel the problems most pressing at that time are those in the field of medicine?

Mr. HOFFMAN. Correct.

Mr. KEELE. Now we have observed also, in your defined areas of activity, that they are primarily connected with the social side or the behavior of mankind, shall we say, as opposed to physical sciences. Would you tell us the basis of that deliberate choice?

Mr. HOFFMAN. That choice was made by the trustees before I became associated with the foundation, so I am now simply giving you what has been given to me as the reasons.

It goes back to this notion that these new dollars coming into the foundation field ought to be used to support activities that it was most difficult to get money for. While no one would question the very great value of dollars spent in the medical field, it is much easier to raise funds for projects in the medical field than it is for projects in the field of humanities and social sciences.

Mr. KEELE. Do you consider that the risk of criticism is greater if you enter these other fields than those which make popular appeal?

Mr. HOFFMAN. Oh, sure.

Mr. KEELE. And that is a calculated risk you take?

Mr. HOFFMAN. Oh, that is a calculative risk; oh, yes.

Mr. KEELE. What is the threat, if there is a threat, of foundations putting their money on what has been termed here the "blue chips," into projects which are beyond the realm of criticism usually.

Mr. HOFFMAN. Then if you take the risk capital out of the social field, I think you will have a very great slowing down of progress in that field. That is the answer there.

As I say, I think the foundations have got to be the principal source of risk capital in the social field—this field of humanities.

Mr. KEELE. What precautions, if any, going back a moment to this program of rehabilitating escaped Russians, what steps, if any, do you take to guard against the possibility of those persons being agents of the Communist government?

Mr. HOFFMAN. Well, the only people we take are people who have been screened by the United States Government. As far as I know, that screening is a very careful, expert screening. We won't take anyone who isn't more or less certified by the United States Government.

Mr. KEELE. In other words, they are people who have, in a way, been cleared by official agencies of the Government; is that correct?

Mr. HOFFMAN. Oh, yes.

Mr. KEELE. I don't think I have any other questions.

The CHAIRMAN. Just for the purpose of getting a reiteration of your opening statement, I want to ask if I am correct in having understood you to say, in effect, that this resolution under which we operate imposes a joint responsibility upon the committee and the foundations to investigate and to collect the facts as they affect foundations and that your business here is to discharge the obligations as far as you are concerned that rest upon your foundation?

Mr. HOFFMAN. Certainly, sir. I think it is a very constructive enterprise.

The CHAIRMAN. You have told us many things that were favorable to the Ford Foundation. Is there anything that is not favorable in its record to which you might refer?

Mr. HOFFMAN. Oh, I think we have made some mistakes. I think I could go over this record.

We have appropriated some \$72,000,000 in the last 2 years, and I would not want to give any impression that we haven't made some mistakes. I could point them out, too. I would rather not identify them.

The CHAIRMAN. It may be a mistake to ask you this question, but I am wondering if Mr. Owen Lattimore has gotten his hands in the pockets of your foundation for funds for some of his projects.

Mr. HOFFMAN. No, sir. Of course, I think I must say this: That part of the fact that I believe our record is relatively good is that we are very young, and perhaps our mistakes haven't caught up with us yet. I don't know. We are conscious of a few mistakes and we recognize there may be more that won't be visible for 2 or 3 years.

Mr. KEELE. What about the need for reviewing your program, re-examining it? That program was formulated in 1949, as I understand it, but we are now in 1952. At what time do you think a review of that program will be necessary, or are you constantly reviewing it?

Mr. HOFFMAN. It is under constant review. We don't for a moment feel that we are operating in a strait-jacket, but the point is that these five goals they have set and the detail with which they are laid out, the projects within those goals are such that in its first 2 years we haven't even begun to make progress toward certain of these goals and subgoals in which progress is certainly highly desirable.

We have got another couple of years' work ahead of us, I would say, before we can say that we are really well organized to carry out the directives that came out of the study report. We have done, as yet, very little in this.

For example, in the area of strengthening our domestic economy we have done some things, but very little, comparatively. We have it under study and perhaps next year's program will carry substantial activities in that field.

I don't know, but we have had to choose not only among the areas but we have had to choose within the areas as to what would have priority. While we have used our best judgment, as I say, there is a great deal of ground we have not covered yet within these five areas.

Mr. KEELE. Looking back over the work that has been done by the Ford Foundation, would you say that you see any evidences of any

of the money having gone into channels or fields wherein the work done has tended to be inimical or hostile to the American system, the capitalist system?

Mr. HOFFMAN. Not to my knowledge. If it had been we would have jerked back awfully fast.

Mr. KEELE. I take it from what you have just said that you are interested in making studies which will tend to strengthen it.

That has been a matter of some concern because the charge has frequently been made—whether or not substantiated is not for me to say—that the foundations have tended to support projects which in the end also tended to weaken or at least attack our system of government, our system of economy, and that is one of the inquiries, of course, that this committee is making.

Mr. HOFFMAN. It is a perfectly sound inquiry. From my knowledge of the work of the larger foundations, I think that when you get through you will probably find that mistakes have been made, but I think on the whole that their records are excellent.

I hope that we can live up to what I think is a very fine tradition in its field of service by the Rockefeller Foundation, the Carnegie Foundation. Sure, they have made a mistake now and then, but I think, looking at the whole picture, it is a pretty good picture.

Mr. SIMPSON. Mr. Hoffman, is there any such thing as an organization of foundations? Do you have a common meeting place? Do you have an association?

Mr. HOFFMAN. No, sir.

Mr. HAYS. Mr. Hoffman, are you still a member of the University of Chicago board?

Mr. HOFFMAN. No. I resigned from all—I was a member of the board of trustees of the University of Chicago and a member of the board of trustees of Kenyon College, and I resigned from both those boards when I took on this Ford job.

Mr. HAYS. The Chicago University was created by a foundation gift.

Mr. HOFFMAN. Yes, sir.

Mr. HAYS. It goes back to Mr. Rockefeller's interest in education in the Midwest; doesn't it?

Mr. HOFFMAN. It certainly does.

Mr. HAYS. The history of this somewhat justifies the idea of experimentation. The money could have gone into the older institutions, but because of a new need that was not being met, he chose to put it there. You feel that that was an enlightened and beneficial step, I am sure.

Mr. HOFFMAN. I certainly do, Mr. Chairman. I may be prejudiced because I went to the university, but I think it has made a great contribution not only to the Middle West but the United States, and, for that matter, many other countries in the world.

Mr. HAYS. The Ford Foundation, then, operates in both the Eastern and Western Hemispheres, in Europe, the Orient, and in Latin America?

Mr. HOFFMAN. Our operations up to the present time, our overseas operations, are restricted to a few operations in Europe. Major operations are in the Near East and Asia. We have just one very small operation in Africa.

Mr. HAYS. In Africa?

Mr. HOFFMAN. One very small operation.

Mr. HAYS. Of course, we were interested in what you had to say about the Free University, which indicates that you aren't neglecting Europe.

Mr. HOFFMAN. No. However, Germany was a special situation at that time. Berlin was a special situation.

We are doing other things in Europe. We are not financing but we are helping in the promotion of certain measures that we believe will contribute to a better understanding of our American economy, working, however, rather quietly in that particular field because people don't really like to feel—Europeans don't like to feel—that they are learning from America, or vice versa.

It has got to be very subtle if you want to get any results there, but our major effort is in the areas where we feel that with deeds we can bring about better understanding among the peoples in areas where there is this tension.

The CHAIRMAN. Let me ask this question right here. I wonder, Mr. Hoffman, if a young student that comes from Eastern Germany and attends the University of Berlin is free to come and go. By attending this school is his connection severed from Eastern Germany? How does that operate?

Mr. HOFFMAN. They are allowed to come back and forth to the university, but every student that attends that university is almost a marked girl or boy. Of course, what they all want to do is to keep out of Eastern Germany if they can.

The CHAIRMAN. What's that?

Mr. HOFFMAN. They want to keep out of Eastern Germany. I mean they are not particularly eager to go back there after they finish their education, because it is not a very pleasant environment.

The CHAIRMAN. How long will that attitude on the part of youth in Eastern Germany last under present conditions? Sooner or later the East Germans will all be Communists.

Mr. HOFFMAN. I think you are quite right. I think that there is a very real danger if Eastern Germany remains under Communist control for another 15 or 20 years, most of the people who have known freedom will have died and most of the children will have been pretty thoroughly indoctrinated.

I don't pretend to be any expert on this, but there is very great unrest in every country behind the iron curtain, including Russia. In other words, the Russian system, which is the only system the Russians know, still is a system that even though the people don't know freedom, creates very serious unrest.

They have, as you know, in prison camps something between 12 and 15 million Russians. Now that, itself, tells of the high state of unrest within Russia.

The CHAIRMAN. I wonder if your foundation has the means of getting information from behind the iron curtain countries?

Mr. HOFFMAN. Of course, we obviously, Judge, cannot engage in either political or military operations of any kind, and we can't engage in any kind of covert activity.

The CHAIRMAN. That is right.

Mr. HOFFMAN. This has happened, though. These Russian scientists, escapees who have come to America and are at our universities, have produced monographs of real importance. One monograph, for instance, pretty well located the uranium mines in Russia, rather



important information which came through scholars, you see; so, there are practical results.

Let me say this: I think if we can accomplish one purpose we need have no fears. In other words, if by some process we can take the violence out of competition between our system and any other system in the world, our system will win out.

The one hazard is that today the Kremlin is trying to force their way of life through violence, not through free and open competition. There is nothing that I would welcome any more than nonviolent competition between Russian communism and American capitalism, because we have here a system in which we do recognize there is a God and the heavens, and we do have freedom, and that kind of a system will win out any time against a system of tyranny.

The only temporary success that these tyrannies can achieve is through the use of violence. I just say that because when people are fearful about inroads of communism, I say if they will just take the violence out of it, we haven't a thing to worry about.

The CHAIRMAN. I think it would probably be a good thing for the country if Congress would just continue this investigation indefinitely, certainly until we have exhausted the possibility of bringing down here people of the type that have been before this committee. You preach a fine doctrine and it is something which ought to be carried to the firesides and the homes of people.

Mr. SIMPSON. Mr. Cox, this, I believe, is one of the first times that the foundations have had an opportunity to express themselves in detail before a congressional committee. I think it is a valuable contribution to the people.

The CHAIRMAN. I think so, sir, and I wonder if you are not prepared to state that after all it has thus far been demonstrated, this inquiry was a good thing for the foundations as well as for everybody else.

Mr. HOFFMAN. I would say to you, Judge, that the spirit with which this inquiry is being conducted, in my opinion, guarantees it is going to have a most constructive result. It would have been possible to conduct an inquiry that would not have had such a result.

The CHAIRMAN. Well, you people have demonstrated a very great faith in the fairness of this committee. You haven't resisted in anywise or in any manner. It has not been necessary to summon you down here.

You take the position you want to come, you feel you are obligated to come, and you do come to cooperate with the committee in an endeavor to find out just what the truth is.

Mr. KEELE. I think it ought to be noted—the committee may not know this, not all the members of the committee, but I think it should be noted—that at my request Mr. Ford, Mr. Hoffman, Mr. Hutchins, Mr. Eurich, Mr. Gaither, and the counsel came to Washington on Saturday morning and spent all of Saturday and all of yesterday from 10 in the morning until about 6 in the evening going over these various matters.

The CHAIRMAN. The foundation evidently enjoys the affection of its trustees and of its officers. Though it happens that the witness is before the committee, it gives a demonstration that he refuses to be tempted away from the job that he has now.

Mr. HAYS. Mr. Forand has another question.

Mr. FORAND. Mr. Hoffman, you made reference during the course of your testimony this afternoon to the fact that the foundation follows pretty closely the expenditure of its funds once it has been allocated for a certain project. Now, is there any way that the foundations can recover funds from an organization if the organization should be using those funds for other than the stated purpose?

Mr. HOFFMAN. Well, we don't deal, as a rule, with organizations in which we haven't entire confidence. There have been two or three cases I can recall where we were somewhat doubtful, and in those cases we went on the instalment system, and in one case we never made the last payment because we didn't think the people were living up to their agreement. I prefer not to name it, because it is not important, but that possibility is always present.

But, if you check the organizations with which we deal, you will find that in almost every case they are responsible and we don't have that because we think the real protection is to thoroughly examine the organization to which you are subcontracting your work.

Mr. FORAND. But there is always the possibility that once you have made an allocation of funds to an organization in which you have complete confidence, due to a change of personnel possibly in that organization, something may go haywire.

If you have allocated all of your funds, is there any way that you could stop the spending of funds beyond the point where you discover this?

Mr. HOFFMAN. I doubt it. I question whether if you have made the transfer of funds, legally you can make a recovery, unless there is a clear violation of contract, but I am not a lawyer and I don't know.

Mr. FORAND. Thank you.

The CHAIRMAN. One more question, and I am through.

There are a great many of the smaller foundations that have become static. By static, I mean have become inactive in the purposes which they were set up for. The purposes for which they were set up no longer exist, and yet the foundations are there and render no public service at all.

I am wondering if in instances like that there would not be justification on the part of Congress to liquidate them or to see that they might expend the funds in some manner reasonably consistent with the intentions of the donor?

Mr. HOFFMAN. Judge, doesn't the 1950 law which, as I understand it, have a provision against undue accumulation, give a protection there that would enable you to get the action you want? I don't know.

The CHAIRMAN. Frankly, I do not know.

Mr. HOFFMAN. I am really asking a question. I just don't know. Mr. Keele might know on that.

Mr. KEELE. The question was, of course, whether or not they might be reformed. The only thing that can be done now under the courts, of course, is under the doctrine of cy pres.

The question was whether something could be done as was done in England where moribund foundations or ones the purpose for which had passed with time, their resources could be devoted to modern needs.

The CHAIRMAN. That's right. That is what I am interested in. I am greatly concerned in seeing that the Government does not confiscate money from inactive foundations. I don't think it should confiscate them if it is possible to reform the foundations in a manner that would be reasonably consistent with the purpose of the creator of the foundation.

Mr. HOFFMAN. I just don't feel that I have enough knowledge of foundations to answer that question. I just haven't been in this long enough to have made a study of any foundation.

Mr. KEELE. That involves some law.

Mr. HOFFMAN. Yes; that involves law, too, and I am not a lawyer.

Mr. KEELE. After all, you have a future rather than a past, the Ford Foundation. We are talking now about those long-gone and moribund for one reason or another.

Mr. HOFFMAN. We haven't had that problem ourselves.

Mr. SIMPSON. May I inquire for what term are the trustees of the Ford Foundation selected? For life or for a period of years?

Mr. HOFFMAN. Three years is the period. I want to check that to be sure I am correct. That is correct.

Mr. HAYS. Do you happen to remember or to know whether or not Mr. Horace Holmes is working under your direction in India?

Mr. HOFFMAN. No. Mr. Horace Holmes, I think, was on loan from the United States Government to the United Province, which is the province in which the Etawah project was carried forward, and he never worked directly for us, but he was of inestimable help to us. We just take off our hats to the job he did.

Mr. HAYS. I asked that question to be sure that the information we have gathered from other sources through other committeemen regarding the importance of that work in Indian, that we relate this testimony to that properly. He has been a very important figure in the reconstruction.

Mr. HOFFMAN. A very important figure. If it hadn't been for the work done by Mr. Holmes and his predecessors, I think it would have been quite impossible for us to pick up and carry on this program in India, because it was their pioneering work that made possible our development.

Mr. KEELE. One question I did not ask that probably should have been asked, What has been the rate of your expenditures for grants in the last 3 years, Mr. Hoffman?

Mr. HOFFMAN. Well, take the last 2 years. The year before that we did very little, I think about three-odd-million dollars.

Mr. KEELE. I was thinking of the current year as one of the 3 years, your commitments.

Mr. HOFFMAN. I started in 1951. The expanded program has started in 1951, so we haven't had quite two full years, but our appropriations are approximately \$72,000,000.

The CHAIRMAN. And that did not impinge upon capital?

Mr. HOFFMAN. And grants within that appropriation—this is rather technical language, but the trustees will often make an appropriation to a project, and they will leave it to the officers to make the grant after conditions have been met that have been prescribed.

Our appropriations are about \$72,000,000. Our actual grant from those appropriations are about \$55,000,000.

Mr. HAYS. Mr. Hoffman, does the subsidization of these publications in foreign languages of American books duplicate any of the work of the Government, or how is that being handled so that you do not overlap?

Mr. HOFFMAN. We have complete liaison. In other words, without taking orders we don't make any move knowingly until we have full information from all Government departments that might be involved as to what is going on, and we not only don't duplicate, but if we can interest them in taking over the idea, we give it to them and we go somewhere else.

Mr. HAYS. Start something new?

Mr. HOFFMAN. Start something new, yes.

The CHAIRMAN. So the foundations are not such easy marks as one might imagine.

Mr. HOFFMAN. I will say this, Judge. I am reminded every day of one statement made I think by Mr. Rosenwald that it is easier to make an honest million dollars than it is to spend a million dollars wisely. That I am sure of, after 2 years in this business.

Mr. KEELE. Might we ask this question: You have answered it I think by quoting Mr. Rosenwald, but you have acted as head and as director of business corporations. What are the relative difficulties of a director or trustee of a foundation giving away money and of a corporation director?

Mr. HOFFMAN. It is very simple to answer that. You can't put a real profit-and-loss statement on a foundation.

In other words, at the end of every month that you are in business you know whether you have made money or lost it; you know whether you have sold goods or haven't sold them, but we are dealing with intangibles; and, therefore, we don't have the immediate check.

I assure you that that is what makes it difficult. When you are operating with the operating results available monthly, you can catch your mistakes awfully fast, because they show up in the profit-and-loss statement, but when you are operating a foundation and spending money you are trying to do a very thorough job of evaluation.

This is kind of technical language, you see, but we try to build into every project a project for evaluation of results as it goes along. But it isn't nearly as clear as the profit-and-loss statement.

The CHAIRMAN. You have made a very fine case for the Ford Foundation. As a matter of fact, you have made a fine case for all the foundations.

Mr. HAYS. Mr. Hoffman, you have been on the stand for 2½ hours or more. The committee is extremely grateful to you for a very fine statement.

Mr. HOFFMAN. Could I give you some expert testimony? This is the best committee I ever testified before.

Mr. HAYS. The committee is recessed until 10 o'clock in the morning. (Whereupon, at 4:35 p. m., a recess was taken until 10 a. m. Tuesday, November 25, 1952.)

## TAX-EXEMPT FOUNDATIONS

TUESDAY, NOVEMBER 25, 1952

HOUSE OF REPRESENTATIVES,  
SELECT COMMITTEE TO INVESTIGATE TAX-EXEMPT  
FOUNDATIONS AND COMPARABLE ORGANIZATIONS,  
*Washington, D. C.*

The select committee met, pursuant to recess, at 10:10 a. m., in room 1301, New House Office Building, the Honorable Brooks Hays presiding.

Present: Representatives Cox (chairman), Hays (presiding), O'Toole, Forand, and Simpson.

Also present: Harold M. Keele, counsel to the committee.

Mr. HAYS. Dr. Hutchins, will you take the witness stand, please?

The committee will be in order. Our first witness this morning is Dr. Robert M. Hutchins, of the Ford Foundation, former president of the University of Chicago.

Dr. Hutchins, the committee is very happy to have you, sir.

Mr. HUTCHINS. Thank you.

Mr. HAYS. Mr. Keele will you direct the examination, unless you have a prepared statement which you want to give.

Mr. HUTCHINS. No, sir.

Mr. KEELE. Dr. Hutchins, first for the record, will you give your name, place of residence, and your present position or occupation?

### STATEMENT OF ROBERT M. HUTCHINS, ASSOCIATE DIRECTOR OF THE FORD FOUNDATION

Mr. HUTCHINS. My name is Robert M. Hutchins. I live in San Marino, Calif. I am an associate director of the Ford Foundation.

Mr. KEELE. How long have you been with the Ford Foundation, Dr. Hutchins?

Mr. HUTCHINS. Since January 1, 1951.

Mr. KEELE. And prior to that time what was your business or occupation or profession?

Mr. HUTCHINS. Before that I was chancellor of the University of Chicago.

Mr. KEELE. And prior to that time you had been president of the University of Chicago; had you not?

Mr. HUTCHINS. Yes, sir.

Mr. KEELE. How long were you at the University of Chicago either as president or chancellor?

Mr. HUTCHINS. Twenty-two years.

Mr. KEELE. And prior to that time, if we may go back a bit, what were you doing?

Mr. HUTCHINS. Well, perhaps I should begin with 1924. On January 1, 1923, I became secretary of Yale University. I then became dean of the Law School of Yale University and held that position until 1929.

Mr. KEELE. And at that time you went to the University of Chicago, shortly after that time?

Mr. HUTCHINS. Yes.

Mr. KEELE. Dr. Hutchins, what persuaded you or motivated you in going to the Ford Foundation in the capacity in which you are now serving it?

Mr. HUTCHINS. I read the trustees' report. It seemed to me a historic document. It seemed to me to deal with a great many of the things in which I had been interested.

I had known Mr. Hoffman for many years in his capacity as trustee of the University of Chicago. I had great admiration and affection for him. I knew some of the trustees.

I had a long conversation with Mr. Ford—at which Mr. Hoffman was present—at which Mr. Ford indicated that he wanted to do what the world required, instead of doing what was popular or what would not be criticized, and it seemed to me that here was an opportunity in the general fields in which I had been interested that exceeded anything offered by a single institution at that date.

I had been attempting for a great many years to effect what I regarded as improvements in education, by preaching and by demonstration. I had come to the conclusion that neither of these was very effective, at least not in my case; and I thought that, by becoming associated with an organization that was free to act as a catalytic agent over the whole field of education and in related activities, I might be able to make a more significant contribution than I felt, at least after 22 years, I was able to make at the University of Chicago.

As you know, being the chief executive officer of a university is not the easiest position in the world. For one thing, you have to spend all your time trying to get money from foundations.

Mr. KEELE. So, you decided to reverse the position where you would be on the giving rather than the asking end; is that it?

Mr. HUTCHINS. Yes.

Mr. KEELE. What is your particular field of activity with the Ford Foundation, Dr. Hutchins?

Mr. HUTCHINS. I am generally responsible for education, for cultural activities, and what might be called humanitarian activities, such as whatever we do in the field of attempting to assist refugees.

Mr. KEELE. Now, would you tell us something of how a project which the Ford Foundation enters into in the educational field is begun, its inception, shall we say, or genesis, and how it finally is implemented by the foundation? I mean trace for us, if you will; take some example of an educational project and explain to us the processes through which it goes in the foundation.

Mr. HUTCHINS. Perhaps I might refer to Mr. Hoffman's testimony yesterday. Mr. Hoffman pointed out that when we took office in January of 1951 it was plain to us that we could not discharge our responsibilities efficiently if we tried to cover the whole field of education ourselves. We therefore created the two funds, the Fund for the Advancement of Education and the Fund for Adult Education.

And almost all our educational activities are channeled through one or the other of these two organizations. What happens then is that either from outside or from inside the foundation an idea gets generated. This idea, if it is a very important program, will be discussed with me by the president of the Fund for the Advancement of Education or by the president of the Fund for Adult Education.

If he still thinks it is a good idea, even though I may not think it is a very good idea, he is likely to take it up with his own group, his own board.

He will converse with me almost daily during this process, but the decision has to be his, and it has to be that of his own board, and his board will then make the recommendation to the Ford Foundation.

The recommendation that will be made to the Ford Foundation will not be in very specific terms; that is, they will come to us at the February meeting of our board with a general program for the year, in which they will indicate the kinds of things that they want to do, with some general idea of what they will cost.

But the specific projects that are within that general framework are determined exclusively by them, and my relation to the fund is that of an adviser or liaison officer between them and the Ford Foundation.

Mr. KEELE. Without getting to specific examples, have there been occasions where you differed in your judgment on policies submitted by either of the funds, for the advancement of teaching or for adult education?

Mr. HUTCHINS. There have been a number of occasions on which I have not been as enthusiastic about some of the proposals of the two funds as they have been themselves.

Mr. KEELE. What I am really getting at is this: Are you able, if you choose, to impose your ideas as opposed to the ideas perhaps of other directors or of the directors of the fund? I refer to the Fund for Advancement of Education and the Fund for Adult Education. Are you able to impose your ideas contrary to their views?

Mr. HUTCHINS. They are independent corporations. They have independent boards. We could not expect to retain them in connection with us—and we value the connection very highly—if they were not in fact independent.

My relations with the presidents and officers of the funds, and with such directors as I know, are close and cordial, but they do not hesitate, I assure you, to follow a line of their own.

I have never felt that their proposals were such that I could not concur in their eventual development. These are differences of emphasis rather than anything else. There are some things I would rather have done first perhaps, but the decision of these boards as to the general program has to have tremendous weight with us because we regard their cooperation with us as of the first importance.

Mr. KEELE. Now, who is the president of the Fund for the Advancement of Education?

Mr. HUTCHINS. The president of the Fund for the Advancement of Education is Clarence H. Faust, who was, after being active president of Stanford, the dean of the humanities and sciences at Stanford University.

Mr. KEELE. And had he ever been at the University of Chicago?

Mr. HUTCHINS. He had been dean of the college and later dean of the Graduate Library School at the University of Chicago.

Mr. KEELE. And to what extent did you influence, if you know, the selection of Dr. Faust?

Mr. HUTCHINS. I nominated Mr. Faust. Mr. Hoffman and Mr. Chester Davis, who was then the only other associate director, met with Mr. Faust. We asked Mr. Faust to come into the service of the foundation as a consultant to us.

When the board of directors of the Fund for the Advancement of Education was established, we suggested to the board, though they were entirely free to select whatever executive officer they wished, that Mr. Faust was a consultant to the foundation and would be available as an executive officer to the fund, if the board desired.

We pointed out, if they did not want to employ him as their president, we should be glad to have him continue as a consultant to the foundation. They decided to select Mr. Faust.

Mr. KEELE. What is Dr. Eurich's position in the fund, Doctor?

Mr. HUTCHINS. Mr. Eurich is the vice president of the Fund for the Advancement of Education. He is located in New York. Mr. Faust is located in Pasadena.

Mr. KEELE. And I assume you had something to do with Mr. Eurich's appointment or employment.

Mr. HUTCHINS. I was very happy to concur in Mr. Eurich's employment when it was suggested by Mr. Faust, because I had many times made fruitless efforts to engage Mr. Eurich as an officer of the University of Chicago.

Mr. KEELE. The point I am moving toward, as it must be perfectly obvious to you, is whether or not through the selection of these men—whom I assume at least see pretty much eye to eye with you on educational policy—whether you have been able to exert a very considerable influence on the educational policies of the Ford Foundation.

Mr. HUTCHINS. Of course, I would not have left the University of Chicago if I had not thought that I might have some influence in my field in the foundation. I suppose the real question is, if there is a question, whether my influence is undue.

It would be very difficult for me to exert undue influence in the foundation in the sense of putting over an educational program that I had in mind, when my associates did not approve of it. In the first place, I have to convince the other associate directors. I have to convince Mr. Hoffman. I would have to convince the officers of the independent funds.

They would have to convince their boards of directors, and their boards of directors would have to convince our board of trustees.

I would suppose that somewhere in this process any undue or malevolent influence that I was seeking to exert would be thwarted, and I am not aware that an examination of the educational program of the foundation will show any particular identity between the things for which I have stood in education and the program of the foundation.

For example, the most notable venture of the fund for adult education is the \$5,000,000 that has been put by that fund into helping some of the communities that have received educational channels, the allocation of 242 educational channels, in helping some of those communities to get started with educational stations.



One thing that nobody knows is how are educational stations to be supported. It is a wonderful thing to have these allocations, but where is the money to come from?

Mr. SIMPSON. Educational what?

Mr. HUTCHINS. Educational television stations. There are 242 channels that have been allocated to educational institutions or allocated for educational institutions or allocated for educational purposes by the FCC.

Question: How are they to be supported?

I have never had at any time in my life any particular relationship, so this can hardly be called an idea of mine. Perhaps it is worth while to point out the general program of the Fund for the Advancement of Education and the Fund for Adult Education, to point out what that is.

It is not to try to invent bright ideas of our own. It is to find those points in education on which many people agree, but where for some reason or other they are unable to move. Let's take the question of the waste in the educational system.

I think that educators would generally agree that, in the process of going from the elementary school to the Ph. D. degree, 2 to 4 years' time is lost. Mr. Eliot of Harvard, Mr. Lowell of Harvard, in almost every annual report hit this point time and time again, but it is very difficult to move the educational system.

The Fund for the Advancement of Education then says, "Well, let's try it," and so they made available scholarships to students in institutions that were interested in trying, to find out what would happen if 16½-year-olds were admitted to college.

They then tried it with three other different approaches, so that the Fund for the Advancement of Education at the present time has four experiments going on this question of why is it that so much time appears to be wasted in the American educational system.

Well, it is true that I was interested in that problem at Chicago and tried to develop, take some steps, in the direction of solving it, but it is also true that almost everybody else who was ever in education has thought about it and tried to work on it.

Take the question of the education of college teachers. The one thing we know, everybody knows, is that the Ph. D., which is now required of all college teachers if they want to get anywhere in the profession, has no relation whatever to the capacity of being a teacher, has no relation whatever to the duties that the teachers in most colleges have to perform.

Mr. KEELE. Why is that, Dr. Hutchins?

Mr. HUTCHINS. It is tradition. It is part of the natural effort to upgrade the profession, and what happens is that these efforts to upgrade the profession get crystallized and you get an institutional form that becomes permanent when the need for it has passed away, and it is there as a sort of vestigial remain in the educational system.

It is like accreditation. The accreditation of colleges was a very necessary thing in this country because there were a lot of fly-by-night profit-making institutions. You started the process of accreditation for this laudable purpose, and you end up today with 300 independent accrediting agencies descending on every college and university in this country every year. It is an intolerable situation.

So, the Ph. D., which was designed to get professors interested, young people interested in research, then became a union card for teaching in college, with the result that the college teacher is not prepared to do the kind of work that is required of him in his profession.

Well, everybody knows this. Everybody has been worried about it. The Fund for the Advancement of Education decided to try to do something about it, and consequently you have such experiments as are being conducted at Arkansas, at Cornell, at Harvard, with funds that have been supplied by the Fund for the Advancement of Education.

I call your attention to two points. First, that the attempt on the part of the fund has been to find where there are crucial problems that many people are concerned about, to get the advice of all these people on what should be done, and then to move in, not with one ready-made solution but with several approaches to each problem, asking only in each case: Is there a reasonable chance of success?

Mr. KEFLE. In other words, there is nothing particularly revolutionary in what you are attempting to do. It is merely trying to find the techniques for solving problems everyone recognizes.

Mr. HUTCHINS. I think it is a good deal like the business of trying to make sense out of a university, let us say. The institution is established with a certain purpose. It grows sometimes in terms of public pressure, sometimes in terms of the interest of the staff or the administration; but, as it goes along people die who were the excuse for the institution having certain courses.

The courses go on even though the man for whom they were instituted has disappeared, and in the institution you will find that there are a great many people who would like in some way to break out of this framework that time has built up, but they don't know how to do it.

Now, the task of educational administration then is not to come in and say, "You have got to do this or you will be fired." The task is to develop the ideas of this group and get the institution into a position that can be defended as rational.

No university president, whatever may be thought about university presidents, has any power. At Chicago, for example, I could not institute a course of study. I could not appoint a professor. I could not fire a professor.

Naturally, I was the employee of my board of trustees. The task of a university president then is to try to generate within its own group the means toward the development, evolution, and if necessary, the reformation of his institution.

Mr. O'TOOLE. I was interested, Doctor, in what you were saying about the Ph. D.'s being a sort of union card. Perhaps you have testified before I came here, perhaps you haven't, as to what is the origin, if you know, of this Ph. D. degree.

How was it inaugurated? Have you any idea? The reason I ask that—to me it is doctor of philosophy, and yet I noticed that last year the thesis of one man at Yale was on professional baseball. It sort of confuses me with the title of the degree.

Mr. HUTCHINS. I met a man in Berkeley 2 weeks ago who had a Ph. D. in driver education. This is quite inevitable, by the way. Driver education is required in the schools of California. If you have

something required in the schools of California, the teachers must be trained for it in the University of California. If a teacher is going to be a teacher in the University of California, he must have the Ph. D. And if he is to have the Ph. D., he must have it in his subject. Therefore he must have a Ph. D. in driver education.

The American university as it exists today was imported from imperial Germany. There the highest research degree was the Ph. D., doctor of philosophy, because all research in the German university was under the faculty of philosophy. Consequently, when you began research in this country—and the Ph. D. degree was originally a research degree—the letters were simply brought over here along with the program.

Mr. O'TOOLE. Does the doctor think that this Ph. D. cult is a sort of continuation of the hero worship of degrees that existed in Germany for many years?

Mr. HUTCHINS. I don't think we can blame that on the Germans.

Mr. O'TOOLE. No; I am not blaming them. I am saying it is a continuation of it.

Mr. HUTCHINS. The Americans and the Chinese have the greatest veneration for the degrees of any peoples in the world.

Mr. O'TOOLE. I am not very familiar with the Chinese. That is all.

Mr. SIMPSON. Mr. Chairman?

Mr. HAYS. Mr. Simpson.

Mr. SIMPSON. Doctor, when you were at the University of Chicago, you mentioned you could not hire, discharge, change courses, and so on, as you may have thought proper. Why? On account of the trustees, or what are the limitations on your power?

Mr. HUTCHINS. Under the bylaws and the statutes of the University of Chicago, the curriculum is committed to the faculty. The president is merely the presiding officer of the faculty.

If I could persuade the faculty to change the curriculum, that was within the law. If I could not, I was defeated.

Mr. SIMPSON. In what way, if at all, does your research work now tend to influence that situation?

Mr. HUTCHINS. You mean the work of the Ford Foundation?

Mr. SIMPSON. That is right.

Mr. HUTCHINS. The work of the Ford Foundation suggests to those who are in charge of any institution, either professors or administrators or trustees, the desirability or the opportunity of doing things that some group in the organization in the university had always wanted to do but could not find the means to do.

We recognize that one reason colleges and universities are slow to change is that they think they cannot afford it. Any change in a college or university might alienate the alumni, who are regarded as an important source of funds. They are not sure how it would affect the public, which is an important source of funds. You don't know whether your student fees will drop off if you change your program.

Now, if the Ford Foundation finds people in the college or university who would like to do something but are restrained for this reason, the fact that the foundation or one of the funds is willing to help may be the thing that will be decisive.

Mr. SIMPSON. But your funds are directed toward educating the people in areas far removed from the university. Do you anticipate

a public demand for a change in your methods? Do you think you can take them to the faculties and persuade them as to the wisdom of changing their methods, and, if so, are you putting enough money in it?

Mr. HUTCHINS. My point is that you will find throughout the educational system people who want to do something, and that those people, if they can be found and if they can be encouraged, will succeed in improving education. One of the arguments that is often decisive is the fact that the money will be available so that the institution will not suffer in the process of the experiment.

Mr. O'TOOLE. Just one more question. This may not be within the purview of this investigation, but it is something that has bothered me for a great deal of time.

As an educator perhaps you can answer it. Do the foundations of the colleges in this country make any distinction between intelligence, native intelligence, and education? I have noticed in my adult life that some of these men that possess a great number of degrees, including Ph. D.'s, many times are what I would term dumb "bunnies." Yet, I have met men who were almost illiterate who possessed a great degree or a high degree of intelligence, and I was wondering whether the schools and the foundation recognize this and whether any real serious effort is made to develop intelligence as compared to literate education.

Mr. HUTCHINS. I think, Mr. Chairman, that this might carry us into a discussion of the whole nature of American education. I will merely remark that I believe that the present situation in American education is the result of the very large numbers with which the American educational system has had to deal.

I believe that one of the most important contributions that America has made to the theory and practice of democracy is the doctrine of education for everybody. We are the only country in the world that has said this and meant it, and actually tried to do it. And you will recall that this process really got under way only 50 years ago.

Now, various peculiar devices have been developed in this process for marking the educational progress of the young. So many hours in class, no matter, really, what you did there, equal so many credits, and when you got to college, 120 semester hours in class, with an average of 65 on examinations given by the teacher who taught you, produced a degree, and you were pronounced an educated man.

This system has meant that there is no necessary connection or, shall I say, there is very little necessary connection between the degree of education that a man has achieved and the number of years that he has spent in the educational system.

Mr. O'TOOLE. It seems to me, Doctor—of course, I am completely uninitiated, but it seems to me from my observations—that we have in this country developed four, five, or maybe more cults of education, and each one of those cults relates to certain schools in certain areas, sometimes in the lower schools, sometimes in the higher schools.

But, wherever they have taken their place, there seems to be a tendency to dogmatically follow that cult, instead of an attempt being made to breed initiative that might develop intelligence. There is too much of a dogmatic worship of the cult itself, whether it is the Dewey school or any other school.

And I think, as I said before, in my uninitiated mind, untrained mind, that is one of the greatest dangers we have in our educational system today, this worship of a particular cult that the teachers have been brought up in themselves.

Mr. HUTCHINS. This is partly, of course, the result of what has to be called, I am afraid the philosophical failure of American education.

The trustees of the foundation in writing their report under which we operate, impose the obligation on us to clarify the goals of education, and the Fund for the Advancement of Education is now embarked in that effort.

I think if the underlying ideas of American education can be straightened out, that the kind of problem that you mentioned, which I agree is very serious and very widespread, may eventually be solved.

Mr. O'TOOLE. Doesn't the failure today to make philosophy the basis of higher education—do you believe that that failure has brought about a great number of minds in the educational field that are not disciplined?

Mr. HUTCHINS. I have to say that I have a very strong prejudice in that direction.

Mr. O'TOOLE. That is all, Mr. Chairman.

Mr. KEELE. Is the Arkansas experiment designed to, in part, rectify that situation?

Mr. HUTCHINS. The Arkansas experiment and the two or three other experiments in the education of teachers that the Fund for the Advancement of Education is carrying on, are all designed to find out how to get a teaching staff in the United States that is liberally educated itself.

I believe that some of these experiments are bound to succeed, and that they will have very far-reaching consequences in solving the problem that has been referred to.

Mr. O'TOOLE. May I interrupt at that point, Mr. Chairman.

You used the words—and I am not saying this in an endeavor to trip you up—"liberal education." Does the term "liberal education" today mean the same as it meant 40 or 50 years ago in education circles in this country?

Mr. HUTCHINS. That depends on what circles you are referring to. Many people would be satisfied, I think, with the notion that the colleges of this country, whatever they are, are engaged in liberal education. If a man has a bachelor's degree, he has liberal education. However, I don't take that view.

Mr. O'TOOLE. Perhaps I can make it a little more clear. When I was a boy a liberal education usually meant an education in the philosophies, in the arts, in the sciences. Is that term used in the same sense today?

Mr. HUTCHINS. I think people who are seriously interested—

Mr. O'TOOLE. Or is "liberal" used today in the political sense?

Mr. HUTCHINS. No. It is—

Mr. O'TOOLE. I am just asking.

Mr. HUTCHINS. The term "liberal education" in this country is never used for anybody in a political sense. Liberal education today—

Mr. O'TOOLE. I wouldn't say never in this country, if you heard some of the arguments before the board of education in the city of New York. You would find out it was in a political sense.

Mr. HUTCHINS. I will only say then that I have never heard it used in a political sense. People in education when they talk about liberal education mean generally nonvocational and nonprofessional education. Now, after you leave that point, the agreement stops. What should liberal education be, and not what should it not be. My own views on that subject are I think not worth going into here.

Mr. KEELE. Perhaps it might help if you would indicate the derivation of the word "liberal."

Mr. HUTCHINS. Liberal education is simply the education of a freeman, education appropriate to freedom. It has been developed in this country by those who are most seriously concerned with it, as the education that all American citizens should have, and in which they should continue to participate all their lives long. Hence the Fund for Adult Education was established by the Ford Foundation.

Mr. O'TOOLE. Who decides what education a freeman should have and which is proper?

Mr. HUTCHINS. That has to be argued out.

Mr. O'TOOLE. And then we have the cults.

Mr. HUTCHINS. Precisely. If you get the underlying philosophy classified, the problem becomes easier to solve. The Fund for Adult Education, for example, decided that it would concentrate on the liberal education of adults, a continuing liberal education of adults, and not on the vocational or professional training of adults.

Mr. HAYS. Why did you select Arkansas, Dr. Hutchins?

Mr. HUTCHINS. I am sure that you can state the glories of Arkansas better than I, so I will pass that reason.

To begin with, the lowest and most elementary reason, the laws governing the certification of teachers, regulations governing the certification of teachers in Arkansas, are much less inflexible than they are in other States. If a good idea can be developed, it can be put in practice in Arkansas much more rapidly than it can in other States.

Mr. O'TOOLE. Just like biology, you start with the primates.

Mr. HUTCHINS. In Arkansas, too, you had the president of the university and the educational interests in Arkansas eager to try an experiment of this kind, so the combination of the fact that there was a real interest in Arkansas, a real capacity in Arkansas, plus the fact that if you really had an idea you might be able to succeed in putting it into effect, plus the things that you know better about Arkansas than I, made Arkansas irresistible.

Mr. HAYS. That confirms the impression I had. We have taken some pride in Arkansas in the fact that we are a sort of proving ground.

We have been willing to try new ideas, and I think in various ways that I will not burden the record with reciting—"we have made a contribution." I think now that we have indulged our pride, we might turn to the attitude of humility.

We aren't the sort of super race that would make the results of that experiment have no value to the rest of the Americans. It is to some extent a typical American State with the devotion to American ideals that makes the results of that experiment valuable and significant in terms of total American life. Is that a fair statement?

Mr. HUTCHINS. That is correct.

Mr. KEELE. Is there anything bold or different, novel, in the Arkansas experiment, Dr. Hutchins; and if so, what?

Mr. HUTCHINS. The Arkansas experiment is novel in the sense that teachers are not customarily trained and certified in this country as they may eventually be trained and certified in Arkansas, if this experiment succeeds.

There has been for years, for a generation, profound dissatisfaction in many parts of the country with the education of teachers and the methods by which teachers have been certified to practice their profession.

The Arkansas experiment is not bold in the sense that it is something that nobody ever thought of or in the sense that we think there is the slightest danger that it will do any damage to the State of Arkansas or to anybody else. It is new only in the sense that it represents a departure from the established traditions of training and certifying teachers.

Mr. KEELE. There has been considerable criticism, has there not, leveled at the Arkansas experiment by various organizations in the educational field?

Mr. HUTCHINS. Yes.

Mr. KEELE. What is the crux or substance of that criticism?

Mr. HUTCHINS. Well, I think it would be improper of me to impute reasons that the critics do not themselves admit. Their reason is that they think that this will not be as good a way of preparing teachers as the one that is now in vogue.

From my long and painful experience in education, I think perhaps it is fair to add that whenever you are changing an institutional situation, the people who have spent their lives in that situation cannot be expected to be very enthusiastic about a major change. This is why any change in education is difficult as it is.

Mr. KEELE. Well, what objection could there be if it is merely an experiment, as you say? Why should it be opposed?

Mr. HUTCHINS. If you firmly believe that the existing situation is as perfect as any human institution can be, why then you are wasting time, wasting money, and toying with the lives of countless people, if you suggest any experiment.

Mr. KEELE. Will you tell us something of the way the Fund for Adult Education is going about its work?

Mr. HUTCHINS. The Fund for Adult Education, as Mr. Hoffman told you yesterday, a very distinguished board, a staff of its own.

The president is Mr. C. Scott Fletcher, who was formerly executive director of the Committee for Economic Development, and later president of Encyclopedia Britannica, Inc. They are attempting to assist groups in American communities who are interested in continuing liberal education, which they interpret roughly to mean a continuing discussion of important subjects.

They feel, I think, that community-discussion groups constitute a very important native American method of continuing the education of the citizen for his understanding of his affairs, American affairs, international affairs, and so on.

The fund has been interested in finding out in the first place what was going on in this field, and they spent a large part of the first year discovering what was going on in agriculture, in business, in labor, and so on.

They have decided to see whether actual demonstrations in 12 communities scattered over the country—by the way, one of the most

promising is in Little Rock, Mr. Hays, where a coordinator will be financed by the fund, and the fund will through the coordinator then seek to develop all the existing agencies in Little Rock and in the 11 other communities, with a view to seeing how much permanent impetus can be given to these various agencies.

The fund has also had to be interested in the media of adult education. As I say, their largest single activity has been in trying to guarantee that some of these educational television stations will get off the ground.

Five million dollars has been divided between assisting communities to get their stations built, and establishing a central program development point at which materials that they can use on the stations will be produced and distributed. In general, then, it is an effort to assist the American people, those American people, at least, who want to be assisted, to continue their liberal education through every device that modern technology now makes available.

Mr. HAYS. Now, right at that point, Dr. Hutchins, someone reading this report or the testimony in this hearing, and not being familiar with the congressional background and the conditions that produced it, might wonder why we have taken so much time with the Ford Foundation, and why we have gone into these explorations of purpose and so on.

I have listened to the statements here that were presented by Mr. Hoffman and Mr. Ford and Mr. Gaither and yourself. I am more convinced than I was when we began, when we decided to devote this much time to the Ford Foundation, that it was a wise decision.

I hope that we can interpret this study to the American people so that they will see that what we are really trying to do is to learn how to take this complicated modern life of ours and relate it to the educational problems.

In other words, it isn't to me some novel new idea, but a reflection of discontent about the failures of education to do what was originally intended in certain fields of American life. Would you agree in general with that statement?

Mr. HUTCHINS. I do entirely, Mr. Hays.

Mr. HAYS. In other words, it was the Jeffersonian idea that popular government would rest upon an educated populace, and unless that educated populace has this liberal education in the sense that they embrace spiritual values and have objectives that can be defined in spiritual and moral terms, then education works against popular government instead of for it.

Mr. HUTCHINS. That is correct.

Mr. HAYS. And the Ford Foundation seems to be just working with that very simple, basic fundamental idea. Now is that an oversimplification; or am I right fundamentally in interpreting what you all have told us?

Mr. HUTCHINS. I think you are entirely correct.

Mr. HAYS. I don't want to oversimplify it myself, but didn't President Garfield say that his idea of education was Mark Hopkins on one end of a log and a farm boy on the other?

Mr. HUTCHINS. Yes.

Mr. HAYS. We are not wanting the boy on the log. We want him in a sheltered place, but his idea was Mark Hopkins, a trained, well educated spiritual leader, drawing from that boy the good that was



in him and the potentialities and convincing the boy that the potentialities were there.

Mr. HUTCHINS. That is right.

Mr. HAYS. And all of these things that we do that look complicated and expensive are really just carrying out the dream of the founding fathers that education would make this a success, this experiment in free government.

Mr. HUTCHINS. That is correct, and if you have the tremendously rapid expansion that American education has undergone, the tremendous difficulties that are involved in having so many people in the educational system all at once, just think of the task of providing the buildings, to say nothing of providing a competent staff.

The results that have been achieved in this country are very remarkable, but in the process of physical expansion it has been almost impossible to keep in mind the purposes for which the whole institution exists, and to make sure that those purposes will actually be attended to in the educational system.

Now we look upon liberal education, education appropriate to freemen, as the central task of the educational system. We look upon it as the task in which every American citizen should be engaged all his life long, and it is to these purposes that the two educational funds of the Ford Foundation have been devoted.

Mr. HAYS. In terms of your own career, your own point of view—I hope you won't mind my reverting to some of your policies that drew attention and the kind of criticism, if you please, that Mr. Keele alluded to, because I feel that you are entitled to this forum to defend those things. I am sure the committee appreciated Mr. Hoffman's statement in speaking of why you were selected, in looking back over your own career.

I believe you stated that many of the things, most of the things, 90 percent, perhaps, he said, of the things you stood for, had worked out as you looked back over your educational leadership.

I wonder, for example, about football. Weren't you the first to advocate the abolishment of football in the University of Chicago, and didn't you carry out that idea?

Mr. O'TOOLE. If I had a team like he had in Chicago, I'd abolish it myself.

Mr. HUTCHINS. We had the only unsalaried team in the region.

Mr. O'TOOLE. Touché.

Mr. HUTCHINS. I first advocated taking the money out of football because I like the game myself, played it when I was a boy, like to watch it, but I did not see any relationship between industrial big-time football and higher education.

We might just as well have a racing stable. Jockeys could wear the university colors, and the horses wouldn't have to pass examinations.

I was interested in higher education, and at every stage this business of, "Well, did the football team win last Saturday," seemed to be the decisive factor in appraising the merits of my institution.

I was very glad, as has been suggested, that Michigan beat the University of Chicago 85 to nothing, because Michigan enabled me, that defeat enabled me, to recommend that the university discontinue its membership in the intercollegiate conference.

I was in favor then of such exercise in athletics as might be the normal accompaniment of undergraduate life, but I was not in favor of carrying this incubus on my back that prevented me at every point from developing education as I wished.

I am of the opinion that most university presidents would do the same if they were only able to get Michigan to defeat them 85 to nothing, and have some hope that their recommendation would be accepted.

The effect of the abolition of football, which I think took place about 10 years ago, was greatly to improve the quality of our student body, because it was then clear that the University of Chicago was an educational institution.

It was greatly to enhance the loyalty and enthusiasm of our alumni, which then became fixed on our scholarly excellence rather than on the numbers on the score board, and the public, after learning from the sports writers that it would be impossible to have a great university without a great football team, suddenly realized that in this point at least the sports writers were mistaken.

As Mr. Hoffman pointed out yesterday with regard to the foundation, a university, like a foundation, is a business without a balance sheet. There is a balance sheet, but it is of no importance in appraising the accomplishments of the institution.

The University of Chicago in the last year of my administration spent \$45 million. Well, suppose it had spent 20 or suppose it had spent 90, it is immaterial. The question is how you spend it.

But in this country education is not too well understood. We are always looking for a quantitative method of appraising an educational institution. How many students has it got? How much money has it got? And finally, what are the figures on the score board?

To get out of this general arena was a great personal consolation to me, and as it turned out, a great benefit to the University of Chicago.

Mr. HAYS. You are convinced of that?

Mr. HUTCHINS. There is no question about it.

Mr. HAYS. I assume that it took a certain amount of soul searching to begin with, the steps you took to improve the educational order in the field in which you were responsible.

Mr. HUTCHINS. Well, like most other things, the horrible consequences that are always predicted when you set out to do what you think is the right thing very seldom materialize, and they did not materialize in this case.

Mr. HAYS. But you weren't saying dogmatically at that time, and as I understand you this morning you aren't saying dogmatically now, that you can't have football and sound educational standards at the same time.

You are simply saying, as between the two alternatives that confronted you, you preferred what you got to the commercialized football that you had.

Mr. HUTCHINS. That is right. I am very much in favor of football. I would like to have football played between students; that is all.

If there were some way of taking the money out of the game as I originally recommended, then I should think that it might be viewed once more as an exercise, as a recreation for the members of the student

body, instead of a gladiatorial spectacle performed by high-priced operators for the benefit of the public on Saturday afternoon.

Mr. HAYS. I would like to ask you, too, about another policy that I understand can be attributed to you. I don't know that it is unique, but granting the deans of colleges the right to solicit funds themselves and giving them maximum freedom in the development of their departmental policies—I am speaking again as Mr. O'Toole said he was, as a layman—it seems to me that you might appropriately speak to that point and what that means.

Mr. HUTCHINS. That policy, which is followed not only at Chicago but in a great many other places, has the effect of putting on the individual group some sense of responsibility for the future of that group, and to that extent it is a very desirable policy.

It has one very serious handicap, and that is the policy of the university must be determined. The policy of the university cannot be left to the accidental popularity of one unit as against another.

Suppose, for example, that you say to the dean of the school of business, "You have the responsibility for raising money for your school," and you say to the dean of the divinity school, "You have the responsibility for raising the money for your school." Then you say, "Now, each one of you will get only what you are able to raise."

What you will have is a tremendously swollen school of business, because men with corporations that have resources are now enthusiastic about schools of business in this country, and you will have a highly anemic school of divinity.

So, it is extremely important that the central administration of the university should exercise distributive justice as among these units, and not limit them to the accidental or semiaccidental results of the popularity of their subjects.

Mr. HAYS. Mr. O'Toole.

Mr. O'FOOLE. Do you think, Doctor, that there is a tendency in this rush to education and improve educational standards in these United States to abandon too quickly some of the old tried and true methods of education?

Mr. HUTCHINS. If I am to express my personal prejudices—and you will understand that they are my personal prejudices—I believe that the movement that is called progressive education, which is now perhaps the most popular movement in elementary and secondary education in this country, has performed notable services for our people.

Take, for example, this one point: The restoration of interest to the classroom. What Mr. Dewey and his followers were revolting against as much as anything else was the classical drillmaster.

I was under classical drillmasters in my time, and it never occurred to me that the authors of the classical works in which I was being drilled had any ideas at all, because I was simply being drilled. Now, the progressive educators thought that this was undesirable and unnecessary, and they were right.

But, like most big movements affecting large groups of people all at once, in making this point, they practically eliminated, or they have had the effect, deliberately or not, of practically eliminating subject matter and content from education.

The intellectual content which constitutes the material of real intellectual achievement gradually disappears from the educational system.

The other day the vice president of the University of Chicago saw his 7-year-old boy the first day of school. He said, "Well, what did you study today?" He said, "Oh, we don't study. On the first day we decide what we are going to study for the year."

He said, "Well, what did you decide?" He said, "Well, it was a tie between factories and Eskimos."

He said, "Well, how are you going to work this out?" He said, "Well, we are going back tomorrow and have another conference."

So, the vice president of the university could hardly wait. When he got back he said, "Well, Mike, how did the conference come out?" He said, "We decided to study birds, and I am chairman of the woodpecker committee." [Laughter.]

Now, this focusing on interest which then moves to the point that nothing that doesn't interest the child can possibly be worth studying has meant the attrition of the educational content of the educational system, intellectual content of the educational system. This is a very serious thing.

Now, I think it is not at all impossible to retain interest in the course of study and restore the subject matter.

Mr. O'TOOLE. You and I are both cognizant of the fact that there have been complaints, numerous multitudinous complaints, from all over this country, from business people that children graduating from the high schools today are not well founded in the three R's.

I am not too conversant with it because I am nothing more than a professional politician. I am not a businessman but am strictly a politician. But there must be some reason for this complaint; there must be some basis for it. Do you think that we have gotten too far away from the fundamental three R's, so called?

Mr. HUTCHINS. Yes; I do. This process has been going on for many years.

When I was dean of the Yale Law School in 1927, 1928, and 1929, there were a very highly selected group of students, and the principal characteristic that they had in common was that they couldn't spell.

When I moved to the University of Chicago, one of the first committees that was established there was a committee on graduate study, and the report of the committee could be summarized this way: "We do wish that there was some way in which our candidates for the Ph. D. degree could learn to read and write."

Mr. HAYS. Now, that is the real reason that the proponents of "progressive education" regard those of us that believe Garfield was right, as reactionaries. That is the explanation; isn't it?

Mr. HUTCHINS. Yes; I think it is. They would take the view—and I want to make clear that there are a great many things here that you can't prove; and, if you said to a progressive educator that he was advocating a system under which the people of this country would not learn to read and write, he would deny it. He would say: "We are going to see to it that they learn to read and write, and we are going to see to it that they do it by better methods than you advocate."

Now, I think that may be theoretically possible, but practically it has not turned out to be. Whether it is the tremendous numbers to which I have repeatedly referred, whether it is the spirit of progressive education, the fact is that the result is as you have described it to be.

Mr. HAYS. I am glad you didn't give me a "Yes" or "No" answer on

that, because we certainly want to be fair about it, and we don't want to trap anybody with words and phrases.

But oftentimes those of us who believe in the value, for example, of the Arkansas experiment are really conservatives in our method. That is essentially a conservative idea, and that is the reason I mentioned Jefferson. We are trying to reembrace the techniques or rather find techniques that are appropriate for our twentieth century.

Mr. HUTCHINS. That is right.

Mr. HAYS. That will achieve his idea.

Mr. HUTCHINS. That's right.

Mr. O'TOOLE. Doctor, I am going to express an opinion—I don't know whether it has a basis or a foundation—and then I would like your opinion of it.

It seems to me that under some of our modern educational systems or methods we are failing to instill in the individual the knowledge of the difference between liberty and license.

It seems to me today because of almost a complete abandonment of discipline in our educational methods, especially in the lower schools, we are producing a great number of people who, in the abuse of their own liberty, are antisocial and, who if allowed to continue free and unfettered as they are going, can bring nothing but a state of anarchy to this country, because it is all individual liberty as against the rights of the masses.

Are the foundations and are the educational institutions doing anything to make these individuals recognize not only their rights but their duties to the civilization that they live in?

Mr. HUTCHINS. I think they are.

Mr. O'TOOLE. I am not disputing that. I am just asking.

Mr. HUTCHINS. I think they are. The real object I suppose of liberal education is to get people to think, think for themselves. This requires the mastery of certain techniques.

That is why Mr. Hays has been insisting on reading, writing, and arithmetic—renewal of that system. You can't think unless you know how to read, write, and figure. It requires certain basic information.

You can't think unless you know the facts about what you are thinking; or, if you do think, it is a waste of time. It requires contact with the major ideas that have animated mankind, the tradition of western civilization, and this is a brief summary of what we call liberal education.

The foundations have advanced that kind of education in many institutions. Many institutions are trying hard to advance it.

Mr. O'TOOLE. I work from three to five nights a week among some of the toughest young men in New York, real hard characters. I have been cooperating with a group there that is trying to settle the juvenile-delinquency problem, and I find in my conversation with these lads that for the major part they have no moral values. They are not conscious of any one of the Ten Commandments.

The thought is completely foreign to them. They don't seem to have a moral philosophy of any type. They don't seem to have any idea of their obligations to society or to the country that they live in.

They have been; I don't know whether you would say educated, but they have been taught somewhere along the line that they, and they alone—the individual himself—are the most important unit. As I said before, this is going to continue, is going to spread. It is going

to have drastic results in our way of life. It can breed nothing but anarchy, and is a very serious problem.

Mr. HUTCHINS. That is true, and the educational system must do its part, but it must be recognized that the field of moral education and the field of spiritual education are the fields of the home and the church, and they must not be undermined or minimized by having the educational system move in and assume their responsibilities, as has often been planned or suggested.

You hear talk of the whole child, as though the school were going to stand in as local parent and were going to do the job of the minister and the press and the institution of the church. This, I think, can't be done.

Mr. O'TOOLE. Doctor, I agree with you that the primary place to inculcate morals, all morals, is in the home; but, although I am an uneducated man, I do feel that a man cannot be educated by a school or a university unless he has received some training there, training that comes as a result of research into morals, into moral philosophy at its best in the home. In the average home the training in moral philosophy is a rugged thing.

Mr. HUTCHINS. You are perfectly correct. What the educational system ought to do is to supply the intellectual foundations for the moral and spiritual training given in the home and the church.

Mr. O'TOOLE. The whole existence of our Government and all governments is merely the mechanical method by which people live—that is all it is—just a machine put up so that we can live a civilized life; and, if there is to be peace in the world, if there is to be understanding, if there is to be a Christian way of living, you must have a basis, a moral basis, a solid moral basis, and the educational institutions that prepare our men and women to live in this life, to live in this world, must give them that, too.

Mr. HAYS. Mr. Forand has a question.

Mr. FORAND. Dr. Hutchins, I am very much interested in the number of television channels that have been made available, and what you said on the subject. Did I understand you to say that there are 262 channels?

Mr. HUTCHINS. 242.

Mr. FORAND. 242?

Mr. HUTCHINS. Yes, sir.

Mr. FORAND. And has the Ford Foundation made money available to work with the organizations, the schools, to arrange programs or the handling of those channels? Just what has been done?

Mr. HUTCHINS. The Fund for Adult Education, an independent agency established by the Ford Foundation, has first made some money available to some communities, the ones that are regarded as most critical, for the erection of a station.

If the station cost \$450,000, the Fund for Adult Education will put up \$100,000 or \$150,000, thus supplying the impetus to the community to raise the balance.

The second thing, of course, that is equally important, perhaps almost more important, is the creation of a central program pool in which these stations when operated can draw the material that they will need to put on these channels.

A single institution by itself—and I speak now of an institution like the University of Chicago—would probably have difficulty in

programming a television station from its own resources more than an hour a day. Therefore, the object is to establish a kind of bicycle network in kinescopes, films which can be routed from one of these educational television stations to another. We think that a million and a half as a starter will go into that enterprise.

Mr. FORAND. And who would have control of that?

Mr. HUTCHINS. A separate corporation is being established by the Fund for Adult Education. It will have its headquarters in Chicago. It is a good distributing point.

And it will have on it representatives of education, industry, and various other interests in the community. That board is now being formed.

Mr. FORAND. And they would assemble material?

Mr. HUTCHINS. Yes, sir.

Mr. FORAND. Now, this material would be made available to the other stations, but the other stations would not be compelled to use that material?

Mr. HUTCHINS. No, sir.

Mr. FORAND. That would be to supplement their own programs, so to speak; is that the idea?

Mr. HUTCHINS. Yes, sir.

Mr. FORAND. Thank you very much.

Mr. HAYS. Go ahead, Mr. Keele.

Mr. KEELE. I was going to say, it seems to me implicit in what has been said here that there are certain defects in our educational system. To what extent, if any, can that be attributed to the foundations in the sense that they have supported existing agencies?

Mr. HUTCHINS. I think, Mr. Keele, on the whole the foundations have sought to be in front, that is, they have sought to foster experiments.

I can't connect in my mind defects in the educational system with the activities of the foundation. On the other hand, I can think of a great many ventures that I would regard as very hopeful, looking in this direction, that have been financed by the foundations for many years.

Take at the University of Chicago, whenever we wanted to do anything new, we had to apply to a foundation for assistance. We couldn't expect our alumni or the public to be interested.

Aside from research in the physical sciences, we did not want to apply to the Government. We would always go to the foundation.

When the college of the University of Chicago was reorganized in 1930 with a view to remedying these defects that have been referred to, the Carnegie Corp. made it possible for us, through the release of time of our staff, to reorganize our courses, which we otherwise could not have done.

The first major experience that I had with this was almost exactly 25 years ago. I was dean of the law school and was trying to do something about the subjects that underlie the law, in which very few of us on the faculty had had any education, in which Yale was seriously defective at that time. At the same time the dean of the medical school was trying to do something about the subjects that underlie medicine and the subjects that are related to it, like psychiatry.

We got together and presented a proposal to the foundation in about 1928, for which they gave \$7 million, to establish the Institute of Human Relations at Yale, which brought an entirely new group into the social sciences, psychology, and psychiatry at Yale underlying these professional disciplines. We couldn't have hoped to interest our graduates in that. It would have taken us years to raise that money, but here was a fundamental effort, a new effort, that only the foundation could support.

Mr. KEELE. What do you conceive to be the function of a foundation in society, Dr. Hutchins?

Mr. HUTCHINS. I think the trustees of the Ford Foundation have answered that question better than I can answer it. I think the report that they adopted before we came into office states precisely the role that a great foundation ought to play.

I think that the trustees, both before and after we came into office, have demonstrated their conviction that this is the role, because one item after another the trustees have backed up the officers in the kind of experimentation, the kind of risk-taking, that justified the existence of a foundation.

If you look at almost any one of the things that have been done in the foundation itself, in the educational funds—the creation of the two educational funds was a very bold undertaking on the part of our trustees. The creation of educational publications was a new kind of a thing for a foundation to be doing.

Take the television show, which I hope some of you have seen on the last three Sundays, Omnibus, which is an attempt to see whether it is possible to get commercial backing for a somewhat higher grade of television entertainment than has hitherto been found general. These are all things in which the trustees have shown that they meant what they said.

The object of a foundation ought to be to try to do the things that government can't do, shouldn't do, that the public is unlikely to do, and that ought to be done.

The board began with the statement, and has adhered to it ever since, that its object was not to be popular, to be free from criticism. Its object was to do the things that they thought would be helpful to the community, regardless of whether they might be criticized or not.

Mr. KEELE. That leads to a question I should like to put to you. It has been suggested on numerous occasions to the staff of the committee that criticism is sometimes brought against the foundations because they sponsor studies or finance, finance in part, studies which are new to the public.

I would just like you to comment on whether or not the support of a project which is a pioneering feature in the realm of new or somewhat hazy areas in itself implies sympathy with that, or whether or not those studies are usually conducted entirely objectively.

Mr. HUTCHINS. It is my impression that the study of a subject does not necessarily imply sympathy with it, and that experimental ventures in these fields are conducted objectively with a view to discovering what is in the subject.

Mr. KEELE. For instance, we have had the criticism that the foundations have supported an institute of Russian languages or a study of Russian languages, and the inference made was that because they were



studying them, it showed a sympathy, shall we say, with the Russian people, or perhaps that is not so important as a sympathy with the existing structure that governs the Russian people.

Mr. HUTCHINS. I suppose it will not be denied that Russia, unfortunately, is very important to this country. To be ignorant of it, then, may be suicidal.

We ought to know all we can about it, and I am sure that those responsible for our foreign policy regret every day that there are not more experts on Russia that are available in the United States. This implies no sympathy with the men who are now dictating the policy of Russia. It is a simple recognition of the facts of life.

Mr. KEELE. It has also been suggested that perhaps the greatest danger, our greatest danger, to the infiltration of subversive doctrines is inadequate education. Will you comment on that?

Mr. HUTCHINS. Well, that is an opinion that I suppose you will expect me to share, and I do. I believe that anybody who learns to think and who tries to do it, must conclude that the tradition of western civilization, of free and independent thought, of free institutions, democracy, is the only way of life that is suitable for human beings.

He must reach this conclusion. He could reach an opposite conclusion only if he were ignorant or if he were sick or if he were vicious.

Now, the educational system, then, if it will conscientiously go about the task of having people think, helping people learn to think for themselves, helping people to learn to think about important matters for themselves, will accomplish the great protective task that needs to be performed in this country.

Mr. KEELE. In other words, more and better education is the answer to the danger of infiltration?

Mr. HUTCHINS. That is my view.

Mr. KEELE. I would like to refer to an article written by the late Edward Embree. I am sure you knew Dr. Embree.

Mr. HUTCHINS. I knew him very well. I first met him when I was an undergraduate at Yale. He was then assistant secretary of the university. He later became a vice president of the Rockefeller Foundation.

He then became president of the Rosenwald Fund, and after his retirement from that post he became the consultant to the John Hay Whitney Foundation in New York.

Mr. KEELE. He then had a great deal of experience, did he not, in foundations?

Mr. HUTCHINS. He probably had more than anybody else in this country.

Mr. KEELE. I am referring to an article that appeared in Harper's magazine in March of 1949, and I would like to ask the indulgence of the committee and of the witness, to read a paragraph from that, and then have your comment on it:

My criticism is not so much of given individuals or given board, as it is of the present trend—

he is speaking of foundations—

and I speak not only for people outside the foundations but for many trustees and officers who are distressed at the present lack of pioneering.

Somehow policies have got confused and timid. Foundation giving instead of concentrating on the social frontiers is losing its leadership and becoming conventional and stereotyped. Medicine and health meant pioneering 50 years ago. Today they are the philanthropic fashion so firmly established, and private individuals support them abundantly. Yet the best reports available show that almost half of all foundation appropriations still go to these fields. Another third goes to colleges and universities and various phases of education.

Support of welfare agencies and research in the natural sciences account for much of the rest of foundation giving. Even in these conventional fields foundations are tending more and more to avoid enterprise and initiative. Instead of pouring brains and moneys into frontal attacks on fresh problems, they now tend toward what Frederick Gates used to call the great foundation sin, scatteration, that is, the sprinkling of little grants over a multiplicity of causes in institutions.

Would you comment as to your views with reference to that paragraph I have read?

Mr. HUTCHINS. This business is a good deal like running a university in one respect. There are no sins of omission in the foundation business. If you are a university president and don't do anything, it is unlikely that you will be criticized. It is certain that you will be if you do anything.

And so it is in a foundation. If you don't do anything, or if you give every professor in the United States \$7,500 for the prosecution of research, or if you spread your money over other respectable causes, you are unlikely to be criticized.

Now, this is a perfectly natural human desire, the desire not to be criticized. Everybody would rather be liked than disliked. Consequently, both in the universities and foundations there is, of course, a gradually growing tendency to become more and more conventional. This is inevitable.

I don't believe that there is any remedy for this except, first, an understanding on the part of the people of the peculiar reason and value of a foundation, so that instead of criticizing the foundation for pioneering, taking risks, the people would applaud and say, "Well, maybe this isn't what has always been done, and perhaps this experiment may fail, but this is precisely the kind of thing that a foundation ought to do."

If the criticism that now falls upon foundation executives for doing anything were not to appear, of course the effect of it would not appear, either. I think, also, with any university, that one of the answers to this inevitable tendency is the constant infusion of new blood in the administrative staff.

I think it would be unfortunate if the officers of the Ford Foundation held office to the point where they had been criticized so much that they were afraid to be criticized any more. I believe that Mr. Embree is right in stating an inevitable tendency that much afflict all institutions of this type, that must afflict any institution in which the profit-and-loss statement really is of no significance.

As long as the profit-and-loss statement of a business is good, the business can go ahead and make progress. But here we have nothing to guide us except our convictions and the convictions of our people as to what ought to be done for the welfare of the community.

Mr. KEELE. Perhaps along the same line, but I think the phrase is so provocative, I would like to read it; he said this:

Occupational diseases that easily infect foundations are traditionalism and self-preservation. Officers and trustees constantly appealed to and deferred to by applicants can scarcely avoid getting an exaggerated idea of their own

importance and becoming preoccupied with holding and enlarging their roles.

The easiest way to hold a traditional place is to play it safe. Far from contemplating bold experiments or risking fresh ventures, the tendency is to invest in social welfare as in bonds, only in the safest securities.

It seems to me that is pretty much along the same line.

Mr. HUTCHINS. Mr. Embree is perfectly correct.

Mr. KEELE. What are you doing in the Ford Foundation to guard against this occupational disease?

Mr. HUTCHINS. Well, of course, we haven't been in office long enough to suffer from this disease in any acute form.

In the first place, we have the trustees' report, and this report is nothing, really, but an exhortation to the staff to try to avoid the errors that Mr. Embree speaks of.

In the second place, we have the trustees themselves. You heard Mr. Ford yesterday, you heard Mr. Hoffman, too, who is also a trustee, and you recognized if a firm resolution to avoid this result that Mr. Embree predicts can be of any value, we at least have taken that firm resolution.

The boards of the independent funds will provide a constant source of stimulus to us, because they are not letting us rest in the areas in which they are concerned.

I have no doubt that the time will come when we shall feel that we have been very much criticized for doing something that we thought was very wise, and that possibly we ought not to do that kind of thing again, and I hope that the trustees will suggest to us that it is time we moved on to more restful occupations.

Mr. KEELE. I would like to read two other excerpts from that article and get your comments on them. First:

The trustees of foundations are heavily weighted toward conservatism.

The CHAIRMAN. What is that?

Mr. KEELE (reading):

The trustees of foundations are heavily weighted toward conservatism. A study made some years ago by Edward C. Linderman showed an overwhelming preponderance of bankers, lawyers, and friends of the founders.

There are directors of industry but few of the active scientists and technicians who are daily pushing the industries ahead. There are university presidents, but few active scholars or teachers. Labor is not represented on any of the big boards.

And I stop there. He goes on to a further digression along that line. What would you have to say about that statement, Dr. Hutchins?

Mr. HUTCHINS. I would say it was not strictly true. For example, on the board of the Fund for Adult Education is Mr. Clinton S. Golden, who is not there because he is a labor representative. He is there because he is an intelligent man interested in this field, but he is also, as you know, regarded as one of the outstanding labor leaders of this country. I think that since Mr. Embree's time numerous improvements have been made in this respect.

It must be clear that every university is confronted with the same problem that Mr. Embree referred to here as to the foundations. It is indispensable that you have people who know how to handle your funds. It is indispensable that you have people who command confidence, and I think that an examination of the boards of the various foundations will show that those criteria have been the principal cri-

teria in the minds of the persons who selected these trustees, and I think that these criteria are perfectly proper.

Mr. O'TOOLE. What makes the doctor think that the labor leaders don't know how to handle their funds?

Mr. KEELE. Are there any other examples, Dr. Hutchins, of labor leaders being on the boards of foundations that come to your mind?

Mr. HUTCHINS. I am sorry I just don't know. I don't know the present enrollment of the boards of any foundation except our own.

Mr. KEELE. I think the interesting point is, and it ought to be noted here, that after Mr. Embree has made these criticisms he said this:

And I remember with contrition the foundations which I helped to direct were not without certain of the faults I censure.

Mr. HUTCHINS. As a director of one of Mr. Embree's foundations, I can testify that that statement is correct.

Mr. KEELE. I have one final quotation:

If trust funds are to continue to have the great benefit of tax exemption, which means extra taxes for all the rest of us, they must be subject to public interest at least as strict as that required by the Securities and Exchange Commission of companies whose stocks are listed on the public marts.

This does not mean that a commission would regulate the gifts of a foundation. The commission would simply require and supervise a public accounting which at a minimum would mean publication of the names of all trustees and officers, a listing of the capital holdings, together with all changes in those holdings each year, a detailed statement of income, and a listing of expenditures, including both gifts and compensation to individuals. Pitiless publicity and objective accounting are strong forces in America.

I wonder if you would give us your views with reference to the statement I have just read.

Mr. HUTCHINS. I agree with the statement. I think it will be very helpful with the larger foundations, though of course it is unnecessary with most of the larger foundations. They already comply with this suggestion.

I do not think it would be particularly helpful with the flock of smaller foundations in this country, because I don't think that anybody would bother to read their reports. I think the House Ways and Means Committee might well give attention at the proper time to the methods by which foundations are established. I think that this problem can be minimized if it is handled at the source rather than being handled after the foundations are established.

I have the impression, though I can't prove this at all, of course, that there are a good many very small foundations in the country that really have no title to be called such at all.

Mr. KEELE. I have two or three more questions and then I shall be finished.

Mr. SIMPSON. Do you think as a matter of public policy that the growth of foundations should be encouraged and that our laws should be so adjusted?

Mr. HUTCHINS. I believe that the foundations are one of the glories of the free-enterprise system, and that they should be encouraged.

Mr. KEELE. Dr. Hutchins, in your experience as an educator and as a trustee of a foundation, and also now as an officer of a foundation, have you observed a tendency on the part of foundations generally to support projects which tended to throw into disrepute or to weaken the capitalistic system?

Mr. HUTCHINS. I am at a loss to think of any action of any foundation that I can recall that could possibly have tended in that direction.

I can think of any number of actions by foundations that have seemed to me to tend in the opposite direction. My knowledge of the officers of foundations, which goes back 30 years, and my knowledge of many trustees and directors of many foundations, make me think that it is inconceivable that they would set out to do anything to weaken the American system. Nor do I think of any occasions on which this has accidentally occurred.

The CHAIRMAN. Doctor, I didn't intend asking any questions until later on.

Mr. KEELE. I have finished. I have no further questions. I merely suggest this. Do you want to adjourn at this time or do you want to go on right now? It is 12 o'clock.

The CHAIRMAN. I would just as soon adjourn because I am not very well.

Mr. HAYS. What time should we reconvene?

The CHAIRMAN. Any time.

Mr. KEELE. I merely suggest this. There are a number of people trying to catch planes this afternoon for the west coast. Could we resume at 1:30? Would that be agreeable with the committee?

The CHAIRMAN. I won't take long with the doctor.

His last statement would indicate that he has closed his eyes as to much that some of the older foundations have done in the way of financing projects, the purposes of which were to undermine our whole system of government.

For instance, I have particularly in mind what the Rockefeller Foundation did for Mr. Lattimore's outfit, which was laboring along with the Communist movement all over the country to liquidate China or deliver the whole of China into the hands of the Communists. Mr. Lattimore was successful in getting a great deal of money which was used for subversive purposes.

I presume the doctor would not approve of those grants, and therefore the observation that he made, he must not have had in mind much the Rockefeller and some of these other foundations have done.

Mr. HUTCHINS. May I comment, Mr. Chairman?

The CHAIRMAN. I am going to question you a little while. You can do it now.

Mr. KEELE. Would you rather wait?

Mr. HUTCHINS. I can answer in a sentence, I think. I believe that the interests of the Rockefeller Foundation in the Institute of Pacific Relations was a perfectly bona fide sincere interest in trying to find out all that was possible about the Pacific countries and our relations with them.

I will not say, I could not say, that in the course of 40 years the foundations in the pursuit of perfectly bona fide interests which we would all share, and after the most careful investigation, would not occasionally be deceived.

But I am perfectly positive that no foundation of the major group that you, I assume, have in mind, that I have in mind, I am perfectly certain that no one of those foundations has ever consciously gone into anything that would weaken the American system.

The CHAIRMAN. Then you find no fault with the Rockefeller Foundation in spending much of its funds in the support of near-Communist activities?

Mr. HUTCHINS. I would say that exercising the very best judgment in the world, a foundation over a period of 50 years might find itself having made a mistake, and at least I would feel sorry for anybody who made a mistake.

The CHAIRMAN. But considering the fact that there were a great number of grants made by the Rockefeller people and by others to people who were disloyal to the Government, would you say that accident was responsible in every case for the expenditure of these funds, or for financing these projects which were being conducted by disloyal people?

Take for instance Hans Eisler, you recall that he was given, I believe it was \$2,500.

Mr. KEELE. \$25,000.

The CHAIRMAN. \$25,000. He had already been ordered deported, and some influence arising somewhere had his deportation deferred until this \$25,000 grant made by the Rockefeller people could be expended. Now the Rockefeller people knew he had been ordered deported, and yet they went along with the scheme.

Mr. HUTCHINS. I cannot condone grants to subversive individuals or organizations if the donors, the foundations, had any reason to suppose that these individuals or organizations were subversive. Nor could I condone it if through carelessness they made grants to individuals or organizations that were subversive.

As far as my knowledge goes, no foundation of the major group that we have in mind has, after it has been suggested in any responsible quarter that an organization was disloyal or subversive, made a grant to that organization.

The CHAIRMAN. Is there some obligation upon the foundations to determine as to the loyalty of people or institutions which it finances?

Mr. HUTCHINS. Certainly.

The CHAIRMAN. You spoke in reference to the Institute of Pacific Relations. In view of the record that has been made as regards that set-up, do you consider it a subversive organization?

Mr. HUTCHINS. I don't know what its condition is at present. I consider that there is evidence that I have read in the newspapers that shows that there was a group in it at one time that was very eager to make it a subversive organization.

The CHAIRMAN. Well now, you say at one time.

Mr. HUTCHINS. I don't know anything about it at present, Judge.

The CHAIRMAN. All right, I will defer until later on, Mr. Chairman.

Mr. HAYS. Shall we adjourn until 1:30?

Mr. O'TOOLE. Could I ask one question before we adjourn, because I can't be back here this afternoon?

Doctor, if a beggar comes up to me on the street and asks me for a half a dollar to eat, and I think that he is starving and I give him the half a dollar so he can eat, and he then spends that 50 cents for liquor or for dope, am I responsible for him buying the dope or the liquor?

(Whereupon, at 12:05 p. m., a recess was taken until 1:30 p. m., of this same day.)

## AFTERNOON SESSION

Mr. HAYS. The committee will resume.

Dr. Hutchins, I believe Mr. Cox was ready to proceed when we recessed.

Mr. HUTCHINS. Yes, sir.

Mr. HAYS. Judge, if you will resume.

**STATEMENT OF ROBERT M. HUTCHINS, ASSOCIATE DIRECTOR OF  
THE FORD FOUNDATION—Resumed**

The CHAIRMAN. Doctor, I have not wanted to be vexatious in the kind of questions I might propound and, as a matter of fact, would probably have passed up the idea of questioning you at all, except for the reading of excerpts from the Harper's Magazine which Mr. Keele did just before the committee recessed for lunch.

I believe in that article that the author made the statement that the trustees of the foundations were heavily weighted on the side of conservatism.

I do not mean to take issue with that statement, but I have had the feeling, and regretfully I still maintain it, that the trustees of the foundations have not had too much to do with the formulation of programs, and in administering funds, and so forth; that they have relied upon officers chosen to run the foundations for the doing of these things, and that these officers have had rather a strong leaning toward radicalism.

As I said, I do not want to be impolite or vexatious, but I had put in my hand some days ago a document which consisted of evidence taken by a select committee set up by the Legislature of Illinois investigating communism in certain schools, and in the body of that report I find testimony that you gave.

I am not taking you by surprise in referring to this, because in a desire to be perfectly fair to you and courteous and decent, I have called your attention to what it was.

Mr. HUTCHINS. Yes, sir.

The CHAIRMAN. To be very frank with you, I was greatly disturbed over what you had to say. Maybe there is no sound reason why I should have had that reaction, but I did get it.

I think you have been somewhat controversial since you were a boy, since you were first in your early 20's, when you became known as the "boy wonder" in the educational world. You were succeeding brilliantly then, and you continued to move upward, and now have reached the point which, I think, is the most important spot that a great educator might have the ambition to fill.

In that testimony I could not find any evidence of your being greatly disturbed, or maybe disturbed at all, over what the Communists were doing in our country, what they were doing in our great schools, in the school of which you are the head, and many others, and as to just what they were doing in Government.

In that testimony you virtually said that you knew little about communism. This was in 1949, and even at that time great concern was being shown by a great number of people over what was being done to the people of our own country and, particularly, the student

body and the teachers in our great universities and other schools of lesser importance.

I quote from what purports to have been your testimony given in that investigation, and here you are quoted to have said, and I quote:

The fact that some Communists belong to, believe in, or even dominate some of the organizations to which some of our professors belong does not show that these professors are engaged in subversive activities. All that such facts would show would be that these professors believe in some of the objects of the organization, and so forth.

In other words, the point that you were discussing then as to what influence it would have upon you as the head of Chicago University to learn that a very large percentage of your faculty belonged to a great number of organizations that had been designated by agencies of the Congress and by the Attorney General as having been Communist controlled. I am wondering if since 1949 your thinking has undergone any sort of a change as regards what we should do in an endeavor to combat the spread of this Communist ideology in our own country? In other words, has your thinking undergone a change, or may I put it this way: Has the threat or has what is happening under our noses been such as to create a great concern?

I think I have said enough to enable you to at least start to give us an answer.

Mr. HUTCHINS. Well, may I first, Judge, correct what I took to be the implication of your remarks as to the facts. I do not concede that a great number of the members of the faculty of the University of Chicago belong to a great number of organizations——

The CHAIRMAN. Well, you had about a thousand members of your faculty, and 165 of them did belong to those Communist-front organizations. That is a pretty good percentage, is it not?

Mr. HUTCHINS. If that were the percentage, I would think that was a good percentage. But you will remember from the rest of the transcript that you are holding in your hand——

The CHAIRMAN. Yes.

Mr. HUTCHINS (continuing). That up to the bitter end there was a dispute as to who belonged to what, the university contending that about one to seven current memberships had been maintained, and the opposition contending in the figures that you have indicated. But I will pass the point.

I merely wanted to call attention to the fact that the university never admitted that the professors or any such number of professors, belonged to any such number of organizations as was alleged.

I want to direct myself further to this specific issue, and then come to your question as to my attitude about communism then and now.

The charge that was made here was made against persons of very long standing in the university, for the most part, with all of whom the officers and many of the trustees of the university were intimately acquainted.

We were prepared to state in the case of Prof. Harold Urey, for example, who played a tremendous role in the atomic bomb project, when the first chain reaction was carried out in our abandoned football stands, we were prepared to assert without qualification, particularly in view of the fact that he had been repeatedly cleared by various agencies of the Government, that the motives that had led Professor Urey to join some of the organizations that were referred to, in no



way cast any reflection upon his character or upon his loyalty to the United States.

The Attorney General, in releasing this list in 1947, said that guilt by association is not a principle of American jurisprudence. These memberships in these organizations have lately been held by the Circuit Court of Appeals for the District of Columbia not to constitute grounds for the removal of a Federal employee, and it is my understanding that such listing is not admissible in a criminal case to show even the character of the organization, to say nothing of the members who compose it.

My testimony in this case was directed to the proposition that members of the faculty whom we knew, who had worked loyally for the university and for the country, many of whom had been cleared by Government agencies, were not disqualified to be members of the faculty by reason of membership in this organization, nor was such membership evidence that the university was conducting seditious activities, and whether or not the university was conducting seditious activities was the gravamen of the charge.

The CHAIRMAN. Yes.

Mr. HUTCHINS. I come then to the question of communism, and what to do about it. My view is, and has been, that it is necessary to resist the threat of Communist aggression by military means, that without this we may be overwhelmed by the tremendous masses of the Red army.

It is also my impression that along with this effort, which is now consuming the greater part of the resources of this country, that are dedicated to governmental purposes, along with this effort we must maintain and develop the basic sources of our strength, and the basic sources of our strength are the western tradition of freedom, freedom of thought, freedom of discussion, and freedom of association.

We have then, as we have had for the last several years, the very delicate problem of balancing security and freedom.

Now, a university is a place that is established and will function for the benefit of society, provided it is a center of independent thought. It is a center of independent thought and criticism that is created in the interest of the progress of society, and the one reason that we know that every totalitarian government must fail is that no totalitarian government is prepared to face the consequences of creating free universities.

It is important for this purpose to attract into the institution men of the greatest capacity, and to encourage them to exercise their independent judgment.

Education is a kind of continuing dialog, and a dialog assumes, in the nature of the case, different points of view.

The civilizations which I work and which I am sure every American is working toward, could be called a civilization of the dialog, where instead of shooting one another when you differ, you reason things out together.

In this dialog, then, you cannot assume that you are going to have everybody thinking the same way or feeling the same way. It would be unprogressive if that happened. The hope of eventual development would be gone. More than that, of course, it would be very boring.

**A university, then, is a kind of continuing Socratic conversation on the highest level for the very best people you can think of, you**

can bring together, about the most important questions, and the thing that you must do to the uttermost possible limits is to guarantee those men the freedom to think and to express themselves.

Now, the limits on this freedom cannot be merely prejudice, because although our prejudices might be perfectly satisfactory, the prejudices of our successors or of those who are in a position to bring pressure to bear on the institution, might be subversive in the real sense, subverting the American doctrine of free thought and free speech.

The principal guide in this matter is due process of law. The limits that are set, then, on this dialog, on this conversation, on this independent thought and criticism, are the limits set by the law.

Now, in the State of Illinois, the Espionage Act was upheld by the Supreme Court, and it forbid the advocacy of the overthrow of the Government by force and violence, and the university would never allow any member of its faculty to remain a member of the faculty and violate that statute, to say nothing of the statutes of the United States.

The CHAIRMAN. But you did tolerate having in the faculty a great number who admittedly belonged to these subversive organizations.

Mr. HUTCHINS. These organizations—membership in these organizations requires that the individual be examined, looked into, if he is not already fully known, but it does not lead to the determination in and of itself that the individual is not qualified to be a member of the faculty, and no such individual was ever found.

The University of Chicago over a period of 25 years was, as a part of a general investigation of the institutions of the State, twice investigated, and it was never charged that any member of our faculty was engaged himself in subversive activity.

The CHAIRMAN. No; but charged that a great many of them—I believe 136, was it not?—you know, belonged to about 465 Communist-front organizations, as characterized by the Attorney General.

Mr. HUTCHINS. I still do not accept the figure, but I am repeating that although membership in these organizations raises a question about people, and a perfectly legitimate question about them, it does not in and of itself show that they were engaged in subversive activities, and nobody ventured to charge that any member of the faculty was engaged.

The CHAIRMAN. In the school, you refused to indulge in any sort of a prejudice against anybody, members of your faculty or what not, because of their membership in these Communist-front organizations, is that true?

Mr. HUTCHINS. No, I would not say that that was true, although I am not sure that I understand the full meaning of the question.

I am asserting that if a member of this faculty had been engaged in subversive activity, and it had been brought to our attention by any means, we should have taken immediate action. No such evidence was ever offered, beyond membership in some of these organizations on the part of some of them.

The CHAIRMAN. Well, you did indulge the advocacy of communism on the campus, did you not?

Mr. HUTCHINS. No, we did not indulge in—

The CHAIRMAN. Did you not charter, did not the university charter, a Communist club out on the campus?

Mr. HUTCHINS. Students alleged that they were engaged in the study of Marxism, and the study of Marxism is a perfectly legal activity in this country, and it was the practice of the university to permit the students to engage in any legal study in which they were interested. This club—

The CHAIRMAN. In other words, to conduct such study, did they have to be set up and be chartered by the university to teach communism?

Mr. HUTCHINS. Again, you have this question of what are the limits that you are going to set to the dialog. Is it admitted that communism is important? If it is, then I would have no objection to saying to students, "You may get together and study it."

As a matter of fact, out of, I forget what our total enrollment was in those years, but we must have had 14,000 different students in the institution, and I think the maximum registration achieved by this club was something like 11, and it died of its own volition very shortly thereafter.

The CHAIRMAN. The point that I am undertaking to make is that the foundations, in the selection of the people who run them, have been interested in whoever they might choose to fill those responsible positions—they are being known as liberals, contrary to what the gentleman, whoever it was, who wrote the articles that Mr. Keele read, said about the trustees being weighted on the side of conservatism. In other words, I am trying to bring out the point that the people who run these organizations are weighted on the side of liberalism and ultraliberalism, I mean.

Mr. HUTCHINS. That would not be my impression. My impression is that the officers of these corporations, and here I will not speak of the Ford Foundation, are selected because it is thought they have some competence in the field which they have charge of.

The CHAIRMAN. Well, I will not question you about a great deal of what you are purported to have said in the investigation in Chicago, but I do want to quote here the following question. You were asked this question:

Now, Doctor, let us get to the point of what educators think about this. Is there any doubt that the Communist Party is a conspiratorial fifth column operating in the interests of a foreign state?

In answer, you said:

I am not instructed on this subject. I understand many Communists say that they do not operate under instructions of a foreign state. I know nothing about the Communist Party except what I have read and the various writings from various types of books.

Then, you were asked this question later on:

The records which I shall present through other witnesses show in summary that some sixty-odd persons listed in the latest available directory of the University of Chicago as professors or professors emeritus have been affiliated with 135 Communist-front organizations in 465 separate instances. Is that not something for which the university might well be alarmed?

You are said to have answered:

I do not see why.

Is that still your feeling?

Mr. HUTCHINS. What was the first quotation, please?

The CHAIRMAN. Let me go back and see if I can find it, Doctor. The first question was, were you not asked this question in the investigation conducted in Chicago:

Now, Doctor, let us get to the point of what education thinks about this. Is there any doubt that the Communist Party is a conspiratorial fifth column operating in the interest of a foreign state?

Well, is that your view? Is the Communist Party a conspiratorial fifth column?

Mr. HUTCHINS. May I refer to the context of this question? At this time, the 11 Communist leaders were on trial in New York. The Government's charge was that they were engaged in a conspiracy to overthrow the Government by force and violence. This involved, of course, the constitutionality of the Smith Act. In United States against Dennis, the Supreme Court held that they were involved because of their membership in the Communist Party, as leaders in that party, in a conspiracy to overthrow the Government of the United States by force and violence. I take this as conclusive on this subject.

On the second point, at this date, which was not too long after the Attorney General's list was published, many Americans, and many American professors, had in the course of previous years joined many organizations, some of them at the solicitation of the Government, in connection with the recognition of Soviet Russia after 1932.

Evidence of membership in organizations listed as subversive, as of that date, is, therefore, a different matter from membership in such organizations today.

If today when the Attorney General's list and the list of the House Committee on Un-American Activities is a matter of common knowledge, if many members of the faculty turned out to have joined these organizations, it would raise a presumption that they ought to be very carefully looked into to see that they were not engaged or were not subversive and not engaged in subversive activities.

The CHAIRMAN. Doctor, you were asked this question in this investigation:

Do you consider that the Communist Party in the United States comes within the scope of a clear and present danger?

You are charged with having answered:

I don't think so.

Do you still adhere to that view?

Mr. HUTCHINS. The Supreme Court has decided that question.

The CHAIRMAN. I know, but I am not talking about the Supreme Court; I am talking about your views now. The Supreme Court is not running the foundation; you are, so far as the educational work of the Ford people are concerned.

Mr. HUTCHINS. Well, you were asking me what my attitude toward the Communist Party would be as an officer of the foundation?

The CHAIRMAN. That is right.

Mr. HUTCHINS. Well, as an officer of the foundation, I would not support the Communist Party. What the definition of "clear and present danger" is, I am not at all sure. I regard the—

The CHAIRMAN. You know what "clear" means, and you know what "present" means, and you know what "danger" means.

Mr. HUTCHINS. I also know that this is a phrase used by Mr. Justice Holmes and Mr. Justice Brandeis, and it has a very precise meaning.

As far as I am concerned, the Communist Party is a clear danger. Whether it is in this country an immediate danger so that every day we should think that here is something really dangerous that is going to overwhelm us, I do not know. It certainly is dangerous.

The CHAIRMAN. Well, you expressed the view here that the Communist Party should not be outlawed. Is that still your view?

Mr. HUTCHINS. I understand that the FBI, and I know that Governor Dewey, in his campaign against Governor Stassen in Oregon in 1948, took the view that the Communist Party should not be outlawed.

The CHAIRMAN. Yes. You are evasive about it. I asked you for your view of it.

Mr. HUTCHINS. I am of the same opinion because it seems to me the effect of this would be to drive the Communist Party underground.

The CHAIRMAN. In Chicago you were asked:

Do you favor the enactment of legislation to make the Communist Party illegal—

and you said "No."

Mr. HUTCHINS. That is precisely what I mean.

The CHAIRMAN. Yes.

Mr. HUTCHINS. I understand that it is the judgment of experienced people who cannot be accused of communism, and it is also my judgment, that it would be unfortunate to declare the Communist Party illegal, because it would force it underground, and it would be more difficult to cope with it.

The CHAIRMAN. Doctor, did you take into the Ford Foundation some of your old associates from the Chicago University?

Mr. HUTCHINS. I think there is no University of Chicago man in the foundation proper. The Fund for the Advancement of Education has Mr. Faust in it as president, and Mr. Faust was, before he went to Stanford, a professor and an administrative officer at the University of Chicago.

The CHAIRMAN. What about Mr. Adler? Where did you know him, the man who said—

Mr. HUTCHINS. Mr. Adler was at Chicago; he is a very intimate friend of mine. We have been associated ever since he was on the Columbia faculty and I was on the Yale law faculty. He established the Institute for Philosophical Research at San Francisco. That is supported by the Mellon Fund, the Old Dominion Trust, of which Paul Mellon is the benefactor, and by the Fund for the Advancement of Education.

The CHAIRMAN. He is the man who preaches the overthrow of the United States or the abolishment of the United States.

Mr. HUTCHINS. Mr. Adler is in favor of world government, and Mr. Adler has said, as the people in Virginia and Georgia said at the time of the framing of the Constitution, "Let us see if we can establish a larger and more perfect union." It is only in that sense that he is—

The CHAIRMAN. He takes the position that what we have we should abolish.

Mr. HUTCHINS. No more than the framers of our Constitution took that position.

The CHAIRMAN. What position does he occupy on your staff?

Mr. HUTCHINS. None. The Institute for Philosophical Research was not established by us. It is not supported by the Ford Founda-

tion; it is supported by the Fund for the Advancement of Education and by the Old Dominion Trust.

The CHAIRMAN. That is all, Mr. Chairman.

Mr. HAYS. Mr. Keele, do you have any further questions?

Mr. KEELE. What part is the Ford Foundation playing in the education of the Armed Forces, Mr. Hutchins?

Mr. HUTCHINS. The Ford Foundation came to the conclusion, and the board of the Fund for the Advancement of Education came to the same conclusion, that the total male population of the United States might spend many years in the Army, and it raised a question of the kind of education that was to be conducted there; what kind of education should a soldier have in order to be a better soldier, and what kind of education should he have while he is in the Army so as to come out a better citizen.

At the request of the Department of Defense, the foundation has been working on that, or the Fund for the Advancement of Education, rather, has been working on that problem with the Department of Defense for the past year, and I think now has some programs that are going to be worked out with the Department to try to solve these problems.

Mr. KEELE. A question has been suggested: What precautions are you taking to see that the programs on TV which the Fund for Adult Education is sponsoring do not become a propaganda medium?

Mr. HUTCHINS. We conduct two operations in the field of television. One is the show Omnibus that we conduct directly through the Television-Radio Workshop, which is a division of the Ford Foundation. The other is through the Fund for the Advancement of Education on the education television channels that I described this morning.

In the case of the commercial show, it goes through the regular screening that every commercial show experiences, and we are not interested there in propaganda of any kind. We are interested in trying to find that combination of entertainment and education that will make a salable product for a commercial sponsor. We are trying to raise the level of commercial television.

In education by television, the institutions themselves decide what material they are going to use.

Mr. KEELE. Do you think there is any probability that the, shall we call them coordinators, in the adult-education program will tend to become themselves propagandists?

Mr. HUTCHINS. In the first place, when the Fund for Adult Education was established, the main theme of the discussion in the board of trustees was that the Ford Foundation and this fund were not going to tell people what to think. They were going to try to make it possible for them to think about and talk about the things that they wanted to think about in their own way, and the Fund for Adult Education has taken this position remorselessly to the present time.

The test-city projects are 3-year projects. The Fund for the Advancement of Education contributes in a local community, like Little Rock, on a declining basis for 3 years, and the fund then moves out, so that even if a coordinator were to go into a community and start to lay down the law it would not last very long, and, of course, it would last a shorter time than that if we found out about it.

Mr. KEELE. I have no further questions, Mr. Hays.

Mr. HAYS. Mr. Simpson?

Mr. SIMPSON. Doctor, I believe, you distinguished between a membership in an organization on the Attorney General's list or similar lists, based upon the matter of time of membership?

Mr. HUTCHINS. I think that has some importance.

Mr. SIMPSON. Would you, as a director of the fund, recommend the granting under any circumstances to an organization that is on that list at the present time?

Mr. HUTCHINS. I think a grant to an organization on that list at the present time is impossible.

Mr. SIMPSON. Would you permit the money to pass through one of these other corporations to such an organization?

Mr. HUTCHINS. I think the notion that an organization, pronounced as subversive by some agency of the United States Government, some responsible agency of the United States Government, could receive Ford money is impossible.

Mr. SIMPSON. Would you permit money to pass directly from the foundation or through the secondary organization, the corporation, to an individual who is a member of one of the organizations at the present time?

Mr. HUTCHINS. Not until very carefully investigated, his own individual case, and offered a sufficient explanation of his membership, and shown that he was completely loyal.

Mr. SIMPSON. You maintain that at the present time, despite the fact that the organization is being listed on such a list, that it is possible for an individual to be a member of the said organization which is on the list, and yet be what you described as perfectly loyal?

Mr. HUTCHINS. It may be unlikely, but it is possible, and the circuit court of appeals has so held in the case of governmental employees.

Mr. SIMPSON. In such a close case, you say that the foundation might see fit to make a grant to him?

Mr. HUTCHINS. I think it is conceivable. I think it is unlikely; that is, it would be, in the first place, that you would have to make sure that he was a man who was uniquely qualified to do the particular job that you had under consideration.

In the second place, you would have to make sure that he was completely loyal in spite of the presumption raised by membership on this list.

Mr. SIMPSON. This goes into a mental process. Why would a man so pure, and so on, why would he belong to that organization?

Mr. HUTCHINS. That would be what you would have to find out.

Mr. SIMPSON. Why would you want to deal with a dumbbell like that?

Mr. HUTCHINS. If you were engaged, as I was, for a very long time in such projects as the atomic-bomb projects, you find that there is no necessary correlation between political sagacity and scientific eminence.

Mr. SIMPSON. That is a good statement, sir.

I wish the foundations would make our job easier by saying that no grants would be made to either organizations or members of organizations which are on those lists, which are determined by proper governmental agency.

Mr. HUTCHINS. I think that the foundation can assure you that no grants will be made to subversive organizations or subversive individuals.

Mr. SIMPSON. Thank you.

The CHAIRMAN. Would the presumption of guilt be sufficiently strong to prevent the making of a grant on the part of your foundation to one who, in some congressional investigation, had refused to answer the question as to whether or not he had ever been a member of the Communist Party or on the ground of self-incrimination had refused to answer that question?

Mr. HUTCHINS. Certainly, the presumption of guilt would be sufficiently strong, extremely dubious, and he would have to be investigated with the most extraordinary care.

The CHAIRMAN. In answer to a question propounded by Mr. Simpson, you said that in instances where an agency of the Government had designated one as Communist-controlled that you would accept that as binding upon you until otherwise proved. Would you regard the Committee on Un-American Activities to be such a governmental agency?

Mr. HUTCHINS. I would think that the House Un-American Activities Committee is a responsible agency of Congress.

The CHAIRMAN. Are you familiar with the work that that committee has been carrying on over the past several years?

Mr. HUTCHINS. Only as a newspaper reader.

The CHAIRMAN. Well, as such, do you approve or disapprove of the record that they have made?

Mr. HUTCHINS. I think that the House Un-American Activities Committee has performed a useful service. I cannot—

The CHAIRMAN. That is enough, Doctor.

Mr. HUTCHINS. Excuse me.

The CHAIRMAN. If there is anybody here that can embarrass you in any sort of cross-examination he might conduct, I would like to see him come forward.

Mr. HAYS. Do you have any questions?

Mr. FORAND. I have no questions.

Mr. HUTCHINS. I am not sure that is a compliment.

The CHAIRMAN. I have been trying to embarrass him, but I know I could not do it if I tried.

Mr. HAYS. Dr. Hutchins, thank you very much.

Mr. HUTCHINS. Thank you very much.

Mr. HAYS. Do you have anything to add?

Mr. HUTCHINS. No, sir. Thank you very much. I think the investigation of the committee is most constructive.

Mr. HAYS. Thank you.

The CHAIRMAN. We all think it is.

Mr. KEELE. Thank you.

I would like to offer an exhibit, if the committee permits, which consists of the article, from which I read excerpts entitled, "Timid Billions," by Edward R. Embree, in Harper's Magazine of March 1949.

I think, if it may be permitted, that it ought to be set out in the record because it is a criticism of foundations written by a man whom Dr. Hutchins has characterized, and whom I think is generally known, as one of the most articulate and thoughtful men in foundation work.

Mr. HAYS. I am sure the committee will agree to include any passages that you think pertinent in your discretion.



Mr. KEELE. I think the whole article itself, which is only about six pages, should be in the record. I think it is perhaps the best critique that has appeared in popular form on foundations.

Mr. FORAND. You would like to make it a part of the record?

Mr. KEELE. That is right; I would like to make it a part of the record.

Mr. FORAND. Rather than merely referring to it?

Mr. KEELE. Yes.

Mr. FORAND. I have no objection to that, Mr. Chairman.

Mr. HAYS. Without objection, it will be made a part of the record.

(The document referred to is as follows:)

[Article from Harper's Magazine, March 1949]

TIMID BILLIONS—ARE THE FOUNDATIONS DOING THEIR JOB?

By Edwin R. Embree

Mr. Embree, the author of *Investment in People*, has been vice-president of the Rockefeller Foundation, president of the Julius Rosenwald Fund, and is now president of the Liberian Foundation.

American foundations grew out of the spectacular fortunes amassed during the swift expansion of this new country. They were created to bring to bear on human welfare that private initiative and free enterprise that their founders had so boldly used in the building of commerce and industry. In addition to endowments for specific subjects and institutions—churches, hospitals, colleges, and the like—there are over 500 general foundations in America with charters as broad as the whole of human progress. They own capital of over two billion dollars and pour into the stream of American philanthropy a hundred million dollars a year.

Are foundations showing the imagination and resourcefulness on social issues that their founders showed in business and that modern society so desperately needs?

Basic American industries are represented in the fortunes that created these foundations. Iron and steel made the millions that appeared in various Carnegie endowments. Oil produced the great Rockefeller boards, the (Harkness) Commonwealth Fund, and the new Cullen Foundation of Texas. Cotton built the John F. Slater Fund and harvesting machinery, the McCormick Memorial Fund. The financing of pioneer industry created the Russell Sage Foundation. Copper was the base of the several Guggenheim endowments and the Phelps-Stokes Fund. Tobacco produced the Duke and Reynolds trusts. The typically American automobile industry made possible the Ford and Sloan funds, and food processing created the Kellogg Foundation. From merchandising on the grand scale came the Kress and Kresge and Field Foundations and the Julius Rosenwald Fund.

The aims set for them by their founders were ambitiously broad. Andrew Carnegie endowed the Carnegie Corp. for "the advancement and diffusion of knowledge and understanding among the people of the United States and the British Dominions and Colonies." "The well-being of mankind throughout the world" is the chartered purpose of the Rockefeller Foundation. The Milbank Memorial Fund was set up "to improve the physical, mental, and moral condition of humanity" and the Markle Foundation was endowed "to promote the advancement and diffusion of knowledge among the people of the United States and the general good of mankind." The Julius Rosenwald Fund was directed by its founder to expend its total resources in a single generation "for the well-being of mankind."

In pursuing these broad purposes, foundations are unique in their opportunity to pioneer. They have free funds and freedom of operation. Not restricted to narrow purposes, their mobile resources can be used on any front for any cause that presents special need or special opportunity. They do not have to cater to a standardized constituency by doing popularly accepted things. They are not engaged in the direct operation of large plants and so do not need to be engrossed in details of administration nor bound by institutionalized traditions. Many of them are permitted by their charters

to expend principal as well as income and can rush huge forces into any enterprise they select. They can assemble the keenest minds from all over the world and provide stimulating settings for conference and planning, and they can provide ample funds to experiment and to demonstrate new procedures for human welfare. If their experiments do not come up to expectation, there is no social catastrophe. If they succeed, the work is taken up by the State or by general giving, leaving the foundation free to move on to pioneering in other fields.

A few of the foundations, especially in the freshness of their early years, have lived up to their high opportunities. Nothing in American achievement is more brilliant than the practical application of ideas by the group of men associated with John D. Rockefeller as he set up his foundations at the turn of the century. Frederick T. Gates, a Baptist preacher and early Rockefeller adviser, was probably the greatest statesman in American philanthropy. Mr. Gates found worthy associates in Wallace Buttrick, another Baptist preacher; in William H. Welsh and Simon and Abraham Flexner, who represented new ideas in medicine; in Wickliffe Rose and General Gorgas, pioneers in public health. Just look at the scope and achievement of some of the early efforts of the Rockefeller group.

Fifty years ago medicine and public health were only at the threshold of their growth in America. Medical schools for the most part were taught by busy practitioners in their spare time; research scarcely existed; preventive medicine was a stepchild. Wise use of the Rockefeller millions was a transforming force in this whole field. The Rockefeller Institute for Medical Research was set up so that doctors and scientists could give their full time to the study of disease and its prevention and cure. Into this institute, Mr. Rockefeller and the foundations he set up poured 67 million dollars—a bold attack on a basic need. To remedy the mediocrity of medical education in America, Abraham Flexner was commissioned to study the medical schools of Germany and other countries. And on the basis of his findings, demonstrations of modern medical education at a number of our leading universities were supported by 100 millions of Rockefeller dollars as well as by millions which flowed in generously from other foundations and individuals. Today American medical education leads the world.

In applying the new knowledge to human welfare, the Rockefeller Sanitation Commission (later merged into the International Health Division of the Rockefeller Foundation) undertook dramatic demonstrations of the ability of man to rid himself of one after another of the great contagious diseases. Starting with the homely hookworm, members of the commission showed how simple it was to curb an infection which had lowered the vitality of hundreds of thousands of people in the southern United States and of millions throughout tropical and semitropical lands. They moved on to conduct war on a wide front against malaria, one of the world's oldest and greatest scourges. And in a concerted attack on yellow fever, they have actually eliminated this deadly plague from all but a few isolated spots in Africa and South America.

These were magnificent attacks on one phase of human welfare; and in a quite different field the early Rockefeller advisers took up an equally creative enterprise. They stimulated the building of a great university in the capital of the Middle West. Contributing \$78 million to the University of Chicago, the Rockefeller fortune helped to raise the level of higher education throughout the region. The galaxy of Midwest State universities—Illinois, Wisconsin, Michigan, Minnesota, Iowa—could scarcely have come to their current high standards without the compelling influence of the University of Chicago.

There are other examples of bold and persistent attack on basic problems: the early Carnegie program that put public libraries in hundreds of cities and towns and affected the reading habits of the Nation, and the Carnegie insurance and annuity plan which has added to the security of thousands of professors and scholars; the 40 years' service of the Russell Sage Foundation in transforming social work from fumbling and patronizing charity to a skilled and constructive profession; the application of social science to public administration by the Spelman Fund; the cultivation of the finest young talent through the Guggenheim fellowships; the contributions to music of the Juilliard Foundation; the 30 years' work of the Julius Rosenwald Fund in equalizing opportunities for all the people in America, especially in enlarging and enriching education and other facilities for the Negro tenth of the Nation. And, of course, many foundations have lavishly supported the physical sciences, which have added so much to our wealth—and our dangers.

## II

Unfortunately, comparable instances of creative attack on basic problems are singularly lacking today. In spite of the increasing number of funds and the desperate needs of the world, there is an ominous absence of that social pioneering that is the essential business of foundations.

I undertake the criticism of current foundation work with modesty and respect, for I recognize the traditional and potential greatness of American philanthropy. The Rockefeller family, for example, has a record for wise and generous giving, extending now over three generations, that is probably unequalled in human history. The various Carnegie boards have been a strong influence in education and many other phases of American life for nearly half a century. The officers of the Carnegie funds, running from Henry S. Pritchett and Frederick P. Keppel to Charles Dollard, the present president of the Carnegie Corp., have been leaders in the intellectual life of the Nation for two generations. Among the trustees and officers of many of the five hundred or more foundations are some of America's finest thinkers and leaders. And I remember with contrition that foundations which I helped to direct were not without certain of the faults I censure.

My criticism is not so much of given individuals or given boards as it is of the present trend. And I speak not only for people outside the foundations but for many trustees and officers who are distressed at the present lack of pioneering. Somehow policies have got confused and timid; foundation giving, instead of concentrating on the social frontiers, is losing its leadership and becoming conventional and stereotyped. Medicine and health meant pioneering 50 years ago; today they are the philanthropic fashion, so firmly established that governments and private individuals support them abundantly. Yet the best reports available show that almost half of all foundation appropriations still go to these fields. Another third goes to colleges and universities and various phases of education. Support of welfare agencies and research in the natural sciences account for much of the rest of foundation giving.

Even in these conventional fields foundations are tending more and more to avoid enterprise and initiative. Instead of pouring brains and money into frontal attacks on fresh problems, they now tend toward what Frederick Gates used to call the great foundation sin, "scatteration"—that is, the sprinkling of little grants over a multiplicity of causes and institutions.

The published reports of almost any of the foundations show this trend. A recent report of the (Rockefeller) General Education Board, for example, lists 49 "major grants" to southern white colleges and 28 "major grants" to Negro colleges, thus covering with a light philanthropic dew a cross-section of the respectable institutions of the region. In addition during the same year this foundation made scores of smaller gifts ranging from \$4,100 to as little as \$500 to 137 separate individuals and projects, such as a study of Blue Ridge flora by Lynchburg College, help in a nutrition laboratory for the University of Alabama, part of the salary of a bacteriologist at the University of North Carolina, a dairy technologist at North Carolina State College, a teacher of nursing at Florida A. & M. College, training in laundry and dry cleaning at Piney Woods. Such grants are not only a dissipation of the attention and resources of a great foundation; they are a usurping of the administrative function of the duly constituted authorities of these institutions.

The only even moderately large grants of the year by this board were conditional pledges totaling \$950,000 to the endowments of Millsaps College, Randolph-Macon, Southern Methodist, Sewanee, and Washington and Lee. Another \$620,000 was spread over capital additions to Erskine, Guilford, Hampton-Sydney, Hendrix, and Salem Colleges and the University of Tulsa. These are proper enough institutions and it may be argued that such grants contribute a multifold attack upon a single problem, that of higher education in the South; but the addition of around \$140,000 each to the buildings or endowments of these 11 respectable colleges for white southerners is not going to bring any profound changes to the education of the region.

The Rockefeller Foundation, one of the greatest of the philanthropic boards (holding securities with market value at the beginning of 1948 of over \$230 million), is now divided into five divisions or bureaus. These divisions cover a wide gamut of human interests from the humanities through the social and natural and medical sciences to public health. But they so sharply divide the field that it is hard to get any project considered which does not fit snugly into the set pattern of one of these compartments. Yet most of the fresh ventures

which lead to social progress are by the very newness of their concepts outside of the ancient molds. This foundation lists in its recent report grants in a single year to over 1,000 separate projects and individuals, ranging all the way from a few hundred dollars for graduate medical education in an Army hospital and for instruction in German at Connecticut College, to gifts of a hundred thousand dollars or more to the National Research Council and to the building of a cyclotron at the University of California. One is staggered by the sweep of the gifts, covering almost every subject in institutions in almost every State of the Union and many foreign countries. But one cannot but feel that these gifts are so thinly spread over such a diversity of projects that they are not doing much more than pouring oil on the existing machinery. The officers of such a foundation are engrossed in the review of hundreds of projects for which they have assumed some responsibility as well as in consideration of thousands of appeals from a welter of needy agencies and individuals. Just to keep the wheels of such a philanthropic factory going becomes as absorbing a task as running a hospital or managing a department store.

Occupational diseases that easily infect foundations are traditionalism and self-preservation. Officers and trustees, constantly appealed to and deferred to by applicants, can scarcely avoid getting an exaggerated idea of their own importance and becoming preoccupied with holding and enlarging their roles. The easiest way to hold a traditional place is to play it safe. Far from contemplating bold experiments or risking fresh ventures, the tendency is to invest in social welfare—as in bonds—only in the safest securities.

The trustees of foundations are heavily weighted toward conservation. A study made some years ago by Eduard C. Lindeman showed an overwhelming preponderance of bankers, lawyers, and friends of the founder. There are directors of industry but few of the active scientists and technicians who are daily pushing the industries ahead; there are university presidents but few active scholars or teachers. Labor is not represented on any of the big boards. When the Julius Rosenwald Fund elected Negroes to its membership, many thoughtful people approved. But none of the large foundations have followed this example, though several include Negro institutions and race relations among their contributions. Often the founder's eccentricity or special interest determines policy, and in the case of the family foundations, friends and business associates on the board often serve more as executors to carry out his will than as socially responsible trustees. There is little evidence to support the claims of some critics that these conservative trustees try to use the power of foundations to bolster up the status quo and oppose change. And still less to support the recent diatribes of the Chicago Tribune that foundations are "fostering the red menace." The real criticism is not that foundations are vicious, but that they are inert.

In several foundations new proposals are passed around among a large staff. To get by the doubts of half a dozen distinguished and self-important critics, a proposal has to be so sound as to be almost innocuous. In such an atmosphere cynicism easily develops; one seldom finds foundation groups on fire with new ideas, enthusiastically discussing new ventures, fervently struggling to find fresh procedures and wider horizons.

In what seems to be an effort to concentrate on fresh ventures, several boards have recently announced that they will no longer give to building or endowments but will support only special projects and those only for a trial period. But often the support is so small and so brief that little lasting good results. Colleges and social agencies busily scan their programs looking for some item they can call special. They peddle this project to a foundation only to find that often they have to spend a great deal of their regular budget in bolstering up the special item. And they find that, after 3 or 5 years, the tapering off of the foundation grant leaves them saddled with a department swelled beyond its merit by temporary foundation aid and not necessarily any more useful than other departments that have been starved to cater to a philanthropic fad.

A natural foundation practice is to put off action in a given field until it has studied and deliberated, often for years. When this means keen analysis, looking toward active work after the facts are in, it is wise procedure. But often the surveys seem to become ends in themselves and the deliberations trickle off into nothing. A wealthy New Yorker recently incorporated a substantial part of his fortune, and the new foundation employed consultants and settled down to studies of what fields it should enter and what procedures it should follow. At the end of a year the nub of its findings was expressed by one of the men who had taken part in the studies by this quip:

"A foundation is not justified in giving to a project until that project has proved its usefulness, and after a project has demonstrated its value it should not need foundation stimulus." So that particular fund settled quietly back to supporting the pet charities of its founder.

Bureaucracy perpetuates its own molds. One of the older foundations has a professional staff of nearly a hundred persons highly trained in work started more than a generation ago. However competent in their own profession, these officers cannot be expected to do much pioneering in other fields. So this foundation is almost doomed to continue in a realm which, however fresh and significant 40 years ago, is now so firmly established and fully accepted that it should be turned over to support by the state and by popular giving.

Concern for self-preservation often leads trustees not to search for ways to use their funds most effectively, but to be preoccupied with conserving their assets. One foundation, during the depression of the thirties when funds were more needed than ever by social agencies, deliberately voted to withhold \$2 million of its income each year as "reserves to protect capital." A year ago this foundation put more into capital reserve than into all its philanthropies, and over the years by curbing its gifts, it has added some \$25 million to its permanent assets. Reports of generous giving sometimes turn out to be merely the passing around of funds among allied boards. For example, nearly half of all "payments for philanthropic purposes" made by the Rockefeller Foundation in 1947 were transfers to its sister funds, the General Education Board and the China Medical Board. Expenditures over the years by the Carnegie Corp. include payments of nearly \$100 million to other Carnegie boards and allied agencies. A foundation with a capital of \$50 million lists expenditures for a year of only seven-tenths of 1 percent. Another has set aside nearly half its present resources as a "reserve fund to assure income for administrative expense."

An attack on the diseases of hoarding and traditionalism was made by Julius Rosenwald. In setting up his foundation, he provided not only that it might spend principal as well as income but that it must spend its total resources within one generation. He wanted his money spent while vision was fresh and enthusiasm high. The various Rockefeller boards and several of the newer trusts have the right to spend principal as well as income and from time to time are making substantial allocations from their capital funds. But in general, prudence, not boldness, is the rule.

Of course imaginative projects are not absent from current foundation grants. Henry Allen Moe and his associates continue with uncanny insight to search out and give opportunity to the finest young talent through the Guggenheim fellowships. And in special fields other foundations are generous in providing opportunities for young Americans to pursue the highest reaches of education at home or abroad and for students from many foreign countries to travel and learn. While foundation "studies" have become a byword, several of them are of wide influence, notably the brilliant analyses of economic issues by the Twentieth Century Fund and the study of race relations a few years ago by Gunnar Myrdal, initiated and supported by the Carnegie Corp., which resulted in the outstanding treatise, *An American Dilemma*. The medical sciences of the Rockefeller Foundation have been extended under the leadership of Dr. Alan Gregg to include the newer fields of psychology and psychoanalysis. And no one could accuse the Rockefeller Foundation of conventionality in its support of the studies of Alfred Kinsey which brought forth the provocative report, *Sexual Behavior in the Human Male*.

New leaders are coming into many of the larger foundations at just this time. They have an opportunity to turn these great social forces from traditional activities to fresh attacks on currently pressing problems. An encouraging sign is the recent decision of the Carnegie Corp. that it had reached the point of diminishing returns in programs which it had been carrying for two decades or more. It has announced that it is moving out of its long-continued efforts in adult education, library developments, and college art. It has also divested itself of its long concern with college examinations by helping to set up and endow an autonomous agency in that realm, the Educational Testing Service. As a result of its self-discipline the Carnegie Corp. is able to turn to fresh problems, especially in the social sciences. During the past year, for example, it has put three-quarters of a million dollars into the Russian Research Center of Harvard University, which aims to keep us acquainted as fully as possible with all phases of Russian life and to make the results of its research fully available to government, industry, and education.

Such decisions are terribly hard for any foundation to make. Yet they are necessary if these potentially creative funds are to avoid traditionalism and vested bureaucracy.

## III

Whatever lacks may exist in the classic foundations, they are at least within the recognized patterns of tax-exempt philanthropy. But many of the newer funds do not recognize even a minimum of social responsibility. Two or three hundred of the so-called foundations, including some of the biggest, are simply family trusts: receptacles into which men put funds which thereupon become free of taxes. Their boards of trustees are often simply the founder, one or two members of his family, and his attorney. The money in course of time presumably finds its way into charity, and may thus justify its tax exemption. But there is strong suspicion that in given instances the "trustees" have used these funds to bolster up a family business. The founder continues, in fact if not in law, to control the funds of many of these trusts and can invest them in any way that suits his whim or his business interests. In some cases a foundation holds the controlling stock of a company, and the administrative expenses of the fund may provide tax-exempt management for the corporation.

Suspensions grow because many of the foundations publish no accounts of their holdings, their expenditures, or their procedures. The careful surveys periodically made by the Russell Sage Foundation and others have to report "no information available" or "data refused" in the case of scores of these trusts. In the most recent survey 240 foundations, out of the 505 canvassed, refused to give any information.

Some of these were among the biggest aggregations of wealth in America. The Ford Foundation is reputed to have assets even greater than the Rockefeller and Carnegie endowments; it is reported that in addition to his earlier gifts, the late Henry Ford willed to this foundation most of the nonvoting stock of the Ford Motor Co. Yet this foundation during all the years of its existence has never made any report to the public, nor furnished any detailed information for publication in the national surveys. The Cullen Foundation of Texas, with assets said to exceed \$100 million, the Charles Hayden Foundation, with a reported capital of \$50 million, and many other large foundations give no public accounting of their holdings or their expenditures. Even so long established a board as the New York Foundation, which has done some fine things, has made no report to the public during the 40 years of its existence.

In the absence of regulation of trust funds, abuses of tax exemption are springing up. One device is for the owners of a business to offer it as a "foundation" to a college or charity, with the unwritten understanding that the institution will thereupon hire the former owners at fancy salaries as managers of the business. This is a very pretty deal. The institution gets tax-free revenue from the trust and the former owners get a larger net income from their salaries than they would get from the earnings of the company after normal business taxes. The only losers are Uncle Sam and all the rest of us in America who have to pay larger taxes to make up for this evasion.

A congressional committee this very winter is unearthing some strange manipulations of tax-exempt funds, for example the Textron trusts. Whatever the legality of particular transactions, the current carelessness—or callousness—in failing to give any public accounting of tax-exempt funds is intolerable. If these trusts were treated as a regular part of the businesses that are creating them, the annual earnings would be subject to a tax up to 38 percent. If they were treated as personal holdings the individual income taxes would of course be much greater. This means that for every \$10 million received as income by philanthropic trusts, there is a loss in normal business taxes of \$3,800,000, or loss in income taxes that might run as high as \$7 or \$8 million.

If trust funds are to continue to have the great benefit of tax exemption—which means extra taxes for all the rest of us—they must be subject to public accounting at least as strict as that required by the Securities Exchange Commission of companies whose stocks are listed on the public marts. This does not mean that a commission would regulate the gifts of a foundation. The commission would simply require and supervise a public accounting which at a minimum would mean publication of the names of all trustees and officers, a listing of the capital holdings together with all changes in those holdings each year, a detailed statement of income and a listing of expenditures including both gifts and compensation to individuals. Pitiless publicity and objective accounting are strong forces in America. These regulations need not affect colleges and

churches and similar institutions. A clear distinction has been recognized between agencies engaged in operating their own services and trusts set up to hold capital and disburse funds to others.

Public regulation of trust funds is high on the legislative agenda for the year 1949.

#### IV

Questions of tax evasion and unfair manipulation of trust funds must be handled by law. Questions of service to society are less easily appraised but are equally important.

Insofar as foundations let themselves become concerned with self-preservation, bound by tradition, and busy with hundreds of small projects, they cannot have time or creative energy for viewing the basic needs of society and devising fresh ways to meet them. Before turning to examples of fields in which foundations could be doing creative work, let us mark off some large areas that, however worthy in themselves, no longer have any special need for foundation stimulus.

*Research in the physical sciences.*—Of course we need to continue to study natural forces. But the Armed Forces and industries are pouring hundreds of millions of dollars into the natural sciences. And already our physical knowledge is so far ahead of our understanding and control of ourselves that the whole human race is in danger of being destroyed by its own scientific miracles.

*Medicine and public health.*—These are now thoroughly accepted in principle if not always in practice as public responsibility both by Government and by community chests and private givers. The difficulty here is not so much to enlist public support as to persuade private groups to relinquish monopoly control of pet charities. One foundation trustee is reported to have complained recently, "We raised \$3 million for cancer research and then read that the Government proposes to appropriate \$30 million to the same cause; it's very discouraging." This competition to control causes and win credit may be very human but it has no place in foundation policy. Of course new movements in medicine as in any subject are always calls on foundation interest. But in general medicine and health, which were such crying needs 50 years ago, are no longer pioneer areas.

*The regular run of schools and colleges.*—Education is now firmly established as a public responsibility in America. There is still need for experiment and pioneering; foundations may well continue to support fresh spurs to the learning process. The Bureau for Intercultural Education, for example, is pioneering in finding ways to introduce democracy both in the organization of our school systems and in the education of the students. At least a dozen colleges are working at fresh methods of stimulating the educative process. Sarah Lawrence in quality and Roosevelt College of Chicago in democracy are notable deviates from tradition. Ironically, pioneering colleges and fresh experiments in education—the only points at which foundations can make creative contribution—are just the ventures that find it hardest to enlist philanthropic support.

*Social agencies and local charities.*—No foundation has staff enough to judge the merits of the thousands of appeals that pour in from hospitals and charities and local agencies of every sort, nor money enough to cover even a fraction of the needs. And carrying the burden of accepted institutions is not the special function of foundations.

If foundations will leave to the State and to general giving the support of work being done in areas already established in popular acceptance—into which at least three-fourths of all foundation money is now going—they can turn their energies to social pioneering as heroic as any of the achievements of the earlier days. And there are urgent needs today, maybe greater than ever before. Here are a few areas calling for the very kind of initiative and enterprise that foundations are created to give:

#### (1) TEACHER EDUCATION

America has developed good professional training in medicine, law, and engineering. We have sadly neglected preparation for the most important profession, teaching. The need is not for more or bigger normal schools and teachers' colleges. God forbid. The need is to find and demonstrate sound and realistic preparation for a great profession. The improvement in medical education indicates the profound influence a foundation can have. One of the clearest and greatest opportunities today for private enterprise in philanthropy is in showing the way to make teaching the magnificent profession it must become if America and democracy are to grow to full stature.

## (2) HEROIC DEVELOPMENT OF THE HUMAN STUDIES

The fabulous support given to physical research during the past 50 years has brought rich rewards but it has squeezed the study of social organization and personal growth into the shadows. We need to understand the processes of child growth at least as fully as we understand the growth of plants. We need to know the causes of mental derangement as well as we know the causes of bodily disease. We should study just as objectively the types of family life and social organization that will be most useful to mankind as we have studied what physical forces can be most destructive. It is true that vested interests will oppose objectivity in the social studies. They have opposed all science, yet in the end objective truth has triumphed.

The whole range of human studies must be fostered. Creative students will be found not only in universities but in business houses, advertising firms, diplomatic corps, psychiatric clinics—wherever keen minds are grappling with problems of understanding and influencing human conduct. And revealing insights will come not so much by cloistered study as by participation in various realms of active life where human behavior may be experienced in the raw. Many procedures to stimulate additions to knowledge will be found by any foundation willing to give to the human studies the resourceful imagination and magnanimous support that have gone into medicine and the physical sciences.

## (3) HUMAN RELATIONS

Along with human studies must go active application to human relations, just as public health is an active partner of medical research or as improved agriculture and industry are tied in with scientific study. In our American democracy there is need for continued effort to equalize opportunities and bring all groups of our people into the full stream of American life. Negroes are not the only sufferers; 3 million Spanish-Americans live under gross discrimination; 4 million Jewish Americans are subject to slights and abuses; Catholics and children of recent immigrants, especially from Asia, are handicapped by prejudice; women are not yet given full equality; labor and management are still struggling for a fair balance in their common task of producing our wealth. We must find ways within the democratic framework of curbing discrimination and give members of all groups a chance to make their full contribution and receive their full share of our material and spiritual riches. Cities and States and the Federal Government are beginning to give official attention to these problems; they will promptly make use of any new findings that study and experiment can offer.

In the larger field of human relations, we must fit ourselves for wise action in our new role as leaders in a closely interdependent world. Agencies in many cities and towns throughout the country, notably the Foreign Policy Association, are spreading knowledge of current world affairs and stimulating the thinking of hundreds of thousands of influential citizens. They deserve magnanimous and persistent support in their cultivation of this new frontier.

## (4) THE ARTS

It is amazing that American foundations have done so little for the arts. In olden days this was the realm patronized most heavily by rich men and nobles. The Juilliard Foundation has fostered music, the Guggenheim and Rosenwald fellowships have cultivated artistic promise as well as talent in other fields, and other foundations have taken some interest in art. But the great emphasis of American philanthropy has been on scholarship and social reform. Some foundation can have a wonderful time developing civic theaters, promoting literature and the dance, fostering the whole realm of folk and fine arts.

## (5) A GREAT UNIVERSITY FOR THE SOUTH

This is a very specific project as contrasted to the more general programs outlined above, but its results would be of benefit to a whole region and to the Nation. Early Rockefeller leadership in the building of the University of Chicago transformed the scholarship and the cultural level of the Midwest. Leland Stanford's munificence did somewhat the same thing for the Pacific coast, setting standards which had much to do with the quickly emerging greatness of the University of California. The South needs such a standard desperately. A great university could rise above the parochial problems and the petty restrictions of race and caste that beset the region. It would draw to its faculty the finest thinkers of



the world regardless of creed or color or class. It would naturally admit to its select departments of higher learning whatever students would meet its high requirements. Its scholarship would enrich the region through the application of every phase of scientific knowledge and human understanding. Many foundations have scattered gifts over scores of the existing institutions both white and Negro. In fact southern education has long been a pet hobby of American philanthropy. But no concerted attempt has been made to erect a great intellectual pinnacle in the region.

(6) WORLD PEACE AND PROSPERITY

World issues may seem too vast for any private foundation to tackle. It is true that the fateful decisions are made by governments. But responsibility for peace must be assumed by the people as a whole just as the consequences of war fall on the whole people. The Carnegie Endowment for International Peace was created specifically for work in this area, and several foundations are making contributions largely in the form of "studies." The need of the times is for much more aggressive effort on many fronts. Here is a place for initiative and enterprise of the highest order. I cite two examples of creative concepts in quite different phases of world problems.

The Great Island Conference under the leadership of Beardsley Ruml has proposed assembling the top brains of the country to attack the moot problems of world organization and world prosperity. The issues are so varied and so knotty—as shown by the struggles of the United Nations—that the most resourceful minds both in and out of Government should devote themselves to the search for solutions. Private individuals from the various countries can discuss issues with an objectivity and frankness impossible to Government representatives who are bound by current national policies and questions of national prestige. Yet governments, however proud and jealous, would gladly use ideas and procedures that could be shown to be feasible and for the common good. Ruml and his associates have not suggested particular projects or specific personnel, but have urged that foundations set aside \$20,000,000 to bring the ablest men of the country into continuous thinking and planning. The conference suggests salaries comparable at least to the secondary brackets of law and industry, say around \$50,000. So far the foundations have shuddered at the mention of such large sums and have doubted the possibility of enlisting the ablest brains for such tasks. Yet this is not an issue to be attacked with the conventional social-service hand-out of a few tens of thousands of dollars to be used by the conventional run of social bureaucrats. Either big thinking and basic planning will come out of it or nothing. And if any ideas can be produced to prevent war and promote cooperation, they will save not millions but billions of dollars, to say nothing of blood and sweat and tears. It is a gamble, but a magnificent gamble.

Edward R. Stettinius, Jr., and Nelson Rockefeller are working out, with business and educational associates, new patterns of cooperation between nations which stress the equal development of natural resources and human resources. They point out that one-quarter of the people of the earth now have most of the wealth and the scientific and technical know-how, while three-fourths of the world's people are poor, ridden with disease, and ignorant of the technology by which they could raise themselves to higher living. They believe that the present balance is unnecessary and that the peace of the world depends on bringing all people into a fairer share of education and prosperity. They are setting out, independently of each other and by quite different methods, one in Africa and the other in South America, to help to develop the resources and the peoples of those continents.

These projects represent a new form of investment. Trustees of endowments have too often followed opposite policies in the dealings of their right hand and their left. They devote their income to gifts for social betterment with no regard for money value, while they invest their capital with a sole view to financial returns without regard for social welfare. Here are investments that combine financial returns and human development. An evidence that American industry is still more willing to pioneer than American philanthropy is that practically all of the thinking and financing of these new ventures in world cooperation have come not from foundations and the directors of social agencies but from businessmen.

These are just examples of opportunities lying ready at hand for foundations to turn their unique energies to the solution of acute and basic problems.

Arnold Toynbee, in his monumental Study of History, points out over and over again the transforming power of the "creative minority" in the development of civilizations. He and many other historians have recorded the decline of peoples when this minority becomes complaisant and formalized—more interested in the preservation of itself and its world than in stimulating further growth. By the very nature of their organization, foundations are especially fitted to be the creative minority to spur society on.

Mr. FORAND. I think it might be wise also to have Chairman Cox identify the document from which he was questioning Dr. Hutchins for the record.

The CHAIRMAN. I will do that. I tried to do it before.

Mr. FORAND. Identify it.

Mr. KEELE. Do you want us to get that?

The CHAIRMAN. It is a record in an investigation of the University of Chicago and Roosevelt College for seditious activities made by the Legislature of the State of Illinois in 1949.

Mr. KEELE. Dr. Eurich.

#### STATEMENT OF ALVIN C. EURICH, VICE PRESIDENT, FUND FOR THE ADVANCEMENT OF EDUCATION

Mr. KEELE. Dr. Eurich, would you give your name, residence, and your position with the Ford Foundation, or the Fund for the Advancement of Education, for the record.

Mr. EURICH. My name is Alvin C. Eurich, and I live in New York City, and I am vice president of the Fund for the Advancement of Education.

Mr. KEELE. Before you became an officer of that fund, what had been your work and experience, Dr. Eurich?

Mr. EURICH. Before coming to the fund I was president of the State University of New York, and before that I was acting president of Stanford University for 1 year, and prior to that for 4 years vice president of Stanford University. Prior to that I was on the faculties of Northwestern University, University of Minnesota, and University of Maine.

Mr. KEELE. All right.

Tell us in as concise a fashion as you can the aims and objectives of the Fund for the Advancement of Education. I recognize that much could be said on that, but I wonder if you would summarize it for us and point out, if you can, where there is anything that is new or different or bold in the approach that is being taken.

Mr. EURICH. I think, first of all, Mr. Keele, in response to that question, I might refer to the annual report, the first annual report, of the Fund for the Advancement of Education. I think you have copies of that report before you.

The report is now in press and will be distributed to the public within a month or so.

I might refer to two brief statements in that report, one on page 2 of the report, saying:

In announcing its creation—

that is, the Fund for the Advancement of Education—

Mr. Paul Hoffman described its functions as follows: "The Fund for the Advancement of Education will devote its attention to educational problems at primary, secondary, college, and university levels. It will authorize basic studies con-

cerning contemporary goals in education and educational procedures, and encourage experimentation for which no machinery or funds are available at present.

That, I think, states briefly what was in the minds of the trustees of the Ford Foundation at the time they decided to establish the fund.

Then, on page 6 of this document there is a brief statement which was adopted by the board of directors of the Fund for the Advancement of Education as a policy statement:

The trustees of the Ford Foundation, in authorizing the establishment of the Fund for the Advancement of Education, directed it to devote its attention to experiments and new developments in education. The directors of the fund are, consequently, concerned with seeking, appraising, and supporting improvements and experiments in education which promise to have some general application and are not being adequately supported by existing private or public funds; and, second, with providing aid which may be required for putting into effect practices which experimentation or other proven experience has demonstrated to be sound. Within these limits the operation of the fund will be directed by the particular program of activities which the board, from time to time, formulates on the basis of its judgment of the most critically important matters in the areas specified. In its initial program the Fund for the Advancement of Education will not make grants for building programs, the increase of endowments or general operating expenses of institutions.

Starting with that general statement as a policy statement, the officers and directors of the Fund for the Advancement of Education attempted to make an analysis of the most critical areas, the most critical issues in American education, to which the fund might direct its energies and its resources.

After consulting many people throughout the country, some in terms of visiting them on campuses, or in communities of the country, others by bringing together in committees or advisory groups, the fund decided upon five critical areas. Those five critical areas are these: First, the clarification of the purposes or functions of the school. The fund decided upon that area because of the confusion that exists in many communities throughout the country in regard to what the schools are to do for the community.

The second area was that of closer articulation or coordination between the parts of the school system. As Mr. Hutchins has pointed out, the school system in this country has developed very rapidly in response to a definite need. In developing rapidly, the elementary school developed independently of the high school, the high school independently of the college, the college independently of the professional schools, so that there is general agreement throughout the country that there is a need for closer coordination between the parts of the school system.

The third area was in the improvement in the preparation of teachers and in the use of teachers in the school systems in order that they might do their work more effectively.

The fourth was improved financing of the schools; and the fifth, better education in the Armed Forces.

Mr. KEELE. All right.

Would you say a word about the third program that you mentioned, the improvement in the preparation and utilization of teachers. Under that, I suppose, comes the Arkansas experiment?

Mr. EURICH. That is right.

Mr. KEELE. The experiment at the University of Louisville is another one, and there are others.

Would you tell us just a little about what you are trying to do in that Arkansas experiment which has been touched upon by Dr. Hutchins?

Mr. EURICH. There again, after extensive discussion with an advisory committee and with people in education throughout the country, we found a concern over the fact that basically many teachers in the country do not have an adequate preparation for teaching, that is, basically they do not have an adequate education themselves which, in part, is understandable in terms of the extent to which we have had to expand our school system in recent years.

So we began there with the assumption that if something could be done to improve the basic education of teachers that, in turn, we would have a better school system.

Then, the question immediately arises what can be done to improve the basic education of teachers? There again, it was a concern in many quarters throughout the country, with the fact that many teachers, upon graduation from high school, go directly into professional work in normal schools and teachers' colleges, without extending their general or liberal education; whereas in most other professions we have taken steps throughout the country to extend the general or liberal education of people before they actually go into the professions.

In medicine, for example, it is common practice now to require 4 years of basic education before the student goes on into the medical school.

In law, 3 years is generally required. The engineering schools have shown a greater concern with the general education of students coming into the engineering colleges.

So that this really was a natural concern in view of what has happened to the training of people for other professions.

It was a concern, too, growing out of the fact that many of the teachers coming out of the professional preparation that they had were not really prepared to answer basic questions which the pupil might ask them.

So, in looking around the country we found that particularly people in Arkansas were concerned with this question. President Lewis Jones, of the University of Arkansas, had long been concerned with the basic preparation of teachers. We carried on discussions with him, and he brought together representatives from other groups in Arkansas, representatives of the parent-teachers association, of the State education department; the Governor of Arkansas attended one of the sessions that President Jones called, and there seemed to be unanimous concern with this problem in the State of Arkansas, and they raised the question with us as to whether we would be interested in financing, as Mr. Jones stated at the time, a bold State-wide experiment, which would attempt to provide, first, a liberal or a general education for all teachers before they are certified, and then follow that with some professional education, which would be related to an internship program which the students carried on in the schools of Arkansas.

That was later discussed with the presidents of all colleges and universities in the State concerned with the preparation of teachers, and the group as a whole, in cooperation with the State department of education, prepared a proposal which they submitted to us.

The first proposal was a request for \$85,000 to make their plans in somewhat greater detail, and then they came back with a second

proposal, actually to undertake the work this year, which is going on now since September.

Mr. KEELE. There was quite a bit of outspoken criticism against this plan or experiment on the part of educational groups, was there not?

Mr. EURICH. That is correct.

Mr. SIMPSON. What educational groups?

Mr. KEELE. Well, specifically, the National Education Association was one, I think.

Mr. EURICH. Yes; the American Association of Teachers' Colleges.

Mr. KEELE. That is right; I was going to mention that next.

Mr. EURICH. Yes.

Mr. KEELE. Are there any other educational groups that you could mention who were articulate in their criticism of this plan?

Mr. EURICH. I think the Association of Colleges for Teacher Education was really the only association that actually went on record as being against the program.

Mr. KEELE. They actually issued a statement, did they not.

Mr. EURICH. That is right.

Mr. KEELE. Which they criticized.

Mr. SIMPSON. Do they give their reasons?

Mr. EURICH. At their meeting.

Mr. KEELE. Yes; here it is, a three-page statement. Perhaps Dr. Eurich could give you the substance of their criticism.

Mr. SIMPSON. I think it would be well to have that. I would like to know whether it is based on practical or theoretical considerations.

Mr. EURICH. I think I might read just two brief statements, or excerpts rather, from the statement which they issued. They read as follows:

Domination of a State's educational system by a central agency, whether governmental or private, is extremely unwise. Centralized control by the proffer of money with strings attached can be just as effective as control by regulation and dictation. The association, holding its fourth annual convention at the Congress Hotel, also called the Ford proposal an eighteenth century model for teacher preparation.

In response to that, Dean Kronenberg, who was the director of the study, and chairman at the time of the State-wide committee, issued this statement, which was printed in the New York Times:

Dr. Kronenberg told the New York Times by telephone today that the statement or resolution passed at the AACTE meeting in Chicago was premature since no specific plan has been devised by the people in Arkansas.

"The AACTE," he said, "has placed itself in the position of criticizing a plan which does not exist."

That was the statement by the chairman of the State committee. Another statement in an editorial of the Arkansas Gazette—and the Arkansas Gazette maintained a close relationship in order to keep informed at all steps of the development of the program, and his statement reads as follows, in part:

The authors of the resolution adopted by the American Association of Colleges for Teacher Education, condemning the Ford Foundation proposal for teacher education in Arkansas, proclaimed midway in their overheated pronouncement, "however, we have open minds." This is a rather remarkable statement since the resolution condemns in detail a plan that has not yet been worked out in detail, and includes the ridiculous charge that the foundation is seeking to dominate Arkansas' public school system.

Mr. SIMPSON. Everything the foundation did was done with the approval of the State authorities, was it not?

Mr. EURICH. It was done at their request in terms of a proposal which they submitted to us.

Mr. KEELE. May I just read, in response to your question—there are two short paragraphs, which you touched upon, Dr. Eurich, in which they stated—first, they characterized it, as Dr. Eurich has said, this adoption of an Eighteenth century model for teacher preparation, which is called a bold experiment in teacher education. They say:

The AACTE is strongly dedicated to a scientific experimentation as a means for improving education.

Then, skipping:

In this instance, we find it impossible to describe what is being proposed in Arkansas as a promising experiment. In the first place, its earnings are those of almost irrevocable commitment to a predetermined uniform pattern. No trial run or pilot study in one or two institutions is contemplated, no comparative evaluation of products of the new program with products of a concurrent program or any other character is proposed. We doubt that the experiment properly describes this proposal. It appears that uniform reorganization would be a more proper designation.

Then they say:

In the second place, the hypothesis upon which the proposal seems to be based is far from promising. Something comparable to this scheme for educating teachers was quite commonly used in Europe 500 years ago. It has since received extensive application in the secondary schools of dual-system countries.

Then they do say:

However, we have open minds. As long as there is a reasonable chance that a genuine experiment can throw light on the improvement of teacher education we do not disapprove it only because it contains certain dangers. When danger exists we insist that the scope of the experiment be limited, that adequate control be established, and that very careful measurements be provided. No one of these conditions prevails in the Arkansas proposal as it has been presented to us. Instead it seems to contemplate the universal imposition of a highly unpromising pattern upon all participating institutions. We cannot endorse any such proposal.

Mr. FORAND. What statement is that you are reading from, Mr. Keele?

Mr. KEELE. That is a statement by the American Association of Colleges for Teacher Education, which was issued at their annual meeting, I believe, held in Chicago in February of 1952.

Mr. FORAND. I think that ought to be made a part of the record, Mr. Chairman, and I so request.

Mr. HAYS. Without objection, so ordered.

(The document referred to follows:)

THE FORD FOUNDATION TEACHER EDUCATION PROPOSAL TO ARKANSAS—A STATEMENT  
BY THE AMERICAN ASSOCIATION OF COLLEGES FOR TEACHER EDUCATION, CHICAGO,  
FEBRUARY 1952

The American Association of Colleges for Teacher Education has been asked to advise its member colleges in the State of Arkansas regarding our attitude toward a State-wide, drastic reconstitution of teacher education curricula in the colleges of that State. This reconstitution, we understand, would take the direction of establishing as the teacher education curriculum in all colleges, a 4-year program of general education to be followed by a year of professional internship. We are told that such drastic action is necessary in order to qualify for a grant-in-aid from the Ford Foundation's Fund for the Advancement of Education.

This adoption of an eighteenth century model for teacher preparation is called "a bold experiment in teacher education." The AACTE is strongly dedicated to scientific experimentation as a means for improving education. Time after time in the past we have sponsored, and have encouraged our member institutions to sponsor, promising experiments in curriculum organization. Our standards have never been employed to inhibit such experimentation; instead, they have been designed to encourage it. Our association is dedicated to experimentation, when that experimentation is genuinely scientific and is surrounded with adequate measurement and controls, and when the hypothesis upon which the experiment is based is promising.

In this instance we find it impossible to describe what is being proposed in Arkansas as a promising experiment. In the first place, its earmarks are those of almost irrevocable commitment to a predetermined uniform pattern. No "trial run" or pilot study in one or two institutions is contemplated; no comparative evaluation of products of the "new" program with products of a concurrent program of any other character is proposed.

We doubt that "experiment" properly describes this proposal; it appears that "uniform reorganization" would be a more proper designation.

In the second place, the hypothesis upon which the proposal seems to be based is far from promising. Something comparable to this scheme for educating teachers was quite commonly used in Europe 500 years ago. It has since received extensive application in the secondary schools of dual-system countries. Extensive investigations have focused upon one aspect or another of this hypothesis, and the results of these investigations almost without exception tend to indicate that the hypothesis is an unsound one when measured against the criteria of what public-school leaders and citizens expect the beginning teacher to be able to do. In brief, we see little that is promising in future testing of this particular kind of curriculum for educating teachers.

However, we have open minds. As long as there is a reasonable chance that a genuine experiment can throw light upon the improvement of teacher education, we do not disapprove it only because it contains certain dangers. But when danger exists, we insist that the scope of the experiment be limited, that adequate controls be established, and very careful measurements be provided. No one of these conditions prevails in the Arkansas proposal as it has been presented to us. Instead, it seems to contemplate the universal imposition of a highly unpromising pattern upon all participating institutions. We cannot endorse any such proposal.

We point out that the standards of the AACTE place great stress upon providing every prospective teacher with a broad general, liberal education. Outstanding exponents of general education and liberal education, including the University of Chicago, the University of Minnesota, Stanford University, Macalester College, and others, are members of the AACTE and meet its standards. The Arkansas proposal seems to assume that there is a dichotomy between general education and professional education courses for teachers. We submit that there is no evidence that any such dichotomy exists; we further submit that there is a great weight of evidence to show that professional education courses make outstanding contributions to general education. We aver that general education is being provided as fully and completely by institutions operating within the standards of the AACTE as by any institutions anywhere in the United States. We reject the divisive point of view that would separate teacher education from general education.

The people of Arkansas have every right to determine for themselves what kind of education they want for their teachers, and what kinds of curriculum organization will provide for them the supply of teachers they need for their schools. We should point out to them that the proposed curriculum organization presented to us is replete with dangers to teacher supply in the State. However, a more serious matter appears in the record of the negotiations with the Fund for the Advancement of Education. This record indicates that a tax-exempt foundation controlling large sums of money is offering highly attractive financial support if a particular pattern of education is accepted—not tried out, as we have pointed out earlier, but put into operation. In our considered judgment, this approach is not only unsound but dangerous. Domination of a State's educational system by a central agency in the United States, whether governmental or private, is extremely unwise. Centralized control by the proffer of money with strings attached can be just as effective and consequently just as dangerous as control by regulation and dictation. We condemn attempts to control by either means,

Mr. SIMPSON. But the sovereign approves it regardless of those comments, is that correct?

Mr. EURICH. That is right.

Mr. KEELE. To what do you attribute the criticism contained in that statement, Dr. Eurich?

Mr. EURICH. Well, I think Mr. Hutchins indicated, in part, in answer to that question when he said there is always resistance to any kind of a change, and here we had a group of people who were primarily concerned with professional education, professional education throughout the undergraduate and the graduate levels, and they felt that this was a threat to their interest in professional education, since the Arkansas experiment was developed in terms of eliminating professional education from the undergraduate work and putting it at the graduate level, or at a period after the students had completed their general or liberal education.

I might add, however, one other experience that I had personally in connection with it. Some of the executive officers of this association stopped at my office on their way to their Chicago meeting to raise the question about another proposal that they had. This was the Saturday before their meeting opened in Chicago, and they did not raise with me a single question about the Arkansas experiment at that time, so we had no chance to discuss it with them before the resolution was passed.

Mr. KEELE. If this experiment should give conclusive results along the lines which you have indicated, I assume it might have a disastrous effect upon education in the higher institutions of teachers for secondary work, is that not right?

Mr. EURICH. Not necessarily. It might.

Mr. KEELE. What would it do where, let us say, for example, a university that has 100 courses in teacher training, in comparison with eight courses which, I believe, is the fact in history, one of which only deals with American history now? It seems to me that is a very heavy emphasis on methodology as compared to one of the important humanities.

What would be the effect of demonstrating through this experiment that the plan that is there suggested is the better plan? Wouldn't it tend to cut down the degree of emphasis placed upon teacher education or shorten the courses?

Mr. EURICH. It would develop at the undergraduate level. It would not at the graduate level in terms of this particular experiment.

Mr. KEELE. But at the undergraduate level, that is my point.

Mr. EURICH. At the undergraduate level it would, it would virtually eliminate the courses in professional education until the student had completed a program of general or liberal education, but that does not mean that professional education is being ignored in the training of teachers because the plan definitely provides for a year's internship upon the completion of undergraduate work, with the provision that during that year of internship the student will study professional education that can be helpful in relation to the specific problems which he has while carrying on his practice teaching.

Mr. KEELE. But that is as opposed to 4 years of training and teaching at the undergraduate level.

Mr. EURICH. That is right.



Mr. KEELE. It would be compressing into 1 year instead of 4, and at the graduate level instead of the undergraduate level, in teacher training.

Mr. EURICH. I might add, however, that this program merely accelerates a process that has been going on in some of the best teachers' colleges of the country. The best teachers' colleges during the past 25 years have been concerned with an extension of their programs of general education only because they recognized that the teachers were not being adequately prepared by the programs that they had.

Mr. SIMPSON. Are they not doing it by increasing the number of years they go to school?

Mr. EURICH. Yes; that has also been done. In fact, there has been a great increase in that.

In fact, 30, 35 years ago, it was possible for teachers in many States to get a teacher's certificate by taking a 6-week county normal course.

Mr. SIMPSON. From high school, and then—

Mr. EURICH. From high school, and then going on to the 6-week county normal course.

Mr. SIMPSON. Then 1 year in the county normal school?

Mr. EURICH. No.

Mr. SIMPSON. I mean at another time, at another place.

Mr. EURICH. At another time. Then, that was extended to 1 year, 2 years, and then the normal schools were extended into 4-year teacher-training institutions. So it was virtually an extension of this very short normal course that was offered in many counties throughout the country into a 4-year program in professional education.

Mr. SIMPSON. If this plan should work out, as it may, and be desirable, could it be accomplished by increasing, adjusting the courses in a so-called normal school today, adding additional time for study, and so on?

Mr. EURICH. Well, it would mean, as it does in Arkansas, in connection with the teachers' college, really reconstructing the faculty in order to provide a more extensive program of general or liberal education.

Mr. SIMPSON. Are you making the point that the instructors in the normal schools are not qualified?

Mr. EURICH. They are not qualified to carry on the program of general or liberal education.

Mr. SIMPSON. I thought your point was with reference to the graduate of the normal school who began to teach in the public schools.

Mr. EURICH. Well, you see, many of the teachers—not all, many of the teachers—in the teachers' colleges or normal schools are people who have specialized in professional education, and because they have specialized in professional education they are not qualified to carry on the work in the natural sciences or physical sciences or in the humanities or in the social studies.

Mr. O'TOOLE. Question please, Doctor: Several times I have heard you use the phrase, "The best teachers' colleges." Who rates them the best and how are they so rated?

Mr. EURICH. Well, there are various ways that have been attempted to rate educational institutions. In some cases educational organizations, such as the North Central Association of Colleges and Secondary Schools have developed very elaborate procedures for evaluating institutions.

In those procedures they have attempted to take into consideration the financial resources that are available to the institution, the library, the training of the faculty, the scholarly work of the faculty, as shown by various types of publications, the kind of services provided for the students, and the educational program.

Mr. O'TOOLE. There are several of these authorities?

Mr. EURICH. There are several of those authorities.

Mr. O'TOOLE. Is it not possible, Doctor, that one group of authorities might decide that the A Normal School might be a good school, and another group of authorities might decide, due to a different theory of education, that it is a poor school or an inferior school? Can that happen?

Mr. EURICH. Yes; that can happen.

Mr. O'TOOLE. That does happen?

Mr. EURICH. And it does happen. It has happened, and for that reason, some of the associations that have been concerned with the accreditation of institutions have directed their attention more and more to measurement of what the individual student has accomplished regardless of the institution where the student is located.

Mr. O'TOOLE. Then these various accreditations are really relative. If group A says it is a good school, and group B says it is an inferior school, then we, the general public, or we, the legislators, do not know where first base is.

Mr. EURICH. No. Then you have to get an evaluation of group A and group B, by groups doing the accrediting, and an attempt is being made to do that right now.

Mr. O'TOOLE. When we do that we have to find out the members of the board on A and B, and go all the way to the beginning with them.

Mr. EURICH. A National Commission on Accreditation Procedures has been set up, and that national commission has for several years had representatives before it of the various accrediting associations, because the colleges and universities have been more and more concerned with the multiplication of these associations that come in to accredit various parts of the institution.

Mr. O'TOOLE. But the basis of all this accrediting is according to the tastes, training of the individual making up these groups, the same as one man might say a certain piece of music is classical, and another man might say it is rubbish.

Mr. EURICH. Not quite to that extreme, because I think you would get more general agreement if you picked—

Mr. O'TOOLE. Do you not think some of the battles that are taking place among the educational groups are just as bitter as those in the field of music and art and politics? I did not mean to bring in the—

Mr. EURICH. Well, there are striking differences in various groups. But the differences are not so striking among the agencies that are doing the accrediting of institutions.

Mr. O'TOOLE. Do you not think that the chaos that exists in the minds of the general public on education values is just as great in the minds of the authorities themselves as to what is proper education and how it shall be achieved? Do you not think there are just as many divergent views—

Mr. EURICH. I think probably the educational authorities have contributed to the confusion that exists in the minds of the public, and I think that is why there is great need for clarification of what the schools should do. That is really one of our major critical problems.

Mr. O'TOOLE. I say, like lawyers, they create a greater degree of chaos.

Mr. EURICH. I have no opinion about the lawyers.

Mr. FORAND. Would you tell me, Doctor, and tell the committee, why the yardstick used seems to be the number of years that a person attends school rather than the knowledge that that individual has absorbed?

Mr. EURICH. I think that is an excellent question.

Mr. FORAND. I would like to have an excellent answer to it.

Mr. EURICH. I think we ought to be concerned much more with what the individual has absorbed and the extent to which the individual has developed than we are with the number of years that he has spent in school.

Mr. FORAND. What is being done about it?

Mr. EURICH. Well, there are a number of things that are being done. Some of the experiments which we are supporting in the field of articulation are directed toward that particular problem.

Mr. FORAND. Some effort is being made so that the bright student will not be held back because somebody at the foot of the class is holding him down.

Mr. EURICH. That is right. We, at the present time, are supporting four different experiments in that field in different sections of the country.

Mr. FORAND. That applies as well to a person with native ability who has been deprived of a formal education but has acquired an education through just hard plugging.

Mr. EURICH. That is right.

Mr. FORAND. Yet because of the accreditation of colleges here and there and everywhere, he is deprived of an opportunity to enter the college.

Mr. EURICH. That is right, and I might say that one association has recognized that. The Association of American Universities looked at this problem a few years ago, and particularly noted the results of the study supported by the Carnegie Corporation. This study was concerned with the evaluation of records that students made in graduate schools and the study compared students coming from the accredited institutions with students coming from the nonaccredited institutions, and found that basically in terms of their records in graduate schools, there was not much difference between the two groups.

So, in terms of those considerations, the Association of American Universities abolished its list of accredited institutions.

Mr. KEELE. But there was a possibility, was there not, that that was not all that it appeared to be. It might mean that they were measuring fellows from those groups that were appointed to other schools, is that right?

Mr. EURICH. No, they were measuring the achievement of graduate students registered in the graduate schools of various universities throughout the country.

Mr. KEELE. It was suggested here, I think, by Dr. Wriston in connection with that study that it might be that they had been more

casual in accepting graduate students from accredited schools and, therefore, had allowed lower groups to drop in of that larger group, whereas they might have been more careful about their selection of their graduates or the graduates from the nonaccredited schools.

Mr. EURICH. I think that may be true.

On the other hand, this study does demonstrate that you can have students coming from the nonaccredited institutions into graduate schools and succeed in the graduate schools.

Mr. O'TOOLE. Do you, or do you not, think that we here in America, our tests for employment, tests for entrance into colleges and into the various professions, are placing entirely too much stress on education as compared with intelligence? And there is a vast differentiation between education and intelligence.

Mr. EURICH. Well, in general our tests have emphasized verbal facility or ability to use words growing out of the early intelligence tests developed and the kind of achievement tests we have developed in schools, largely because we found in working in the field of testing, that it is much easier to test that kind of ability, it is much easier to test knowledge of facts than it is to measure the extent to which a student is able to think.

Mr. O'TOOLE. Well, I noticed that here in the Government in the years that I have been in Congress, in all applications for employment there are vast spaces left to put in the applicant's education, and in judging these noncompetitive applications, all the judgment is based on the education that is shown in that applicant's statement.

I don't think it always works out right, because I have seen many of the directives that have been written after these people have gotten jobs in Government, and there is anything but intelligence in them.

Is there some way that applicants of this type, whether they have education or not, could be tested for their natural or native intelligence?

Mr. EURICH. Well, none, aside from the intelligence tests that have been developed which attempt to do that.

As I have indicated, they have stressed verbal ability rather than ability to make inferences, for example, from a set of facts, or to draw conclusions from a set of facts, or to engage in other types of thinking.

It is much more difficult to guess at that through tests, at least in terms of the kind of tests we have been able to develop up to the present time.

Mr. SIMPSON. I see you have a project under financing here to work with others and teach them how to raise money, is that right? Isn't that one of your projects?

Mr. EURICH. We are concerned with the two aspects of financing education in the projects that we have financed to date.

The first part of it is concerned with the extent to which the money which educational institutions have available at the present time is being used efficiently and economically, and to that end we have financed a number of management surveys of educational institutions, and those surveys in turn have pointed out to the institutions ways in which they might operate more effectively within the income that they now have available.

Mr. SIMPSON. How do you teach them to increase the income?

Mr. EURICH. That is the other part of the project.

Mr. SIMPSON. Do you tell them how to write letters to foundation heads and so on?

Mr. EURICH. No. Our only concern up to the present time has been in terms of discussion with a group of business executives, including Mr. Abrams, chairman of the board of the Standard Oil Co. of New Jersey, Mr. Alfred P. Sloan, Mr. Irving Olds, Mr. Prentice, of the Armstrong Co., and Mr. Walter Paepcke, of the Container Corp. of America.

These gentlemen have long been concerned with the importance of having corporations contribute to educational institutions.

Mr. SIMPSON. How long has that been going on, since taxes have gone up high on individuals, or has that always been the idea?

Mr. EURICH. There has always been some concern with the matter of gifts from corporations, but for the most part those gifts to educational institutions that have come from corporations have been given for specific purposes, to carry on research that in turn might lead to new developments that in turn would help the company making the gift.

These gentlemen to whom I referred are concerned more with the problem of corporation gifts to institutions carrying on a general or liberal education, because they reason that what they need in business in terms of the training of business executives is a group of people who are liberally educated, and that is just as important to them in business as financing a given piece of scientific research.

Mr. O'TOOLE. Do you admit, Doctor, that there is a tendency in this country in educational circles to create an aristocracy, or maybe I shouldn't say an aristocracy of education, but a closed shop of education? We have seen in the social field that the trained so-called educated social workers have created a closed shop that nobody else can get into, and in many cases these social workers are completely unfitted for their work because they have no elementary humanity at all. They are merely professionals.

There is a feeling in this country among a great number of our American people that the same thing is transpiring in the field of education, that this acquiring of degree after degree, not only the bachelor and the master's, but the doctor of philosophy and the various other degrees that are now being given out is slowly but surely closing the field of opportunity for people who have great intelligence, but who have not had the opportunity to get this full number of degrees that seems to be so necessary today, and there are people who think that this is a part of an organized thought.

Mr. EURICH. I would agree with you definitely that we have worshiped degrees far too much in this country; that these degrees in and of themselves are not important.

They are important only if they indicate that the man has acquired an education, and altogether too frequently there is too little relationship between the education a man has acquired and the degrees that he has obtained, and we hope that some of our experiments can lead to a closer relationship between the education a man has acquired and the degree he has attained.

Mr. O'TOOLE. But there is thought in this country that there is a systematized effort being made to require degrees and to close the field to many forms of employment or in many fields of employment to those who are not the possessors of these degrees.

Mr. EURICH. I think that has been the tendency. Certainly in various professional groups—it has happened in law, certainly, it has happened in teaching to a very great extent.

Mr. O'TOOLE. I myself have nothing whatsoever against education. I certainly realize the necessity and wish that I myself had more of it. I am really hungry for it, but on the other hand I can see, and I have seen, so many men and women, great, fine intellects, being deprived of a future and opportunity because we have built up this cult of degrees in this country.

Mr. EURICH. I personally hope very much that we can eliminate that emphasis upon degrees.

Mr. KEELE. I only have about two other questions, because it is getting late here. It has been suggested in testimony given here that what was called the detachment of the private or personal economy of teachers from the general economy, in other words, the fact that they were underpaid, plus the fact that particularly in the State institutions it would be that there is a natural tendency for the teacher, seeing that he is dependent on the State, to enlarge the functions of the State in supporting various activities, those two things coupled might tend to produce on the part of teachers generally a, shall we say, sympathetic attitude, or perhaps a turn toward socialism or State-supported activities, to the point where it is socialistic.

Would you comment on that? I think Dr. Wriston enunciated that thought here.

Mr. EURICH. Well, I think the best means we have all the way through of preserving the concept of democracy that all of us are interested in is to see to it that the education of our teachers, the general or liberal education of our teachers, is extended and is the best kind of education that we can provide, so that when he have teachers coming into the school system, we have people who are concerned not only with the problem of how they are going to carry on their teaching, the methods which they use in teaching, but we will have in the school system people teaching our children who really have an education and understand the development of our form of government, the development of western thought.

Mr. KEELE. I think I have no further questions.

The CHAIRMAN. No questions.

Mr. HAYS. Mr. Simpson.

Mr. SIMPSON. There are certain colleges I believe which encompass what I think you have been describing, namely, they might be called the old-line liberal-arts colleges.

I have seen some I think in that category in Pennsylvania. Do you recognize that there are today certain colleges in that area or not?

Mr. EURICH. Liberal-arts colleges?

Mr. SIMPSON. Yes.

Mr. EURICH. Yes, there are many of them throughout the country.

Mr. SIMPSON. What is being done to protect them or to help them continue—and they are in financial difficulty—while at the same time as I understand your testimony, you are seeking to reopen that area? Is there being anything done by the foundations to protect those colleges, or are they being allowed to change their methods and are they being encouraged to remain liberal-arts colleges?

Mr. EURICH. Well, we hope that several efforts which we are financing may help them somewhat. The concern that we have had

with better financing of institutions of higher learning, the management surveys which I mentioned and this effort to obtain more funds from corporations to help liberal-arts colleges, are two efforts we think will be helpful to the liberal-arts colleges throughout the country.

In addition, we are carrying on—financing rather—a program of self-studies of liberal-arts colleges.

We have asked liberal-arts colleges throughout the country to apply for funds in order to make a self-study of their programs in the hope that that in turn will eliminate some of the nonessential features of the college and strengthen their programs so that the resources that they have available at the present time can be used more effectively and go further.

Mr. SIMPSON. Well, you do recognize that they should be preserved, and you want to help them to be preserved?

Mr. EURICH. Definitely.

Mr. SIMPSON. But you are not making grants at this particular time to that type of college, are you?

Mr. EURICH. We felt in terms in the resources we had available, if we began distributing those resources among all the liberal-arts colleges—and there are about 700 of them throughout the country—that we wouldn't be helping any of the liberal-arts colleges very much.

We felt that by tackling these critical areas in American education and by devoting our resources to some of these broad programs, in time we can help strengthen most of them.

Mr. SIMPSON. Well, they are the fruit in one of the critical areas that you want to preserve, aren't they?

Mr. EURICH. That is right.

Mr. O'TOOLE. One more question. Doctor, whenever money is being distributed in different ways, being loaned out, there seems to be a peculiar degree of initiative developed to obtain that money.

You have heard during the war years of the development of the 5-percenters, the go-between man to get war contracts. I was wondering—and I don't say this in the spirit of humor—have you people discovered that there are certain groups now who endeavor to act as go-between between those who desire funds and those who give them out?

In other words, if College X is looking for a grant from the B Foundation, are there groups who come in and act as middlemen?

Mr. EURICH. No, we have not had that experience in the fund for the advancement of education. In fact, our dealings are in most cases directly with the president of the institution.

Mr. HAYS. Dr. Eurich, thank you very much for your statement.

The committee will be in recess until 10 o'clock Tuesday morning.

(Whereupon, at 3:15 p. m., a recess was taken until Tuesday, December 2, 1952, at 10 a. m.)





## TAX-EXEMPT FOUNDATIONS

TUESDAY, DECEMBER 2, 1952

HOUSE OF REPRESENTATIVES,  
SELECT COMMITTEE TO INVESTIGATE TAX-EXEMPT  
FOUNDATIONS AND COMPARABLE ORGANIZATIONS,  
*Washington, D. C.*

The select committee met, pursuant to recess, at 10:10 a. m., in room 1301, New House Office Building, Hon. Aime J. Forand presiding.

Present: Representatives Forand (presiding), O'Toole, Simpson, and Goodwin.

Also present: Harold M. Keele, counsel to the committee.

Mr. FORAND. The committee will come to order.

Mr. KEELE, will you please call your first witness?

Mr. KEELE. Mr. Dollard, will you take the chair, please?

Mr. DOLLARD. Yes, sir.

Mr. KEELE. Mr. Dollard, I think that those microphones will work if you will pull them close to you.

Mr. DOLLARD. Shall I try one just to see?

Mr. KEELE. That is very good. For the record, will you state your name, your residence, and your position?

### STATEMENT OF CHARLES DOLLARD, PRESIDENT, CARNEGIE CORP. OF NEW YORK, NEW YORK, N. Y.

Mr. DOLLARD. My name is Charles Dollard. I am a resident of New York City. I am president of the Carnegie Corp. of New York, which is a New York corporation organized for philanthropic purposes.

Mr. KEELE. At the very outset, Mr. Dollard, I wonder if you would be good enough to trace out for us the relationship of the Carnegie Corp. to those other institutions or organizations which bear the Carnegie name.

Mr. DOLLARD. Mr. Keele, I would be very glad to do that. Let me say first that the one simple fact to put into the record is that there was only one Mr. Carnegie, Andrew Carnegie, who was born in Scotland, came to this country at the age of 9, and made his fortune in the steel industry in Pittsburgh.

Mr. Carnegie founded six trusts in this country, and by "trusts" I mean endowments created for philanthropic purposes. The first of these was not in his native city but in his home city of Pittsburgh, the Carnegie Institute of Pittsburgh, which he created in 1896 and which comprises a Museum of Arts, a Music Hall, a Museum of Natural History, and perhaps the most famous unit, the Carnegie Institute of Technology which is a distinguished engineering school.

The second fund which he created is the Carnegie Institution of Washington which he established in 1902 for purposes of scientific research. I think you know something about this fund because Dr. Vannevar Bush, who is the president of the Carnegie Institution, appeared as a witness earlier.

Mr. KEELE. He didn't say anything about the work of the Carnegie Institution, and I wonder if you would just say a word as to the nature of its work.

Mr. DOLLARD. Well, in fact, Mr. Keele, Carnegie Institution has a very broad charter which would permit it to engage in almost any kind of scholarly work. In practice it devotes itself almost entirely to research in the natural sciences. It has its business and administrative office here in the city of Washington.

It also has two of its laboratories here, for geophysics and the earth sciences. It has a laboratory at Baltimore, a biological laboratory or, to be more precise, a laboratory in embryology.

It has a laboratory at Stanford in the field of plant pathology. It has still a small installation in Guatemala for archeological work, but primarily its work is in the natural sciences, and traditionally the president of the Carnegie Institution has always been a natural scientist.

The Carnegie Institution is not a grant-making organization. It is really a great research foundation. It spends its income and some money which is given to it by the Carnegie Corp. of New York for research, which is carried on by its own staff, which is, I may say, a relatively distinguished staff.

Mr. KEELE. What is the relation, Mr. Dollard, if any, other than that which you indicated, between the Carnegie Institution and the Carnegie Corp.?

Mr. DOLLARD. Mr. Keele, as I have said, they are separate endowments, created by Mr. Carnegie. The institution was founded 9 years before the corporation.

If I may say so, I noticed that one of your witnesses referred to the corporation as the parent institution. I couldn't resist asking Vannevar Bush if he knew of any instance in biology where the parent was born 9 years after the child.

In fact, there are the two relationships between the Carnegie Institution and the corporation. The first one is that it was originally provided that the presidents of the five other Carnegie funds in this country would be ex officio trustees of Carnegie Corp. of New York. That meant that out of 10 trustees of the corporation, 5 would be representatives of other Carnegie funds.

I may say that the constitution of the corporation was changed in 1947, and while the present presidents of the other funds sit on our board, their successors will not. After the president incumbents die or retire, we will have only one ex officio trustee, namely, the president of the corporation.

Now, there is another relationship between the corporation and the institution, which is that we grant money to the Carnegie Institution as an addition to its own income for scientific research. I can give you the exact figure on what we have granted.

Mr. KEELE. I don't think that is important. We are just trying to trace out the relationships.

Mr. DOLLARD. The last substantial grant we made to them, incidentally, was made about 1943 when we gave them \$5 million as an addition to their endowment.

I may say also that we ourselves support very little work in the natural sciences directly, that is, Carnegie Corp. We rely on the Carnegie Institution to do that work, and our help is in the form of money grants. Do you want me to proceed with the others?

Mr. KEELE. Yes; if you will.

Mr. DOLLARD. The third one to be established was the Carnegie Hero Fund Commission, which has its office in Pittsburgh. That is the smallest of the endowments.

Mr. FORAND. What was that name, again?

Mr. DOLLARD. Carnegie Hero Fund Commission, Mr. Forand. You may remember, if you have read any of Mr. Carnegie's writings or his autobiography, that he had a special feeling about heroism in civil life. He thought it was as important and as worthy of recognition as heroism on the battlefield, so he established the hero commission here.

As a matter of fact, he established commissions in several European countries and in Great Britain. What the fund does is to seek out men who have performed heroic acts in civil life, and award them medals. If they are killed in the process of being heroes, it makes provisions for their widows. In many cases it provides scholarships for their sons.

The fourth endowment which he founded was the Carnegie Foundation for the Advancement of Teaching, which, as its name implies is chiefly concerned with the improvement of teaching in this country.

Now it was the foundation which was set up to operate the pension system about which you have heard a good deal from other witnesses. As you know, the free pensions which Mr. Carnegie originally envisaged for all college teachers proved actuarially impossible.

In 1917 the Carnegie Corp. organized a contributory insurance company for the sole purpose of providing annuities for college teachers. This company is known as the Teachers' Insurance and Annuity Association. It might be listed as a Carnegie fund. It is not an endowment. It is an insurance company operating under the insurance laws of the State of New York.

I may say here, Mr. Counsel, that the Carnegie Foundation and the Carnegie Corp. have operated throughout their history almost as a unit. We have had joint offices in New York. At the present moment all the officers of Carnegie Foundation are also officers of the Carnegie Corp. At various times in our history we have even had the same president for the two institutions.

The fifth fund which he established was the Carnegie Endowment for International Peace, the purpose of which is implied in its name. That also has its main office in New York.

At one time it had a Washington office, but it has now given that up. It has also an office in Paris. I think you are to hear from representatives of the Endowment later, Mr. Counsel, so I won't go into detail about that.

The sixth and last fund which Mr. Carnegie established is the Carnegie Corp. of New York, which is the one which I represent. That got the largest endowment. The original endowment was \$135 million.

It is also the one organization which was set up for the purpose of making grants to educational agencies of various kinds, and not to operate any single program. I can expand on that, Mr. Counsel, if you like.

Mr. KEELE. I think you might tell us as to the assets which the corporation has and as to what its average income is in the past few years.

Mr. DOLLARD. Well, our original endowment, as I said, was \$135 million. Our present assets at book value are approximately \$175 million. They are considerably higher at market value. They are considerably higher because we hold some equity investments which have appreciated a good deal since we bought them. Our income last year was around \$7 million. Our average income since the war has been closer to \$6 million.

Mr. KEELE. How many trustees do you have?

Mr. DOLLARD. We have 15 trustees, Mr. Keele, and as I indicated, under the old dispensation, 6 of those were ex officio, 9 were trustees elected for terms of 5 years.

Under the bylaws as now amended, there will eventually be only 1 ex officio trustee and 14 term trustees.

Mr. KEELE. And how many employees does the Carnegie Corp. have?

Mr. DOLLARD. At the moment about 35. It varies a little from time to time. Of these 35, about 10 are listed as officers. That includes, as I indicated before, the officers of the Carnegie Foundation who also are officers of the corporation.

Mr. KEELE. And how many of those employees enter into policy-making decisions?

Mr. DOLLARD. About 10, sir, normally.

Mr. KEELE. And those I assume are your top executive officers?

Mr. DOLLARD. That's right. The president of the Carnegie Foundation is one, I am one obviously, we have two vice presidents in the corporation who have important responsibilities in the making of policy and program.

We have a secretary and an associate secretary. We have part of our fund which can be applied in the British dominions and colonies, so we have two officers who devote all of their time to that.

We have a treasurer and we have two younger men who do not have titles and are listed merely as staff members, but who sit at our staff meetings.

Mr. KEELE. Now how are the officers and policy-making employees selected, Mr. Dollard, when they are employed by the corporation?

Mr. DOLLARD. Well, it is obviously the board's responsibility to select the president, Mr. Counsel, and I think perhaps one of our trustees might speak to that point later.

Perhaps this is the time to say that I have been an officer of Carnegie Corp. since 1938, and I have been president of the corporation since May 1948, so the trustees had 10 years to observe my behavior and decide whether or not they wanted me as president.

As to the officers other than the president, the recommendations are made by the president to the board. I can tell you what we look for in officers, which is perhaps the important thing.

We want men who have had a very good education, who have had some experience in higher education, that is who have actually been

in colleges or universities, who have a great deal of common sense, and who have absolute integrity and imagination.

We are not too much interested in what fields they have been trained in, although we would not want to get a staff made up wholly of chemists or psychologists or sociologists.

We want some variety in the training of the staff, but the important thing is that they are responsible, they are wholly honest, that they are imaginative, that they have common sense and that they are willing to work very hard.

Mr. KEELE. What is the purpose for which your corporation was founded?

Mr. DOLLARD. Our charter specifies that we must work for the advancement and diffusion of knowledge and understanding among the peoples of the United States and the British Dominions and Colonies.

We interpret that to mean that our main job is to make the American people more intelligent, more informed, to improve our educational system generally, and to get on with useful research.

Mr. KEELE. I was interested in having you say that because the purpose of your corporation varies somewhat from the broader purposes of many of the foundations, which is the welfare of mankind. So as I understand it, you are limited primarily to educational work.

Mr. DOLLARD. Yes, although if you consider the language of the charter, it gives you a fairly broad field to play over so long as your counsel is sure that what you are doing is contributing in any way to knowledge and understanding.

Mr. KEELE. And how are your trustees selected, Mr. Dollard, when there is a vacancy on the board?

Mr. DOLLARD. Well, the vacancies on our board are filled by the sitting trustees. The process usually is that the president goes around first to the chairman and then to all the other trustees and asks them for names of men who they think might make good trustees. These are distributed to the trustees and usually discussed in several meetings informally. In some cases we may keep a list under discussion for a year before we actually make any selections.

Now what we are looking for in trustees is, to use a broad term, men of affairs, that is men who have a concern for the things which we are chartered to do, men who themselves are liberally educated, who are humane and who have a concern for the common good, and above all, who are not so encumbered with other trusteeships that they can't give us time, because we ask a great deal of time from our trustees, and the way we are organized it is necessary that we get it.

Mr. FORAND. Are your trustees paid for the work they do?

Mr. DOLLARD. They are not, sir. In the first instance Mr. Carnegie himself provided that they be compensated at the rate of \$5,000 a year, but very early in the corporation's history the trustees themselves did away with that compensation, and the question has never been raised since.

Mr. KEELE. How many meetings a year do you have of your board?

Mr. DOLLARD. We have four meetings of the full board normally, one each quarter. We have two standing committees, the executive committee and the finance committee. The executive committee meets on call, but as a matter of practice it meets usually every month in

which the full board does not meet. The finance committee meets every month except August.

Mr. KEELE. And you attend those meetings, I take it, Mr. Dollard?

Mr. DOLLARD. I do. I am *ex officio* on both of them.

Mr. KEELE. How much time do the meetings require on the part of the trustees?

Mr. DOLLARD. I suppose the meetings themselves would not take from the average trustee more than 8 to 10 days a year.

Mr. KEELE. And how much work in addition thereto are the trustees required to do?

Mr. DOLLARD. Well, let me speak first about the work they have to do for the meetings. Our agendas, or dockets, are necessarily fairly involved because we are often asking the trustees in one meeting to approve recommendations running to \$2 million.

Our last agenda, just to take an example—and it is a fairly typical one—ran to 45 pages.

We get the agenda to the trustees the week end before the meeting and we go on the assumption that every trustee has read it, and that proves usually to be a fair assumption, because if we had to repeat in the board room everything that was in the agenda we would never get through with the meeting. So much for the meetings themselves.

There is not a week that passes when I don't see my chairman at least once in his office or mine. There is never a week passes that I don't see the chairman of my finance committee in his office or mine, or the chairman of our executive committee, who is also our counsel, Elihu Root, Jr.

Now, I am also in constant touch with the other trustees because they are a rather gifted and distinguished bunch of fellows, and they are among my most useful informants and judges. I go very frequently to them with problems that we have under consideration in the office, and ask their opinion. Very often ask them to read all the papers and give me a written opinion on them.

I serve on several other boards myself as a trustee. I would say ours is about the hardest-working board I have ever been in contact with. This is one virtue of a small board, that one man, the president, can keep in active touch with each of the other trustees. I think if you had a board of 25 or 30 that might be a little difficult. I don't find it difficult with our present board.

Mr. KEELE. Does not that burden of work, and the amount of time involved, coupled with the fact that no compensation is given the trustees, limit your choice of trustees to men of wealth or at least independent means?

Mr. DOLLARD. Not in my experience, Mr. Keele; it doesn't. Some of our trustees I suppose would be classed as wealthy. Most of them would not be classed as wealthy, and I can say that in my time in the corporation, 15 years, we have never asked a man to become a trustee without his accepting.

I don't think that the critical factor in getting the trustee is the fact that you will or will not compensate him. I think the critical factor is: Are you doing something which he feels to be sufficiently important so that he will give a lot of his time to it?

Mr. KEELE. Of course, he does have to consider the fact as to whether his work or whether his commitments or whether his necessity for earning a living otherwise permit him to do this; doesn't he?

Mr. DOLLARD. Yes; he does. I am just saying in my own experience the fact that we do not compensate our trustees has not limited our choice. After all, the compensation that was originally provided, \$5,000, would not be enough to make a significant difference for a man who is making any kind of an income.

Mr. KEELE. You might get a difference on that.

We observe—or the observation has been made and we observe, too—that in the case of the Carnegie Corp. the great majority of your trustees come from the East, and most of them within a comparatively short distance of New York. Is there any reason for that, Mr. Dollard?

Mr. DOLLARD. A very good reason, Mr. Counsel. As I have indicated, ours is a working board. According to the bylaws, there must be six men on the executive committee and at least six on the finance committee. I occupy one chair in each committee, but that still leaves 10 places to be filled.

Now, those committees meet regularly, and the executive committee has to meet on short notice very often, and therefore it would be very difficult if we had any great number of trustees from away from New York.

We do have, as you may have noticed, one trustee from Washington, one from St. Louis, one from Pittsburgh, and one from up-State New York; so that about two-thirds of our trustees are from the city of New York. I would say, in the very nature of our operation, it is necessary that a majority of our trustees be close to home base.

Mr. KEELE. In your opinion, does that limit the horizon or the experience of your trustees?

Mr. DOLLARD. In my experience, it doesn't a bit. As you know, Mr. Counsel, there are very few native-born New Yorkers. A great many of the men who now live in New York, including myself, were born in other parts of the country, and in my experience there isn't a New York point of view or an eastern point of view that proves to be any kind of biasing factor in our operations. I have checked occasionally on this to see whether it was true.

Mr. KEELE. I think your reports show that you average around 275 or between 250 and 300 grants per year, and have over the last 50 years or so; is that not correct?

Mr. DOLLARD. Yes; that would be a good average, Mr. Keele, but I would like to distinguish between types of grants, if I may. I don't want to interrupt your questioning.

Mr. KEELE. Not at all. We are just trying to get the information.

Mr. DOLLARD. Let me say that we have two kinds of grants. First, the grants actually voted by the board or the executive committee, which include virtually all the sizable grants, over \$10,000.

Then we have many allocations which are made either from a discretionary fund which the president is allowed to allocate and report to the trustees, or from funds that are set up for a particular purpose, with the individual allocations being left to the officers.

The number of grants voted by the board or the executive committee between 1941 and 1951 is actually a little over 800, and the total money voted during those 10 years is about \$42 million plus, so that your average grant comes out to a little better than \$50,000.

Now, let me illustrate what I mean by these grants made at the discretion of the officers, and you stop me if I am going farther than you want.

About 12 years ago we began—

Mr. KEELE. May I interrupt you just a moment, Mr. Dollard. We would like to know—and I think that your answer probably will tie in with the general over-all question I would like to present to you—how your grants originate in the first instance, the method by which proposals are generated, and the manner by which it is determined whether to reject or accept them.

Mr. DOLLARD. Shall I continue with my illustration and then come back?

Mr. KEELE. Go ahead.

Mr. DOLLARD. The illustration I was going to give of the administrative allocations, as I say, goes back about 12 years ago when some of us in the office, including myself, became concerned about the fact that nobody in the universities and colleges seemed to worry about how you provided new leadership; that is, there seemed to be an assumption that, when you needed a new dean or a new president God would provide him.

We thought that probably this was not a good assumption; so we decided to try to do something about it; and the idea we hit on, which was a very informal and not too systematic one, was that as we traveled around the country we would keep our eyes open for young men who seemed to us to have a flair for administration and an interest in it, young men in colleges and universities.

Once having spotted them and having made sure that our own judgment was correct by checking with their colleges, we asked the presidents of those institutions whether they would be willing to give the young men leaves of absence for 2 to 4 months to travel about the country to other educational institutions and see how things were done in other places.

The idea was a simple one—that this would be a broadening experience. It might also deepen the man's interest in administration, and when the time came for him to take larger responsibilities he might be better fitted for them.

Well, now, obviously you can't bring allocations of that size up to a vote of the board, because you are making them week by week. What we have done is to ask the board to give us occasionally a sum, usually \$25,000, from which the officers can make allocations for this purpose.

The allocations are small ones, usually \$1,500, \$2,000, \$2,500. They merely cover the man's expenses while he is traveling.

Mr. SIMPSON. Are the discretionary powers limited to this matter of administrative work?

Mr. DOLLARD. Yes. In fact, Mr. Simpson, we never make discretionary grants over \$10,000. These are reported in detail at the next meeting of the board, and the board has a chance to comment on them; and they frequently do, by the way, to express pleasure or displeasure with what we have done.

Now, may I go back, Mr. Counsel, to your other question about how proposals originate.

Most of the grants we make originate or grow out of proposals that are made to us by people in the colleges and universities or, in some



cases, in the operating agencies. Now, that is a simple statement of fact. It is a little more complex than that.

Our officers are moving around the country all the time, and I am moving around as much as I can. We are talking with what we think to be the best people in education all over the country all the time. Very frequently ideas grow out of those conversations which later result in proposals to us.

Now, the proposals usually come from a university or college. Very often they date back to a conversation we may have had with the man who makes the proposal. When a proposal does come in it usually originates with a conference in the office with one of the officers to explore our interest in the matter.

If we show interest, usually we get a document laying out the proposal, indicating the cost, the term of the grant, very specific information about the end objective, a good deal of information about what persons will be involved in the grant, et cetera, et cetera.

That is always read by at least two officers of the staff, and if it is a big proposal it is frequently read by all the members of the staff, at least six or eight of us. On the basis of that reading, we have a staff discussion of it.

The staff meets every Wednesday afternoon. We devote the whole afternoon to discussion of proposals and policies.

If there is agreement in the staff or if there is at least a majority view that this is worth very careful consideration, I usually detail two members of the staff to go out and visit the university or college where the job is to be done.

Now, if it is a university to which we are constantly making grants and the amount is not large, we might not do that, but normally we send our people out to the institution to which the grant is to be made for an on-the-spot check.

Mr. SIMPSON. I wonder if we might have an example of what such a grant might be.

Mr. KEELE. Why don't you point that out?

Mr. DOLLARD. May I take a recent one, Mr. Simpson, because it is fresh in my mind.

Mr. SIMPSON. Take any one you want.

Mr. DOLLARD. Perhaps I could just finish the circuit here. It won't take me a minute, Mr. Simpson.

After the on-the-spot inspection has been made, we have another staff discussion and it is at this point that we decide whether or not we will recommend the proposal to the trustees. Incidentally, if we don't recommend it, we also report that fact to the trustees.

That is, we put in the agenda a list of the proposals which we have not recommended to them, and any trustee is free to pick an item out of that list and say "Take another look and come back again."

But if we are going to recommend it, at that point the person on the staff who has had most association with the particular project is asked to write the presentation to the trustees. As I indicated before that, this presentation becomes part of a fairly large agenda that we send out before each meeting. We usually have a very full discussion of the proposals which are recommended by the officers in the board meeting, and then the board votes.

I should mention that very frequently—I would say more often than not—in the process of doing this staff study we have almost

inevitably had discussions with some of the trustees, not because we want to fix their position on the thing or be sure of their vote in the meeting but usually because we think they would know something about it which would be useful to us. That takes us through the board meeting.

If the grant is made, then the officers notify the grantee and arrange a schedule of payment.

Now, to go back to Mr. Simpson's question. As I said, I would like to take a recent example and it involves—and this is just fortuitous—a witness who has already appeared before this committee, Dr. Henry Wriston of Brown. I may say I see quite a bit of Dr. Wriston. We are on a couple of committees together, and I see as much of him as I can because he is one of the most intelligent men I know in higher education, and I have a great appreciation of his judgment.

Last spring he and I had a fairly long session about the first two years of college education. Mr. Wriston, as you know, has been in higher education all his life. He has been president of one college and one university, and taught at a third university.

He has been increasingly concerned that the boys and girls come out of high school with a fairly high momentum; that is, they are very interested in the learning process; they are very ready to be stretched and pressed and made to work hard, and that the colleges let them slump in their first year rather than pick up the momentum they already have and get them going faster.

He has been very concerned as to how you could organize the first 2 years of college work to get around this problem, and he came up with what I thought was a very interesting idea for a new series of courses for the freshman and the sophomore year, which were designed to catch the young people's interest, to make them work very hard, but also to make them work with a purpose and a motive, and bring them to their junior year not only better educated but with a bigger head of steam.

Well, I had several discussions of this program with Mr. Wriston. He submitted a long memorandum on it. We discussed it in our office briefly in the spring.

During the summer one of the men worked over similar programs in other liberal-arts colleges to see to what extent this duplicated ideas which were being tried in other places. In October we began a series of staff discussions.

I think we had three, and I think it was the day before the election I went to Providence myself with my colleague, James Perkins, the vice president of the corporation, and we spent an evening and a full day with Mr. Wriston and all of the men who would be involved in this program. When I say "a full day," I mean a full day. It started at 8 and ended at 6.

During that time we had conferred, I think, with perhaps 35 members of the faculty at Brown. When we came back, Mr. Perkins and I made our report to the staff. It was unanimously agreed that we ought to recommend it to the trustees. We did recommend it at our last meeting on November 18, and the trustees accepted the recommendation.

Now, that is a fairly typical grant, Mr. Simpson.

Mr. KEELE. How large a grant was that?

Mr. DOLLARD. A quarter of a million dollars.

Mr. KEELE. And that was given to what group?

Mr. DOLLARD. To Brown University.

Mr. KEELE. It went solely to Brown?

Mr. DOLLARD. Yes. This program involves only Brown. Of course, you are always looking for programs, Mr. Counsel, that, while they may involve only one institution, will produce new ways of doing things, new ideas which can be generalized to other comparable institutions. You are always looking for the idea or the end result which is most generalizable.

Mr. SIMPSON. I think the committee might be interested in this. Some of us have gone to college, we know some things are wrong perhaps. We have children in college now. I think we might be interested in having some line on what new courses you are suggesting to keep the high-school momentum going through the first couple years in college. What was this plan?

Mr. DOLLARD. Well, I will be glad to tell you about it because it is fresh in my mind, Mr. Simpson.

Mr. Wriston's feeling was that in the first 2 years there was a tendency to depend too much on textbooks and not make the students go back to some of the great writings, some of the fundamental work which had been done in the various fields. His idea is a very simple one, that instead of a series of traditional courses built around textbooks written by professors at Brown or in other colleges, that you will have a series of courses in which the students primarily read the great books that have been written in that particular field.

Mr. SIMPSON. What fields?

Mr. DOLLARD. Biology, political economy.

Mr. SIMPSON. What great books?

Mr. DOLLARD. Adam Smith, *The Wealth of the Nations*, for example. As a matter of fact that is one book around which the course is being built.

I think one of Mr. Wriston's strong feelings, which I share incidentally, is that it was an evil day when we separated economics from politics, that is when we got away from the concept of political economy, because economics usually takes place in a state which is a political entity.

Mr. SIMPSON. Are the writings of Marx one of the books?

Mr. DOLLARD. No; it is not.

Mr. SIMPSON. Was that discussed at your staff meeting and turned down perhaps?

Mr. DOLLARD. No; I don't remember that it was discussed at all, Mr. Simpson. I think—and again I shouldn't say what Henry Wriston would think. Let me tell you what I think. I think *Das Kapital* is a pretty muddy book.

Mr. SIMPSON. You think what?

Mr. DOLLARD. That whatever you think of communism, *Das Kapital* is a bad book to try to teach students with, for reasons other than its ideology. It is a confused, muddy book. I haven't read it for 20 years.

Mr. SIMPSON. But you didn't recommend any substitute for that?

Mr. DOLLARD. For *Das Kapital*?

Mr. SIMPSON. Yes.

Mr. DOLLARD. Yes; I don't know whether you would consider *The Wealth of the Nations* a substitute. Again it is a great book about

the problem of organizing a society in political and economic—

Mr. SIMPSON. You know what I am trying to get around to. This is new to me. I am interested in this new method in colleges, and I would like to know whether it would in any sense be deemed too liberal.

That is what the committee is looking into, whether any of your funds could in the ultimate use be directed toward teaching in this instance to perhaps an immature mind what might develop into un-American tendencies.

Mr. DOLLARD. Well, with reference to this program, Mr. Simpson, and for that matter for any other program we have supported, I could answer you without reservation. The answer would be "No."

Mr. SIMPSON. That is the answer I hoped you would give. I thought with the personnel you have involved it would be given. That is one of the things the committee is charged with looking into.

I understood you to say earlier that your Carnegie Corp. of New York made grants principally—I may be wrong here—to the several other commissions.

Mr. DOLLARD. Other Carnegie funds?

Mr. SIMPSON. Yes; the Carnegie Institution, the hero fund, the endowment for—

Mr. DOLLARD. I think I didn't say principally, Mr. Simpson, but if I did, I misspoke. I said we did make grants. As a matter of fact, over the history of the corporation about a third of our total income has gone to those other Carnegie Funds.

Mr. SIMPSON. Do you make the grants to them after you make the investigation or do they make the investigation and request money from you?

Mr. DOLLARD. Well, it works both ways, Mr. Simpson. Let me give you an illustration with the Carnegie Institution of Washington, if I may.

During the war we made a grant of \$5,000,000 to increase their endowment so that they would have more money to do their own work, for which we have a very high regard.

Within the last week we had a proposal from Australia—it wasn't a very large one—for work in the field of astronomy, which is a field about which I know nothing.

We sent that to the institution for a judgment, and they came back with a very good judgment. We in turn recommended the grant, but recommended to our trustees that it be passed through the institution so that they could monitor for us. And that is a fairly common practice.

It works the other way, and again, Mr. Counsel, you cut me off if I get too absorbed in what I am talking about. This is my business. Let me give you an illustration of the other thing, Mr. Simpson.

Dr. Bush has been concerned for some time with this problem of edible algae, that is, how to produce foods from water-borne organisms, and his group at Stanford in the laboratory of plant pathology has done a great deal of work on this problem, and they have finally isolated one water-borne organism called chlorella. Chlorella has certain virtues. It is edible in the first place. It has a high nutritive value. It reproduces itself very rapidly, and it can be grown in places where the soil is not aerable but where you have a fair water supply and good sunlight.

Well, Dr. Bush got the research program to the point where they were sure of their research findings, that is, they knew all they needed to know about chlorella. What they didn't know was whether you could produce this commercially at a high rate of speed and at a fairly reasonable rate of cost.

He suggested to us that we go along with him in building a small pilot plant to test the economics of chlorella, if you will. He said he could put up \$50,000, if we would put up an equal amount. We did. Now that again is a fairly common practice.

Mr. SIMPSON. Thank you.

Mr. O'TOOLE. A little earlier in your discourse you said relative to these proposed courses in Brown University that you were very happy, that the foundation was very happy, to be able to divorce the subject of economics from the subject of politics.

Mr. KEELE. I don't believe that was the statement, Mr. O'Toole. Will you correct that?

Mr. DOLLARD. What I said, Mr. O'Toole, was this, and I was expressing a personal judgment—

Mr. O'TOOLE. When I say "politics" I am not thinking of party politics.

Mr. DOLLARD. I understand. I was expressing a personal judgment that it was an evil day when we separated the disciplines of economics and politics, that I think the old term "political economy" as used by Adam Smith and, by the way, used to a great extent by Keynes, to name a much more recent economist, was a better term. I think it is a little difficult to divorce the problems of economics from the problems of politics.

Mr. O'TOOLE. I don't think it can be done.

Mr. DOLLARD. I don't either. Mr. Chairman, do you want to start me going again? I am self-generative.

Mr. KEELE. Let us have you illustrate for us, if you will, by reference to some of the outstanding achievements of the Carnegie Corp., or shall we say that cluster of Carnegie institutions which have had a tremendous impact on our society.

Mr. DOLLARD. I would be very glad to do that, Mr. Counsel.

Two of the things, two of the programs or ideas which are most commonly associated with the Carnegie name I think, are pensions for college teachers and libraries.

Now to take them in reverse order, Mr. Carnegie himself had a great feeling about public libraries, partly because he got a good deal of his education—and he was a self-taught man, as you know—he got a good deal of his own education in the Pittsburgh Public Library.

So during the course of his lifetime he built—and these figures are rough because he was a very active man and it is not always possible to tell everything he did—approximately 2,811 free public libraries.

His formula for doing that, I think perhaps one of the most interesting philanthropic formulas ever devised, was that he let it be known that any municipality in this country that wanted a library, was willing to provide the ground and was willing to commit itself to appropriate not less than 10 percent of the original cost of the structure, as long as the library stood, for its maintenance, any such

municipality could count on him for a gift for a library, and literally the offer was that wide open.

I have not found in our records any occasion when he declined to build a library if those conditions were met. The corporation has continued that interest in libraries, not by constructing additional library buildings, because the country is pretty well supplied by now, but by trying to improve the profession of librarianship.

We have endowed one library school and we have helped to establish a library school for Negroes at Atlanta University. We have supported a good many experiments in the library field, that is the provision of rural libraries, the creation of regional libraries, et cetera.

Most recently we underwrote a very large study of the public library as a social institution in this country. I would say that perhaps the most important thing that Mr. Carnegie and the Carnegie Corp. have done was the library work, into which as nearly as I can estimate we must have put \$60 million.

The next thing which I suppose one would think of is the whole Carnegie pension plan. I think some of your other witnesses have told you something of the history of that.

Mr. Carnegie himself was not a college man. He was, however, a trustee of Cornell, and during his trusteeship at Cornell he became acutely conscious, and I may say almost horrified, by the way in which the college teachers of that time were treated. They were worked hard all of their lives at very meager salaries, and when they were too old to teach, they were put out without any provision at all for their support.

Mr. Carnegie made up his mind that this was a bad thing and that he would do something about it. That was his chief purpose in establishing the Carnegie Foundation for the Advancement of Teaching, which was established in 1905.

As I have said earlier and as other witnesses have told you, the endowment which he provided for that pension system proved wholly inadequate, and in spite of the fact that we have put—by “we” I mean the Carnegie Corp.—about \$50 million into pensions to make good on the early Carnegie pension and to provide the Teachers’ Insurance and Annuity Association with enough capital to operate, in spite of this fact the pension list had to be closed in 1915. It wasn’t closed entirely tightly, so a few people were added up to 1928, but after 1928 there were no more Carnegie free pensions granted.

Now I think it probably would seem a little boastful for me to say all the things I think about what happened as a result of this really magnificent idea. I think it really paved the way for the whole concept of annuity and retirement provision for teachers throughout this country, including the State retirement systems which are now common in almost every State.

I think Henry Wriston said before this group that the only way—I must confess, Mr. Counsel, I have read your record very carefully—you could set up a pension system in this country for teachers was by starting the wrong way, and there is a great deal of truth in that, because it would have been impossible for Mr. Carnegie to create an endowment and Mr. Carnegie was a very wealthy man, it would have been impossible to create an endowment sufficiently large to pension all teachers, but by creating an endowment which was large enough to start the process, other ways were found to continue it.

I often wish I could think of as good an idea as that one just once. I would consider my career as a philanthropoid a very successful one. Incidentally, that word "philanthropoid" is a common one in the trade. It is used to distinguish between a man like myself who gives away somebody else's money and a man who gives away his own money. One is a philanthropist and the other is a philanthropoid.

Mr. O'TOOLE. I would be willing to be the recipient of either. [Laughter.]

Mr. KEELE. What were some of the results, though, of that besides the establishing of an annuity plan? I mean, what was the result or effect upon establishing standards of instruction and levels of education within colleges and universities?

Mr. DOLLARD. Well, Mr. Counsel, we are talking about 1905, and remember that the terms of Mr. Carnegie's bequest to the Carnegie Foundation provided that these pensions would be provided to college and university teachers, superannuated college and university teachers.

The president of the Carnegie Foundation at that time was Dr. Henry Pritchett, who had come to the foundation from the presidency of the Massachusetts Institute of Technology, and the first thing Dr. Pritchett discovered was that there was no definition of the word "college." It was possible, I may say with regret it still is possible, for any reputable man to go to a State legislature and get a charter to found a college.

The result was that there were operating throughout the country—and this was not peculiar to any one region—a great many institutions which gave the baccalaureate degree and in some cases advanced degrees, which were pretty shoddy institutions.

Dr. Pritchett felt that he had to get some definition of what a college was, and so he accepted—and by the way, he didn't create, and this is clear in the record—what became known as the unit system for admission to colleges.

This was a system that had been evolved by some of the good colleges with the help of the college entrance examination board, and the system was a simple one. It provided that no student might be admitted to a college who had not completed 16 units or 4 years of high school.

Now, when I say that no student could be admitted, that is not entirely true. There were always exceptions to the rule, but that was the general rule.

The other provision that Mr. Carnegie made in his bequest was that pensions would not go to schools which were wholly under the control of a single religious sect. It did not say, and it was very careful not to say, because Mr. Carnegie himself was a religious man, that they would not go to schools in which there was any religious influence.

The bequest merely said that it would not go to colleges and universities which were by law under the control of a single sect. Well, that necessarily involved some readjustments in the boards of many colleges which wanted to get on the pension rolls, and there was some uproar from some of those colleges.

I have read that record pretty carefully. One of the most amusing things in it is that when Mr. Pritchett himself in one of his reports suggested that the so-called unit system had gone a little too far, that is, people were putting too much reliance on it—and by that time, incidentally, it had become known as the Carnegie unit—when he sug-

gested that that had gone a little too far and perhaps the rule should be relaxed, there was a great protest from college presidents in many parts of the country who said, in effect, "This is the first time we have ever had any firm backing from an outside agency to improve our institutions, and for heaven's sakes, don't retreat from your position."

My own judgment is that, on the whole, the effects of both those provisions were quite salutary in the long run.

Mr. KEELE. Now, we have heard here from various witnesses of the Abraham Flexner Report on Medical Education. That was financed, as I recall it, by Carnegie Endowment for Advancement of Teaching. Is that correct?

Mr. DOLLARD. The Carnegie Foundation for the Advancement of Teaching, Mr. Keele.

Mr. KEELE. All right. And the effect of that was also of tremendous importance; was it not?

Mr. DOLLARD. I would say very great importance. There are several interesting things about that report.

While Abraham Flexner is always referred to as Dr. Flexner, as a matter of fact he is not an M. D. He is a younger brother of a very distinguished M. D., Simon Flexner, who was the first head of the Rockefeller Institute for Medical Research. Abraham Flexner came to the attention of Henry Pritchett, who was concerned about the quality of medical education in this country. Pritchett sent for him, and I have the story from Mr. Flexner himself, who happens to have an office in the same building in which we have our offices. Mr. Pritchett sent for him and asked him if he would do a study of medical education.

Mr. Flexner protested that he was not a doctor, and Dr. Pritchett said, "That is exactly why I want you to do it."

At the time—1910—that Mr. Flexner made this study, there were, as I remember, a few more than 500 institutions in this country which called themselves medical schools. Virtually all of them were proprietary schools; that is, they were run by doctors for profit.

Mr. Flexner made his report. Incidentally, he followed an unusual procedure in making the report, which he has told me about. Every time he returned from a medical school which he had visited—and he visited every school referred to in his report—he would sit down and write an account of what he saw, what he was told, and his judgment about the enterprise.

He would then send this to the man who was running the school—the dean, director, or what not—and say, "Will you please correct any errors of fact and return this to me?" Well, needless to say, he got very few corrections because he didn't make many mistakes. What did happen was that about 50 of the schools closed before the report ever got out, and a great many of them closed later.

Now, to give you some comparison of medical education then and now, my recollection is that at the moment there are about 77 class A medical schools in this country, although our population has more than doubled since Flexner did his report. There are 77 class A schools compared to more than 500 that existed in 1910.

Incidentally, and this is perhaps not important, the remedial work which was done as a result of the Flexner report—that is, the upgrading of medical education, the relating of medical schools to universities, which was a most significant thing—was not done by any



of the Carnegie groups. It was doing chiefly by the Rockefeller Foundation and the General Education Board.

They were the first among the foundations other than the Carnegie group to recognize the importance of this report. They appointed Mr. Flexner to their staff, and it was he who was largely responsible for the first great Rockefeller benefactions to medical education.

Mr. KEELE. They appointed Mr. Abraham Flexner?

Mr. DOLLARD. That's right, sir. Simon Flexner later was appointed director of the Rockefeller Institute for Medical Research which, as you know, Mr. Counsel, is a separate corporation also founded by John D. Rockefeller, but quite distinct from the Rockefeller Foundation. It has its own endowment, its own plant.

Mr. KEELE. Now, you have indicated that there was considerable uproar at the time the pension plan was instituted because of some of the conditions imposed or required.

Was there not considerable uproar in the country generally when the Flexner report came out, which resulted directly or indirectly in the closing of some 400 medical schools?

Mr. DOLLARD. Of course, I was just starting into kindergarten that year.

Mr. KEELE. I quite understand, but I assume you know from the records and from your contacts with men like Flexner and other "philanthropoids."

Mr. DOLLARD. As a matter of fact, I don't think the uproar on the Flexner report was too great because the best men in medical education and in medicine knew that what Abraham Flexner said was too true; and, while I am sure there were a lot of people that hated his name and always will to the end of time, I don't recall from reading the record that there were any very bitter attacks on this, or any great protest.

For one thing, it has been my experience that when you disclose a situation of this kind publicly and do it not with allegations but with facts and figures which cannot be contested or negated, the public itself will see to the rest.

Mr. KEELE. What I am leading up to is this: To what extent does widespread criticism or criticism that may not be so widespread, or the possibility of criticism, influence you and your board in making grants?

Mr. DOLLARD. Now, may I take that question in two parts?

Mr. KEELE. Any way you choose.

Mr. DOLLARD. First, how does it influence me and the other officers. I think that is a question that we never worry very much about. We have our own endowment. While we are concerned with public opinion and public judgments, criticism doesn't destroy us; it doesn't put us out of business. We can take fair and honest criticism if we think we are right; so, I can't remember any instance since I have been an officer of the corporation where anybody said, "Let's not do it because we will be criticized."

Now, as to the board I think it would be even less true of the board. These trustees are serving, as I have indicated, without compensation. They are serving because they believe in what we do. They are not timid men.

If they were, they couldn't have gotten where they are, and I can't recall any instance nor can I foresee any instance in which our board

would decline to do what it thought was the right thing to do because they would be criticized for it.

Mr. KEELE. Now, to whom, if anyone, do the trustees consider themselves accountable?

Mr. DOLLARD. Mr. Counsel, we consider that we are operating a public trust. We exist or we operate by virtue of two facts.

One, that Mr. Carnegie gave us the endowment in the first instance and, second, that the State of New York and the people of the United States allow us to operate without taxation, and I think that in return for that tax exemption there is established a clear public interest in what we are doing. So, we feel that our bosses are the American people at large.

Mr. KEELE. Then, wouldn't it follow that if you embarked on a course which aroused sufficient criticism you would be acting contrary to those people or to the people to whom you are accountable?

Mr. DOLLARD. I am not sure I follow that, Mr. Counsel. Would you repeat it.

Mr. KEELE. I am saying that if you consider that the foundation, the corporation, is accountable to the American people, and if you embarked on a course with which they were not sympathetic or to which they had objection, you would be acting contrary to the people to whom you are accountable; would you not?

Mr. DOLLARD. Well, that is a problem that has never arisen, and I doubt that it would.

I have a great confidence in the good sense of the American people as long as you explain to them what you are trying to do, and I have a pretty strong feeling that anything our trustees elected to do, after due reflection, anything they conceived to be in the public interest, would be apt to win the approval of the American people, and that, in fact, has been the case.

Mr. KEELE. So that you are thinking really of the American people and not, shall we say, organized pressure groups?

Mr. DOLLARD. That's right.

Mr. KEELE. If I understand the import of what you have said, you would not yield to the social pressures of an organized pressure group. You feel it would be impossible practically to go contrary to the feeling of the people generally in the country?

Mr. DOLLARD. That is quite right. As a matter of fact, the pressure-group problem doesn't come up in very real form. Never in my memory have we been put under strong pressure to do something by a particular-interest group.

I don't think it would do any good to try to pressure our trustees, anyway. They are pretty independent fellows. Nor in my memory have we ever been severely criticized by an interest or pressure group for anything we did do.

But the reason in the long run that we would bow to the judgment of the American people as a whole is a very simple reason. Any time they decided that we were not operating in the public interest they could through their elected representatives withdraw our exemption, and the story would be told.

Mr. KEELE. And that is exactly the position that John D. Rockefeller, Jr., took I believe at the time of the hearings in the Walsh committee.

Mr. DOLLARD. Exactly.

Mr. KEELE. That, if corrective measures were needed, they could be applied at any time.

Mr. DOLLARD. That's right. I was a little amused, I must confess, at one of your witnesses earlier in this proceeding who went back to the time of Hammurabi to prove that a legislature had the right to legislate. He developed at great length the theory that elected representatives of the people could enact legislation which would govern the operation of a tax-exempt organization.

Well that seems to me, if I may say so, to be belaboring the obvious. The question is not the right of a legislature to legislate, but the wisdom with which it does it.

I think it should be stipulated in the record that the legislature, including and especially the Congress of the United States, has an inherent right to enact any legislation which they feel to be in the public interest affecting foundations or anyone else. The question which I hope we will come to later, Mr. Counsel, is the wisdom of the legislation you enact.

Mr. KEELE. Of course, the Supreme Court has said in some instances there were limitations upon that power.

It has been suggested to the staff, though it has not been said from the witness chair in these hearings, that no foundation today would dare to present a report, let us say, on education which was as sweeping in its effect as the Flexner report, even if it were possible to present such a report. Will you comment on that?

Mr. DOLLARD. All I can say, Mr. Keele, is that my knowledge is pretty much limited to the large foundations which are organized as we are organized with a professional staff, where the donor is not an active figure in the picture, either being dead or having voluntarily withdrawn.

All I can say is that I don't believe that is true. I think there is just as much boldness in the foundations as there ever was. I think that if it was indicated to do a study like the Flexner study and publish it, I could think of half a dozen foundations that would be quite ready to do it.

Now, I may say on this point that there is a tendency among people outside foundations to confuse timidity and skepticism. We are very often asked to do things which indeed would be very bold but which in our judgment would be neither very wise nor very effective—that is, the end result would not justify the investment—and these things we do not do. Boldness for the sake of boldness has never recommended itself to me.

Mr. KEELE. That is only one of the factors I take it that should enter into the decisions of a foundation: What projects it will back and those it will not; but it is an element—is it not?—to be considered.

Mr. DOLLARD. You mean the question of the reaction to what you do?

Mr. KEELE. No. I am thinking of the fact that it is bold in the sense that it is brave, shall we say, or new or novel, and coupled with that statement I come to the function of foundations in modern-day society, and I would like you to describe what you conceive to be their function.

Mr. DOLLARD. Well, I think we said in our answers to your questionnaire, Mr. Counsel, that our general conception of the role of a

foundation was to improve the whole tone of the society in which it operated; that is, to make the society healthier, wiser, saner, better informed about any area of knowledge or human problems which was important to the society as a whole.

I think, if you look back over our history, you can derive that definition from what we have done. At any given time I think we have tried to use our income for that purpose.

Mr. KEELE. Yes; but how do you implement that? Any deed that is done by an individual or group or organization, I should think, which is kindly or generous, intelligent in any way, tends to improve to that extent, as small as it may be, the general level of civilization; but how do you implement it?

I mean by that—and what we are getting at is this question of risk capital that has been used so much—do you try to select pivotal points at which to exert the pressure, or just how do you go about that in your judgment?

Mr. DOLLARD. Exactly. The phrase “pivotal points” is a very good one. We use a phrase almost equivalent in our office. We are always looking for leverage. We are always looking for the place where you will get the maximum impact with a given amount of money.

If you would like, I think I could illustrate that by running through some of the considerations that led us in 1945 to lay out the outlines of a new program.

Mr. KEELE. All right; I think that would be interesting to hear.

Mr. DOLLARD. First, let me say that from 1942 to 1945 during the period of the war, the corporation was relatively inactive. The universities were almost entirely engaged either in defense research or in training for the military services. Our staff was almost entirely away on military leave.

There was virtually no one in our office except people to keep the records and to do the necessary routine operations of the corporation.

When we came back in 1945 we had a new president who had been elected in July 1945, Mr. Josephs.

We added to the staff one man who is now a vice president, who had been an officer in the Marines and assigned to OSS. The man who is now running our British Dominions and Colonies Fund had been head of one of the most important sections of OSS, which I am not even allowed to mention. The young woman who is now our associate secretary had been an officer in the Marines. Virtually everybody on the staff had been engaged in war service of some kind. I say this because it is important.

We came back, all of us, with a background of war experience and with a sense of the conditions and the new problems which the second war would produce for this country. In a long series of staff discussions which went on for the better part of a year, we evolved four basic problems on which we agreed that we would work.

The first of these was that we would do everything we could to help the American people learn more about the rest of the world. That is, we didn't have any particular thing we wanted to teach them about the rest of the world. We simply had the conviction that in the world into which we were emerging after the Second World War it was immensely important that American citizens generally be better informed about other areas of the world.

Many of our programs and many of our grants which have been made since the war are responsive to that feeling that there was a need for a greater understanding and knowledge in this country about other parts of the world.

Now I don't mean merely widely diffused knowledge such as you get out of good journals, newspapers, or what not. I mean such things as having an adequate number of people who commanded the languages of other countries, an adequate number of historians who knew the history of other countries, an adequate number of geographers who were really well versed in the geography of the whole world, an adequate number of social scientists who had some understanding of the culture and the behavior and the societies that we would have to deal with in the future.

The second thing that we agreed on was that we would do everything we could to advance the social sciences, not as ends in themselves but as tools which would be useful in understanding this new world into which we were emerging.

The third thing we agreed on was that it would be most helpful if we could find ways and means of bridging the gap between education and business and between education and Government and between business and Government, because these gaps seemed to us, and still seem, to be unreal. They shouldn't be there. Education should be immediately related to all the other important elements of our society.

The fourth thing that we agreed on was not by any means novel. It is what the corporation has worked on since the beginning of its existence, and that is that we would do everything we could to improve higher education, and indeed education generally in this country, in the belief that in the long run the country which had the best system of education would be the best country.

That is not a very original idea. You can go back and find it in Mr. Jefferson's writings. But it is something that we felt was especially important after the war. Now I could give you examples if you want them, Mr. Keele, of what we did.

Mr. KEELE. I would like to hear them.

Mr. DOLLARD. Under the first point, that is the problem of creating more knowledge about the rest of the world and increasing our supply of technicians, if you will, who were competent about the rest of the world, we launched a program of what we call area studies. By area studies we mean a very simple thing: A unit in a good university which is engaged primarily in studying some other country than the United States, or some other area other than the United States.

And by "studying the area" we mean teaching the language, doing research on the culture, the geography, the economics, the politics, giving undergraduate instruction where that is appropriate, but even more important, turning out graduate students who are competent in these fields.

If you have looked over our reports, you will know that we established or helped to establish—we provided the money, the universities provided the brains and the initiative—perhaps a dozen such area institutes throughout the country. If you would like some examples, I will be glad to give them to you.

For instance at Michigan there is an area study program on Japan under Robert Hall, the geographer who I think probably knows as much about modern Japan as any man in the country.

At the University of Washington we have a program on the Far East, the so-called Far Eastern Institute, under George Taylor, who is a historian.

We had a program on Latin America that included four universities in the South. It was a cooperative program, Texas, Tulane, Vanderbilt, and North Carolina. The largest of the programs is the Russian Research Center at Harvard University which we helped to get under way in 1948.

We also made three other grants for Russian studies because, as you may remember, we were particularly lacking in any facilities for the study of Russia in this country. We made grants to Columbia University when General Eisenhower was president of that institution, for their program in Russian studies. We made a grant to Dartmouth College for an experimental undergraduate program in Russian studies, and a grant to Bryn Mawr, Haverford, and Swarthmore, that physically related group of Pennsylvania colleges in the suburbs of Philadelphia, for a joint program chiefly in Russian history.

Mr. FORAND. Would you elaborate a little more on this Russian angle, because that seems to be the sore spot of the comments we hear about the country as we travel around, there is too much Russian connection with our institutions, subversives and so forth. I think it would be well if you would expand on that somewhat.

Mr. DOLLARD. Mr. Forand, may I be vain enough to read a very brief excerpt from one of my reports in which we announced this program. I think that might be the simplest way. This is from my annual report for 1949:

For almost 175 years the United States has made its way in a world continuously dominated by one or a combination of the western European states from which it largely drew its varied immigrant population and from which it inherited most of its traditions and customs.

In the aftermath of the Second World War, we find ourselves face to face with a new world power which has its roots in a culture vastly different from ours. Whether we are to live in peace with Russia, as we profoundly hope, or in strife, it is of the utmost importance that we achieve systematic and full understanding of Russian culture and history and of the habits, beliefs, motivations, fears, and loyalties of the Russian people. Without such understanding, our best efforts either to create a stable world, or to defend our own freedom may be futile.

I wrote that in 1948. I don't think I could improve on it, Mr. Forand, as a rationale of our own interest in Russian studies. I think it has been improved on though.

A year later, I think it was, General Eisenhower was inducted as president of Columbia University, and in his inaugural speech he made a statement discriminating between teaching communism and studying Russia as a phenomenon, with which we would have to live for the next hundred years at least. He made a statement discriminating those two, which was shorter and better than my own, and I wish I had it here to read to this committee.

The distinction in my mind is quite clear. If you are going to combat an enemy intelligently and aggressively, you have got to know all you can about him.

Mr. FORAND. Naturally in your mind and in the minds of most educated people that may be the true understanding, but I think you will agree with me that the average run-of-the-mill citizen, the minute you mention Russia thinks of communism, and that is the reason why I asked you to elaborate on it, so as to try to clarify that point.

Mr. DOLLARD. Yes, I understand, Mr. Forand. I just want to be sure I have clarified it for you. If I haven't, I will try again.

Mr. FORAND. Suppose you give us a little more detailed explanation of what these projects actually are. Break them down a little bit.

Mr. DOLLARD. Yes, I will be glad to do that. Now let me take first the Harvard one, which is the largest.

At Harvard you have a group called the Russian Research Center, which is a part of the graduate school. It operates under the direct jurisdiction of the Provost of the university.

The Russian Research Center has a committee which is in general charge of its program, which includes—and I can't give you all the names—the director of the center, Clyde Kluckhohn who is professor of anthropology, Edward Mason, professor of economics and dean of the Littauer School of Public Administration, and Professor Karovich who is one of their distinguished Russian historians.

The Harvard program is a double-barreled one. They are interested (a) in doing the most useful possible studies about what is going on in Russia, and what has gone on in Russia in the last 50 years, with the idea, as I have said before, that the more we know about contemporary Russia or the way in which the present Russian state has evolved, the better off we will be.

The second part of the program has to do with training. They are trying to train graduate students—and this is wholly a graduate program at Harvard—train them to competence in the Russian language so that they can teach Russian, train them to competence in what may be called the sociology of the Russian state, the economics of the Russian state, the political structure and the behavior of the Russian people.

Now where do these people go that are trained? Well, they go to a variety of places. They go to the liberal-arts colleges, which are in increasing numbers teaching Russian as a foreign language. They go to the State Department, they go to the Department of Commerce, they go to various of the armed services which are in increasing need of men who are competent about Russia, and of course many of them go into research and graduate teaching.

Now I speak with less familiarity about the Columbia program, which is called the Russian Institute, because our grants there have been smaller grants. The chief support there has come from another foundation, and what we have tried to help insure particularly is that they get the best graduate students.

In other words, we have given them fellowship money. The Columbia program is to a much greater extent a training program rather than a research program. They do some research and some excellent research, but the main focus of their attention there is a 2-year graduate program for able college graduates who wish to become competent in some phase of Russian culture, Russian history, or what not.

Now the distinction between teaching about Russia or learning about Russia and teaching or advocating communism is such a clear one in my mind and so clear in these programs that we have set up that I don't think there is any question about it.

Mr. FORAND. Well, there must be a great deal of misunderstanding among the people on that very question, because every so often we hear

or read about there being a nest of communism in Harvard and a nest of communism in Columbia, which no doubt originates in the thought that in these Russian projects—that may not be a good term for it, but I am sure you understand what I mean——

Mr. DOLLARD. A very good term.

Mr. FORAND. The possibilities of communistic propaganda so well exist that that may be the real cause for the people misunderstanding what you so clearly make out for us here.

Mr. DOLLARD. Well, Mr. Forand, I think where we are culpable is that we do a bad job of communicating what we are trying to do. I think we owe it to the public to do a better job of explaining.

Now we really sweat blood to do that in our annual reports. I have come to the conclusion, and my trustees agree with me, that we aren't doing enough, so beginning in January we are getting out a quarterly report, and we are going to send it to everybody where there is the faintest hope that he might read it, just to get better understanding of what foundations are trying to do.

I think we are culpable not in what we are doing, but that we have failed to do as good a job of communicating what we are doing to the people at large.

Mr. FORAND. The main purpose of your foundation is to broaden education.

Mr. DOLLARD. Exactly.

Mr. FORAND. That is one good place where you should apply that, I believe.

Mr. DOLLARD. Exactly. I couldn't agree you more, and we are going to try to do that in this quarterly report.

Mr. KEELE. To what extent, if any, is there a danger of those who are studying Russia—and they must, I assume, study communism in connection therewith—being persuaded to the communistic way of thinking?

Mr. DOLLARD. Mr. Keele, let me use an analogy that I am sure isn't original. Over the years the foundations have done a good deal in studying infectious diseases, yellow fever, bubonic plague, in all parts of the world. I suppose we have never underwritten a program, no foundation has ever underwritten a program of that kind, without running the risk that some of the people who were doing the studies in the field would become infected with the disease.

There is an analogous risk here. In my judgment, it is a much smaller risk, but there is an analogous risk that if you are going to study communism, you may someday find a student who studies it who passes over the line. Now let me repeat, I think this is not a serious risk, but it would be ridiculous to say that it isn't there.

Mr. KEELE. It is a calculated risk, in other words?

Mr. DOLLARD. Exactly, and you do it for the same reason that you take it with yellow fever. I think that one of the ways, one of the essential ways, by which we fight the Russians, is to know more about them.

Mr. KEELE. You have told us, and a number of witnesses have told us here, of the laudable things that have been done by the foundations. Now as a philanthropoid of some experience, we would like to have your criticisms of foundations, not only your own but of foundations generally.

I recognize that in your report you said—when I say “report” I mean your answer to the questionnaire—the only informed conten-



tions to the contrary have come chiefly from retired foundation officers, and I recognize you are not a retired foundation officer, but I would like to hear such criticisms rather as you may have to offer.

Mr. DOLLARD. Mr. Counsel, I suppose the first criticism you would make is that foundations don't get enough criticism, and I am not trying to be facetious. There is an old saying in our trade that nobody shoots Santa Claus. Since everybody lives in lively anticipation of the possibility that they will get some of your money, they are very loath to criticize you.

One way to get around that—and I will get back to your point in a minute. I might say, by the way, this inhibition does not extend to my trustees. They have no inhibitions in the use of their critical faculties. They exercise them very vigorously, chiefly on me.

One way we get around this is to hire people to criticize us. Last year we brought in about a dozen different men to work through some of our major programs and give us written criticisms on the programs and suggestions for their improvement. It was a very rewarding experience on the whole. These fellows had a motive for really being critical because we were paying them to do it.

The only other criticism I would make of foundations I think—this is the only major criticism—was the one implied in the exchange I had earlier with Mr. Forand, that they do not have the time or the patience or the imagination to tell the public enough about what they are doing. I think most of the criticism which has been generated about foundations goes back in almost every instance, to a simple lack of information as to what they are doing.

Mr. KEELE. I am sure, because we have talked about it, you know and are familiar with the criticisms Mr. Embree made in his article, which has been presented here and is in the record, which appeared in Harper's in 1949. I think the gist of that was the fact that foundations were too timid. What have you to say with reference to that criticism, Mr. Dollard?

Mr. DOLLARD. I have no sense, Mr. Counsel, that we in the Carnegie Corp. have been timid in the last 15 years. Let me say parenthetically if there is any timidity in the foundations, I know it has to be in the officers. The trustees are not timid people, and they do not inhibit the officers from being as bold and imaginative as their intelligence and their spirits will allow them to be. I hope, by the way, Mr. Counsel, you will put the whole Embree article in the record.

Mr. KEELE. It is in.

Mr. DOLLARD. Because there are portions of it, while the tone of it is critical, which salute some of us who are trying to be a little bold.

Mr. KEELE. And specifically you, Mr. Dollard.

Mr. DOLLARD. I couldn't say that, but I am very grateful to you for saying it, Mr. Counsel. I think the program—and this is getting back to the point I was just discussing with Mr. Forand—in Russian studies at Harvard is a bold program. I think it is a calculated risk and believe me we calculated it carefully. We were working on that program with Harvard for 18 months before we ever put a penny into it, and there were many problems that we had to iron out on it.

In the last 3 years we have also helped to set up—and in this case we took a fairly active part in addition to providing the money—the National Commission for the Public Schools, which is a body of dis-

tinguished citizens which has as its sole purpose the reawakening of American interests in its own public schools.

You will remember, I am sure, that historically public schools have been the responsibility of the local community. That has been one of the basic principles in American education, that each community would control its own schools within very broad limits.

This commission, I think, has done a great deal to awaken citizen interest in public education. When it started 3 years ago, there were perhaps a hundred committees, citizen committees, in this country, all over the country, a hundred citizen committees that were worried about the public school. Now there are 1,800, and these are not paper committees. They are committees which are in active touch with the National Commission for the Public Schools. I think the net result is that what might have been a very bad crisis in American public education will be ridden over without any grave effects.

MR. KEELE. To what extent do you think Embree's statement that foundations suffer from the occupational disease of traditionalism, what we might call ossification, is correct?

MR. DOLLARD. Well, I should say, Mr. Counsel, that I have argued this with Edwin Embree, too, because he was my very good friend and my acquaintance with him went back to the days when he was in the Rockefeller Foundation. I don't think that was a justified criticism.

I would have made another one, which he didn't make, which is that in the early days of a foundation you have a terrific tendency to play God. You think that money can do everything, and that if you have enough money and put it in the right place, all your problems will be solved.

As one is in foundation work a little longer, you develop more humility about what money can do, and more skepticism about your own ability to use it wisely, and those are both very useful attributes in a foundation executive, in my judgment; that is, both a reasonable skepticism and a real humility.

I remember a conversation with Edwin Embree which I think shocked him a little bit, and I said exactly what I meant. I said that I thought a foundation executive should be endlessly idealistic about ends and objectives, and increasingly skeptical about means.

I didn't say cynical, I said skeptical, and I think the more you are in foundation work, the more you realize that you have to have, as Frederick Keppel said, a conjunction of the stars to achieve the great things in philanthropy.

And by a conjunction of the stars, I mean you have to have the foundation's money plus the brains and the spirit and the courage of a good man or many good men, plus a timing which must be impeccably good. Incidentally, that is what you had in the Flexner report.

MR. KEELE. I was going to ask if you would repeat here, because we have talked so much about the Flexner report, Simon Flexner's statement with reference to that Flexner report which you have told me.

MR. DOLLARD. I think that was Mr. Josephs' story, Mr. Keele, and I am sorry that I can't remember the extraordinarily good figure that Simon Flexner—wasn't it a—?

MR. KEELE. Concatenation of events.

MR. DOLLARD. That's right. I think it means the same thing as conjunction of the stars.

Another thing that Embree hit us all on was what he called scatteration. His argument was that, in the main, only your big grants are important.

As I read that piece of Edwin Embree's, I remembered what our total investment in the Flexner study was. It was a little less than \$10,000. Now the very study which is remembered as the great, bold, imaginative study that had maximum leverage was accomplished by one of the scatteration grants, one of the small grants.

The same thing could be said of insulin. I don't know whether you know the history of the development of that drug. It was developed at Toronto by a doctor named Banting. Our investment in that was \$9,000.

Now we were not the only foundation to invest nor were we the first one, but out of that \$9,000 plus some other foundation money came a specific for diabetes, the difference between diabetics living and dying, literally.

One thing you learn, Mr. Keele, after you have been in the foundation business for a while, is that there is no relationship between the size of a grant and its value. The real relationship is between your judgment in picking the right people, the right institution, and the right time to do what you are trying to do.

Mr. KEELE. Well, scatteration giving has been criticized from the time of Frederick Gates on, has it not?

Mr. DOLLARD. Indeed it has.

Mr. KEELE. He is the first of whom I have read anyway who made comment on that. An analysis of your grants indicates that in 1939 out of 341 grants made, 156 of them were for less than \$5,000. That percentage, rough percentage, has been followed to some extent.

In 1940 out of 218, 90 were under \$5,000. And in 1941 out of 221, 103 were under \$5,000.

If we come down—I could go through it by years, but if we come down—to the more recent years, in 1951 out of 178, there were only 31 under \$5,000. The preceding year of 1950 out of 167 there were only 24 under \$5,000. For '49 out of 160 only 26, and out of 148 in 1948, only 23, so that the percentage is smaller.

I wondered if you would comment on the fact that percentagewise your gifts under \$5,000 in recent years have been much smaller than in the earlier years.

Mr. DOLLARD. I would be glad to comment, Mr. Counsel. There are two facts to consider.

One is a deliberate attempt on our part to reduce the number of small grants, because having disposed of Edwin Embree's argument, I want to admit that there is some merit in it, that you can get scatteritis, and dissipate not only your funds but your energies. We deliberately tried to reduce the number of small grants.

The other thing I would have to say is in those earlier years which you analyzed, we were carrying on a program, one of our more interesting programs, of distributing sets of records and phonographs to colleges to increase interest in good music, and sets of paintings, reproductions, sketches, etchings, and what not, to form a good nucleus for the teaching of courses of fine arts, which were almost neglected prior to Frederick Keppel's time. So, of however many small grants there were in those earlier years, at least two-thirds of

them were accounted for by the fact that we gave art or music sets to certain schools.

Now, the way to look at this program in my judgment is not as 50 small grants to as many institutions, but as a total program which in fact ran to over \$1,000,000 over a period of years. The program was conceived as a unit.

Mr. FORAND. Right there I would like to ask Mr. Dollard relative to these small grants, are all of those made through institutions or made to individuals?

Mr. DOLLARD. Well, we have done it both ways, Mr. Forand. As a matter of fact my first job in the corporation was to handle a program of grants to individuals, which I did from 1938 to 1942. It was not as far as we were concerned a successful program.

If you are going to make grants to individuals, you have, in my judgment, to staff up to a much greater extent than if you are making institutional grants, because though it may sound absurd, it takes more careful study, more careful investigation to make a grant of \$5,000 to one individual than it does to give a grant of a half million to a well-established university, because in one case you have got to get all of your facts yourself, in the other case the facts are very readily available, and indeed, you will start with a good deal of knowledge about the institution.

Mr. FORAND. And do you follow through to see to it that the money that is allocated for a given project is used for that project?

Mr. DOLLARD. Indeed we do. We get annual reports on all our grants. I think I spend more time with the people who have gotten grants from us than I do with people who expect grants.

That wouldn't be true of all my colleagues. For many of them it would be the reverse. This would be true whether I wanted it this way or not, because when you give a grant to an institution or to a professor or a department, in a sense you go in partnership with them in the sense that they expect you, as long as the work runs, to be concerned about what they are doing, and indeed you should be. I would say two-thirds of my callers are people who already have grants.

Mr. FORAND. Have you found instances where the funds were dissipated for something other than for the particular project that they were intended?

Mr. DOLLARD. I wouldn't say—yes, we have had some instances of that kind, Mr. Forand, not very many. We found other instances in which the promise we saw when we made the grant wasn't fulfilled, frankly.

Mr. FORAND. And how do you handle cases of that type?

Mr. DOLLARD. You just don't renew the grant. If you have evidence that they are not using the money for the purpose you gave it to them, you take it back.

Mr. FORAND. If you can.

Mr. DOLLARD. I think if your evidence was clear, Mr. Forand, you could do it.

Mr. FORAND. You think you can do it?

Mr. DOLLARD. Yes, I think you could.

Mr. FORAND. Thank you.

Mr. DOLLARD. I am not giving you a legal opinion, Mr. Forand, because I am not a lawyer, but I am giving you a reflective opinion.

Mr. FORAND. Well, I am not a lawyer either, although I have been writing laws for 30 years.

Mr. KEELE. I note too in an analysis of your grants, Mr. Dollard, that whereas in the years 1939 to 1947, both inclusive, there was only one grant over \$500,000, that for the years '48 to '51, both inclusive, there have been at least and in some instances two grants per year of over half a million dollars, though none of them over a million.

Mr. DOLLARD. Again I would say that is quite deliberate, Mr. Counsel. We have been looking for larger programs, ones which would have more depth, more impact.

There is also a fortuitous element in that. Often you will work on a program for a long time before you see the opportunity to make the grant, and if you would give me a minute I would give you an illustration of that. It is the Midwest Deposit Library at Chicago.

Let me say briefly what this is. Every library has a problem of what to do with its duplicates, with its serials, say, the statutes of the 48 States, things that may be needed once every 5 years but when you do need them, a scholar feels very badly if he doesn't have access to them.

Well, many years ago the librarians came up with the idea that libraries which were in a given area might join forces to solve this problem by creating a central deposit library to which they would ship their duplicates, their serials, their little-used books.

This is an idea that has always interested us, and for a very simple reason. One university whose budget I have studied recently, Harvard University, spends \$1,000,000 a year on its library. Now that is more than the budget of some colleges, \$1,000,000 a year. So we have been interested for years in the concept of the deposit library.

As a matter of fact, the first entry in our file on this is on a conversation that took place in Grand Central Station between Robert Hutchins and my predecessor and teacher, Frederick Keppel. Mr. Keppel was a great hand to make brief notations, and the record simply says, "Hutchins thinks he can start a deposit library. I told him if he could, to count on me."

It was a typical Keppel memorandum. Eighteen years later, 1947, Bob Hutchins called me one day and said, "I think we can get the Midwest Deposit Library Corp. off the ground but," he said, "it will take three-quarters of a million dollars." So I said, "Come ahead."

And after a very brief negotiation, we made the grant. Incidentally, in that particular case we decided that he had underestimated what it would cost, and one of the other foundations came in with us on it and made a grant of an additional quarter of a million.

Now the library has been built. Chicago, to prove its interest in the thing, gave land on the Midway free for the building. We stipulated that we wouldn't give our money unless they got at least 10 members. Before they came to us they had 13, and they now have, I think, 15 members including all the leading universities in the Midwest.

The building is built, the library is operating, and I think it may very well set a pattern for how to reduce library expenditures in other parts of the country.

Incidentally, this is the sort of thing you do once to establish the principle, but you don't do it again, because if the idea is good, somebody else ought to pick it up and run with it.

Mr. KEELE. To what extent would these grants that have been made, the work that has been done by the Carnegie Corp. and the other Carnegie institutions, be done by the Government, and with what hope of success?

Mr. DOLLARD. I don't think most of the things we do could be done by Government, but I must say I would have to defer to the judgment of the members of the committee here because they know a lot more about what Government can do than I do.

I think they could not be done. There is a factor of timing, of flexibility that you get with private funds that is very hard to get with Government funds. There is an element of risk taking in every foundation operation that is not exactly compatible with the system of appropriating Government funds and accounting for them.

There is also an ability to work with whatever is the appropriate agency to get the job done. By that I mean if you see a chance to improve liberal education at Brown University, you don't have to wonder about what they will say about it in North Dakota, because these are private funds under the control of trustees, and they can be used wherever the job can best be done.

So my answer would be, Mr. Counsel, that most of the things which are done by foundations, including, by the way, the Flexner report, could not be done by Government funds. You wouldn't dare do them.

Mr. GOODWIN. Well, in other words, is it a fair statement to say that it is this element of risk which determines the fact that foundations can do so many things which Government could not possibly undertake?

Mr. DOLLARD. I think that is exactly true, Mr. Goodwin, exactly true.

Mr. KEELE. Now you have talked of reports and the reports which you file, Mr. Dollard. Those reports are made yearly, aren't they?

Mr. DOLLARD. That is right, sir. As I said to Mr. Forand, we are under way now with a quarterly report which will be issued beginning in January, for the very reason he noted, that we don't now give enough information about what we are doing.

Mr. KEELE. And those reports show your balance sheets?

Mr. DOLLARD. They do, indeed.

Mr. KEELE. They show the grants that have been made during the year?

Mr. DOLLARD. In detail.

Mr. KEELE. They show the number of proposals that have been considered?

Mr. DOLLARD. They do, indeed.

Mr. KEELE. Together with the number of proposals accepted and acted upon and those rejected?

Mr. DOLLARD. Exactly.

Mr. Counsel, I wonder if the committee has ever seen these reports. I offer them because I have noticed in the record, Mr. Forand, a great many references to reports, but I can't find that anybody has produced one, and I thought perhaps the gentlemen on the committee would like to see what a report looked like.

This is a typical report. It is the last annual report we issued. Incidentally, to increase the readership of it, we issue it in two forms. We issue it with a soft cover on it, a white cover—I don't have a copy

here, but it looks like this—and this shorter report includes only the report of the president and the director of the British Dominions and Colonies Fund, because we think that a lot of people who will not go through an 80-page report or a 90-page report might read a 30-page report.

But the report which you have in your hands is distributed to all libraries. We print about 6,000 copies of it. We are working constantly to build up our mailing list. Anybody who comes to our office for any purpose automatically goes on our mailing list. Anyone who expresses any interest in our work goes on our mailing list, and every public library of any consequence in the country is on our mailing list.

This, by the way, would be equally true of the Rockefeller Foundation, the Guggenheim Fund, or any of the well-organized foundations.

Mr. KEELE. That report lists your officers, your directors, a statement from the president or a report as to what has been done and what is intended, in addition to the material that we have already talked about; doesn't it?

Mr. DOLLARD. That's right, sir. It even includes some philosophic reflections from the president, which may or may not be useful, but are usually included.

I may say about this report that as a matter of custom, though not a matter of rule, the president distributes it to all the trustees, either in mimeographed form or in galley proof, and invites their criticisms. So, before the report is printed, it has been read by every trustee of the corporation.

Mr. KEELE. You also list your securities in your portfolio in detail?

Mr. DOLLARD. Indeed we do, in detail. May I say one word about the portfolio, Mr. Counsel.

We have two self-denying ordinances which are not required by law. They just seem to us to be consistent with what I think is known as the doctrine of the prudent man. We will not put more than 5 percent of our total investment in common stocks into any one business corporation or stock. Conversely, we will not hold in our portfolio more than 1 percent of the stock of any single business corporation. The reason for those policies, I should think, were obvious.

Mr. KEELE. You also list your administration expenses?

Mr. DOLLARD. We do.

Mr. KEELE. With a breakdown?

Mr. DOLLARD. In detail. That budget, by the way, the administrative budget, is traditionally presented to the executive committee in September. Our fiscal year is October 1 to September 30. The administrative budget is submitted to the executive committee in detail in September, and approved by the committee.

Mr. KEELE. Now, the preparing and publishing of this report costs considerable money; doesn't it?

Mr. DOLLARD. I would guess—I haven't looked at our printing bills recently—it probably costs \$6,000 to print it and another \$1,000 to distribute it. In staff time, the expense would be hard to estimate, but I would think \$5,000.

Mr. KEELE. Why do you do it?

Mr. DOLLARD. Well, this goes back to the exchange I had with either Mr. O'Toole or Mr. Forand. We feel that we are operating

a public trust, and that our stockholders are the American people who granted us the tax exemption, and that they have a right, as we have a duty, to know and to explain everything we are doing in the most complete possible fashion. Incidentally, we have been doing this since the corporation first had a full-time president, which is in the 1920's.

Mr. KEELE. You consider it, I take it, good practice; and would you consider it to be good practice on the part of all foundations?

Mr. DOLLARD. I would indeed, sir, and we so urged upon the Treasury people in 1950, when the 1950 act was being amended, that there be specific provision to require full publicity on all foundation operations. That seems to me to be of the very essence of good foundation operation.

Mr. FORAND. The committee will now recess until 1:30.

(Whereupon, at 12:15 p. m., the select committee recessed to reconvene at 1:30 p. m. of the same day.)

#### AFTERNOON SESSION

Mr. FORAND. The committee will be in order.

Mr. KEELE. Will you resume the stand, Mr. Dollard.

#### STATEMENT OF CHARLES DOLLARD—Resumed

Mr. DOLLARD. Yes, sir.

Mr. KEELE. Mr. Dollard, do you know of any instance where the Carnegie Corp. has contributed to any project which it knew or believed or had good reason to believe would tend to weaken or undermine the American way of life, if we may call it that—the capitalistic system or what is known as the traditional American way of life?

Mr. DOLLARD. Mr. Counsel, the answer to that question is a very definite "No." I should like to add that I can't conceive either of our officers recommending a grant of that nature or of our trustees approving it.

Mr. KEELE. Have you ever known such a proposal to be seriously considered by your board of trustees or by your staff?

Mr. DOLLARD. No, sir; I have not.

Mr. FORAND. Has any been advanced by anyone?

Mr. DOLLARD. I can't remember any, Mr. Forand. Did you say by anyone in our organization?

Mr. FORAND. To anyone in your organization.

Mr. DOLLARD. Not that I recollect. If I may speak for a moment at that point, we have done quite a few things, I would say, on the other side of the ledger, if I may mention just one by way of illustration which is fresh in my mind.

The National Planning Association, which I think you may know is an organization which represents labor, business, Government, and industry, has its headquarters here in Washington. They came to us last spring with what we thought was a very interesting proposal.

They said that American business has had a long history of operation in foreign areas; that is, for a great many years American corporations had been operating overseas. Wouldn't it be useful at this stage of our history to make a study of the experience of some of the larger corporations in their oversea operations; to determine to



what extent and in what fashion those operations have affected the countries in which they are carried on, to what extent has the example of good private enterprise in a country where such private enterprise was little known, served to encourage private enterprise in those areas.

This seemed to us a very lively idea, and we made a grant last spring, not a large grant but as much as we were requested to make, for the purpose of carrying on a study of six different companies in over-sea areas.

Those studies will be published, I believe, sometime within the current year, and we hope they will be useful. Certainly the end results will tend to, I think, underline the confidence of Americans generally in the private-enterprise system.

Mr. KEELE. Do you know of your own knowledge, gained from your work with the foundations, of any foundation which has made a grant or assisted financially in sponsoring any project which, on balance, would appear to undermine or weaken the American system of life?

Mr. DOLLARD. No. Mr. Counsel; I do not. Again, I must say that my knowledge of foundations relates particularly to the large organized foundations.

I don't know much about what the family foundations are doing or the corporate foundations are doing, but the answer to your question as regards the large professionally staffed, well-organized foundations would be a very definite "No."

Mr. KEELE. What percentage of your expenditures are made on oversea projects, and will you tell us how you happened to make those oversea projects?

Mr. DOLLARD. Yes. In our case that is fixed, Mr. Counsel, by Mr. Carnegie's own letter of gift to us which has later been approved and clarified by the New York State Legislature.

We are permitted to spend the income of \$12 million of our total capital, which would be a little more than 5 percent of our annual income. This comes to somewhat over \$400,000 to be spent in the British Dominions and Colonies. Mr. Carnegie's instructions on that point were quite specific.

It does not include the United Kingdom, in which he established other trusts which are directed by boards in that area. It applies only to the four old Dominions—Australia, New Zealand, Canada, South Africa—and to the Colonies of the British Commonwealth, and now of course to India, Pakistan, and Ceylon, which were admitted into the Commonwealth in more recent years.

In point of fact, we are not now operating in India, Pakistan, and Ceylon. This is not a matter of permanent policy decision. We just are not ready to start any operations in those Dominions.

Now, as to what we do in the other Dominions and Colonies, a large proportion of the money which we are allowed to spend in these areas, I should say on the average about half, is spent for what we call visitors' grants, to bring people from those areas to this country for periods of study and travel, on the general theory that this will improve relations between the United States and the Dominions, and, more specifically, that it will inure to the benefit of the Dominions themselves, because in many fields, in many fields of higher education especially, I think it is fair to say that we are substantially ahead of most of the British Dominions.

This would not be true of Canada, but it would be true of Australia, New Zealand, and South Africa. So, I would say at least half of our spending in those areas is for visitors' grants. The balance goes for much the same thing for which we apply our income in this country—for development of libraries, for research, chiefly to the universities.

Mr. KEELE. Mr. Dollard, in your view, what is the comparative need for foundations as of the time when Rockefeller and Carnegie philanthropies were established, back in the first 10 or 15 years of this century, and the present time?

Mr. DOLLARD. Now, Mr. Counsel, I must confess at this point a professional bias. As a career man in philanthrop, I think foundations are more necessary than ever.

I think there are more things to be done; and I think, especially as Government spending and industrial spending in some of the fields in which we pioneered increases, the need for foundation money to pioneer, to pave the way, to set the example to provide risk capital, I think, is more necessary than it ever was, and I would hope foundations would continue to be formed and continue to grow.

Mr. KEELE. I may have missed part of your answer there, but did you state why; and, if you did not state why the need is greater, would you tell us why?

Mr. DOLLARD. Yes, Mr. Counsel. What I said—and perhaps I did not make it clear enough—was that as Government spending and industrial spending in fields which were originally pioneered by the foundations increases—I mean public health, social work, et cetera—as the volume of such money from other sources increases and the cost of these programs increases, it seems to me more important than ever to have some private money, foundation money, which will set the pattern, provide good examples, do what foundations have always done, which is to try to create models for other spending. I think your risk money becomes more important at this time.

Mr. FORAND. Mr. Dollard, I understood you to say a few moments ago that, of the money allocated to these Dominions and Colonies, a part of it is spent to bring people to this country for study and travel.

Mr. DOLLARD. That's right, sir.

Mr. FORAND. How do you select those people that are to be given that?

Mr. DOLLARD. We assume the responsibility for their selection ourselves, Mr. Forand, and this is a matter we have debated. There is no year in which we do not have one man at least from our office in the Dominions to keep abreast of what is happening there.

We have in each Dominion I suppose at the very least a hundred men who have been over here before; so that we know them quite well. We usually know personally the heads of all the universities in all the Dominions. Very often they have been over here as our visitors; so we feel quite competent to select good people to come over.

Mr. FORAND. Do you select them from any particular category, such as students, businessmen?

Mr. DOLLARD. We tend, Mr. Forand, not to bring students, and this is for a reason which grows out of experience.

If a foundation is dealing with what we might call loosely a less-advantaged area than the United States, one in which standards of living are not as high, academic salaries are not as high, you run a real hazard in bringing over the very young people, because you tend, as we say, to export brains. When you bring these young people

over here, they are much attracted by this country. If they are very able, they find job opportunities superior to those at home, and the net result is that they don't go back.

We feel an obligation to watch that very closely; so, we tend to bring mature people from the universities, occasionally from business—by the way, from Government occasionally—from research institutions, mature people who we think are on the threshold of much greater responsibilities.

Now, when you say "How do you know they are on the threshold," that is a hard question to answer, and I could only appeal to the record, as we look back we have been pretty good at guessing who was on the threshold.

Mr. FORAND. Thank you. You may resume, Mr. Keele.

Mr. KEELE. Mr. Dollard, I think you know that there has been a great deal of criticism, whether just or unjust, leveled at the foundations on the charge that they have supported projects or persons who were unsympathetic to the American way of life and who were attempting to undermine or weaken what we call the traditional American way of life.

Would you tell us your opinion of how or why that criticism exists; not the basis perhaps but the reason why that criticism is leveled at the foundations, if you know or have an opinion?

Mr. DOLLARD. I have an opinion, Mr. Counsel. I don't know whether it is the right one or not. It goes back again to the question that Mr. Forand asked this morning and I tried to answer.

I think we have probably done an inadequate job in telling the public what we are trying to do and what we do. The nature of human beings being what it is, everyone is curious about what you are doing in a foundation, and if you don't do a good job of telling them, somebody will invent something to tell them, and I think a good bit of the kind of accusation that you mention arises out of misinformation.

Mr. KEELE. I would like to revert to the questionnaire and the answers that were made by your organization to them, Mr. Dollard. Let's turn to section D.

Mr. DOLLARD. Yes, sir.

Mr. KEELE. In that section—and if you wish in making answer to this you may revert yourself to the answers given in the questionnaire—under question D-2 you were asked whether you made any attempt to determine whether the immediate or eventual recipient—whether an individual, group of individuals, association, institution, or organization—of any grant, gift, loan, contribution, or expenditure made by your organization has been or is "subversive" as you defined that term in answer to question 1, in advance of and/or after making such grant, gift, loan, contribution, or expenditure.

Will you answer that question either by reference or on your own statement?

Mr. DOLLARD. Mr. Counsel, I think I won't encumber the record with the exact answer that we made here. The gist of our answer was that we have always had the policy of making a very careful examination of either individuals or organizations who were to receive our grants.

Such an examination includes a determination of the general character of the organization or the individual, his or its history, stand-

ing in the community, standing among other scholars, if it happens to be a scholar.

These examinations are rather thorough ones on the whole. I think it was Mr. Hoffman who, in his testimony here, spoke of the degree to which one can find out relevant things and important things about individuals or organizations if you have the proper network of communication. We have had 40 years to build up such a network, and I think we have pretty good sources of judgment and information about all the people to whom we make grants. That isn't to say that we don't make mistakes.

Mr. KEELE. But you do feel that the experience you have gained, the knowledge you have of organizations and persons, and so forth, does afford you adequate protection, I take it?

Mr. DOLLARD. Yes, I do.

Mr. KEELE. Against making grants to individuals or organizations which might be used for subversive purposes?

Mr. DOLLARD. Yes, I do.

Mr. KEELE. And I think you were asked in that questionnaire whether your organization checked immediate, intermediary or eventual recipients of grants, gifts, loans, or contributions from your organization against the list of subversive and related organizations prepared by the Attorney General of the United States, and I believe you made answer that it did do that?

Mr. DOLLARD. That's right.

Mr. KEELE. And have done it since such time as the list was made public.

Mr. DOLLARD. That's right, sir.

May I say, by the way, why I am familiar with this list and why some of my colleagues are. It may be relevant.

Every time one is cleared for any classified work with the Government or secret work—this will be no news to the men who know the FBI—every time one is cleared one is required to sign a statement that one has never been a member of any of the organizations on the Attorney General's list. Well, I have been cleared, I think, four or five times since the war and I think it is fair to say that this is not because I am a suspicious character but because Washington is a slightly suspicious town.

No Government agency will take a clearance from any other Government agency, so you may be white as the driven snow in the eyes of the Army, but if you are going to consult with the Air Force, they start all over to clear you. So I have been cleared frequently enough so that I know that list pretty well, and that goes for my two senior colleagues on the staff.

Mr. KEELE. You were further asked Question D-10:

Has your organization made any grants, gifts, loans, contributions, or expenditures either directly or indirectly through other organizations to any organization so listed by the Attorney General of the United States or to any individual, individuals, or organizations considered "subversive" as you have defined that term in answer to question 1?

You were then asked if so, to name and enumerate them. Now, without my wishing to quote what you have put in the answer, I suggest that we would like to have your comments on that, and if you choose, you may read from the answer you filed.

Mr. DOLLARD. Mr. Counsel, our answer was that we had never made any such grants to any organization after it had been listed or to any person after they had been listed by the Attorney General.

We went on to say that we had in checking our records, discovered that we had made such grants in one or two instances or, let me say, in a few instances to organizations which long afterward appeared on the Attorney General's list.

Mr. KEELE. And among those was Commonwealth College?

Mr. DOLLARD. That's right, sir, and the American-Russian Institute.

Mr. KEELE. And the grants in the case of the Commonwealth College were approximately \$5,000 in '31-'32, and \$4,500 to the American-Russian Institute in '37; is that correct?

Mr. DOLLARD. My recollection is that the Attorney General's list which you are referring to was published in '47; is that right?

Mr. KEELE. Yes, sir, 1947.

Mr. DOLLARD. The so-called Biddle list. So in the case of the Commonwealth College the grant was made 15 years before the list was published. In the case of the American-Russian Institute, about 10 years.

Mr. KEELE. And as to individuals, you cite the following instances: Prior to World War II, Carnegie Corp. financed a study of the Negro in America which resulted in the publication of *An American Dilemma*, by Gunnar Myrdal. To assist in the study some 150 people, representing many diverse points of view, were temporarily employed by Myrdal. One of them was Doxey A. Wilkerson, who was paid a salary of \$13,000 for a period beginning August 1, 1939. Wilkerson retained Bernhard Stern to assist him, and he was paid a salary of \$600 for a period of 3 months, beginning March 1, 1940.

As the study progressed the extreme bias of Wilkerson and Stern became apparent. They produced nothing of which use could be made and their employment was discontinued.

That was the extent of your answer with reference to that question, Mr. Dollard.

Mr. DOLLARD. That's right, sir, and that is about the whole story, I think. I think we did point out, Mr. Counsel, with reference to the two institutional grants, the Commonwealth College and the American-Russian Institute, that the total grants made from 1931 until 1952 by the corporation to institutions was 1,725.

Mr. KEELE. And that only two of those grants, or rather, the institutions to which you made grants, were listed subsequently?

Mr. DOLLARD. That's right.

Mr. KEELE. And then you were asked in D-14 and 15 whether your organization had made any grants—and I will compress the language here somewhat—to any organization, institution, or individual or group which had been criticized or cited by the Un-American Activities Committee of the House of Representatives, and you replied that a few recipients of grants had been so criticized, and you cited and then listed those, did you not?

Mr. DOLLARD. Yes, we did. We noted, I think, Mr. Counsel, that in each case the citation of criticism occurred after the grant.

Mr. KEELE. Would you like to review those if you have the report before you? I think the committee would like to have you do that.

Mr. DOLLARD. Yes, I would be quite happy to. The first two we have already mentioned, the American-Russian Institute and the Com-

monwealth College, we have just discussed. The third was the Institute of Pacific Relations to which we made a series of grants between 1933 and 1947, and then there were some individuals. I don't know whether you want these.

Mr. KEELE. Yes, I would like to run through those if we may.

Mr. DOLLARD. All right. The first was Louis Adamic, who received two grants of \$5,000 each in 1939 and 1940, and who received an additional \$5,000 from a grant which we made to the Common Council for American Unity. Do you want me to say anything about Adamic?

Mr. KEELE. Yes, I think you ought to explain those grants fully, that is, anything you have to say about them we should like to hear.

Mr. DOLLARD. I should say at the time we made those grants to Adamic he was generally thought of as a very good citizen.

He was a foreign-born American, born as I remember in Yugoslavia, a self-educated man, a man of a kind of a—I am speaking now from my recollection because I knew Adamic—a man of great ability and a really passionate devotion both to America and to his own Yugoslavia.

I think with the beginning of the war—Adamic is now dead, by the way, so I shall be guided by the rule that one does not speak ill of the dead, and indeed I have nothing ill to say of him. I think during the war Adamic became more and more concerned, as a Yugoslav, for the fate of his own country, and gradually passed from being a very good sensitive author to being a rather—I don't know just how to put this—passionate Yugoslav, really. He became very emotional about what was happening in Yugoslavia.

We made no grant to him after 1942, and I may say it was not unrelated to what I have just said. In my last conversation with Adamic, which was immediately preceding the war, I sensed I think something of what had happened to him as a person. He had gone from a sensitive, imaginative, and extraordinarily competent writer over into a pretty superficial political journalist. So we made him no more grants.

I should like the record to show that I am not expressing any judgment on Louis Adamic, because when I knew him he was a good man, a very good man.

Mr. KEELE. The question you were asked was merely this: To list those recipients of grants who had been cited or criticized by the House Un-American Activities Committee.

Mr. DOLLARD. Exactly.

Mr. KEELE. You were not asked to determine whether they were Communists at that time, and I assume your answers are not directed to a determination of that question.

Mr. DOLLARD. That is correct, sir, and I thank you for clearing the record on that.

Mr. KEELE. Now you also list a grant to Wittfogel.

Mr. DOLLARD. Yes, that is or was Mrs. Olga Lang Wittfogel, and I am sorry I can't tell you too much about the circumstances of that grant because I don't remember too much about it.

She was doing a long-term study on the Chinese family and at the time, as I mentioned earlier to Mr. Forand, we had a program of grants-in-aid to individuals, and we made her a small grant for this study.

Mr. KEELE. And that was in 1940?

Mr. DOLLARD. That's right, sir.

Mr. FORAND. What was the purpose of that again?

Mr. DOLLARD. She was doing a study of the Chinese family, that is as a social structure. As a matter of fact my recollection is that this study has been published since, Mr. Forand.

I am a still-born sociologist so I used to be interested in these things, and I think I read that study some years ago, but I couldn't be positive.

The third was W. E. B. DuBois, I think, Mr. Counsel, who received two grants of \$1,000 each, one in 1934 and one in 1940, both for books about the Negro which he was working on at that time. W. E. B. DuBois, of course, was one of the first of the Negro sociologists. I think his first work was published in 1896, and he has in his time done some very distinguished work. The next was Philip Evergood who is an artist, now a very successful one, I believe, to whom we gave two grants of \$1,200 apiece, and that was in the course of a rather interesting program in which we were trying to introduce resident artists into the colleges.

We had the feeling that art teaching might be more creative and lively and perhaps successful if it were done by people who were themselves artists, and we made grants to perhaps a dozen colleges to enable them to employ resident artists.

The next one was Alfred Kreyborg, who is a scholar and an author. That grant was made to him to write a survey of poetic drama, which he did write and published, and a further grant for his autobiography, which he also wrote and published.

Mr. KEELE. Those were made in 1940 and '41?

Mr. DOLLARD. That's right, sir.

Mr. KEELE. Now let's run down through the names, if we may.

Mr. FORAND. That list of individuals that you are referring to now are some that have been cited by the Committee on Un-American Activities; is that it?

Mr. KEELE. That's right.

Mr. DOLLARD. The question was, cited or criticized by the committee; is that right?

Mr. KEELE. That's right. That was the question, and we do have the citations from the House Un-American Activities Committee with reference to those.

Mr. DOLLARD. I may say, Mr. Counsel, as you know it is hard to find some of the reports of the House committee, I think everybody had a hard time tracking them down. I think we got all the relevant ones.

Mr. KEELE. I think you covered them in your own report, those that we could find. I think it is, I might say, a very fair statement on the part of the foundation as to all persons to whom they have made grants or organizations which are subject to suspicion either by reason of their citation by the House Un-American or by the McCarran subcommittee or any other duly recognized governmental agencies.

Mr. DOLLARD. It is as complete a list as we were able to make from all the documents we had.

Mr. KEELE. Let's go through the rest of those. There are only about eight of them, I think.

Mr. DOLLARD. All right, sir. There was John K. Fairbank to whom we made a grant for work in the Far East in 1950-51. That is an interesting case because Fairbank, who has a fine reputation as a scholar and as a professor of history at Harvard, was refused a visa, I think it was in the spring of 1951.

He was afterward subject to a very extensive examination by the McCarran committee and also by a loyalty committee that was set up, I think, especially for that purpose within the Department of Defense. He was cleared by both groups, cleared in the sense that they both approved his getting a visa, and he actually went to the Far East last summer. Meanwhile, this grant was just held in suspense. I mean the case was, in our judgment, sub judice, and the grant was held in suspense.

Lawrence Rosinger is a similar case. This was an area study fellowship which was made through the Social Science Research Council. Next is a very small grant to Dirk Bodde, which was made in 1939 for publication of a biography of a Chinese scholar. That grant was made through the American Council of Learned Societies.

Mr. KEELE. May we stop there a moment?

Mr. DOLLARD. Yes, sir.

Mr. KEELE. The grants to Fairbank and to Rosinger were made through the Social Science Research Council; is that correct?

Mr. DOLLARD. That's correct, sir, and they were part of a program of fellowships, which is a piece, and a very essential piece, of the area study program that I described this morning.

Mr. KEELE. When you say it was made through the Social Science Research Council, will you explain a little what you mean, when you say it was made through them?

Mr. DOLLARD. Yes, indeed. What we did in this case and have done in other cases is to give them a lump sum of money for the provision of fellowships for particular purposes to competent scholars. They in turn select the fellows who are to receive these grants, and of course they report their selections to us, but these selections are their own.

Mr. KEELE. The point I am trying to make in the case of Fairbank and Rosinger is that the Social Science Research Council designated them as the recipients of a portion of the grant you made to the Social Science Research Council.

Mr. DOLLARD. That is correct, sir.

Mr. KEELE. The same is true of Dirk Bodde, with reference to the American Council of Learned Societies?

Mr. DOLLARD. That is correct.

Mr. KEELE. They were not your selections, or the selections of the corporation?

Mr. DOLLARD. That is correct, sir.

Mr. KEELE. All right. Shall we move on, then, to the succeeding paragraph?

Mr. DOLLARD. Yes. The next one was two grants to Johns Hopkins University for the Walter Hines Page School of International Relations for work on Outer Mongolia under the direction of Owen Lattimore. The first of these was made in 1947, in the amount of \$12,000, and the second was made in 1949, in the amount of \$75,000.

Both of those grants, Mr. Counsel, were made to Johns Hopkins rather than to Mr. Lattimore directly.



Mr. FORAND. Did the Carnegie Corp. know that this money was for that purpose?

Mr. DOLLARD. Yes, sir.

Mr. KEELE. I would just follow through on that. Did you know that Lattimore was to supervise or run that project?

Mr. DOLLARD. Yes, sir.

Mr. KEELE. Right now, if I may break in there a moment, you stopped your contributions either directly or indirectly, to IPR in 1947, as I understand it.

Mr. DOLLARD. That is correct, sir.

Mr. KEELE. Will you tell us why.

Mr. DOLLARD. There was a complex of reasons, Mr. Counsel. This was the time when we were beginning our own area study programs. We made a series of grants for research and study on the same areas that the IPR had traditionally covered. And that was the result of a deliberate conclusion that area studies, if they were to have a long and sound growth, might better go forward in the universities than in an independent agency.

It is also true that we had always been conscious of the fact that when you are dealing with an independent research agency, you must be aware of the fact that it will wax and wane, that is, that it will have periods of great strength, and then it may have periods of less strength, and in our judgment the IPR in 1947 was not as strong as it had been at some times in the past.

It is also true that we were at that time deliberately reducing the number of operating agencies, or independent research agencies, to which we made grants. The list of agencies of that kind is apt to build up in a foundation's history and periodically, unless you want to lose your flexibility, which is really one of your great assets, you have to deliberately reduce your commitments or your grants to these agencies.

I must say finally, in all frankness, at least one of our trustees was disturbed by the rumors that the Communists had infiltrated the IPR.

Mr. KEELE. Was that, the apprehension of one of your trustees, brought to your attention and to the attention of the board?

Mr. DOLLARD. Indeed it was.

Mr. KEELE. And what was the action taken?

Mr. DOLLARD. This was in late 1946. In the first month of 1947, we made a terminal grant to the IPR.

Mr. KEELE. Just so that we may understand that perfectly, by a terminal grant you mean a final grant?

Mr. DOLLARD. Exactly.

Mr. KEELE. And no further grants were made?

Mr. DOLLARD. And we so notified them, that we did not intend to make any further grants.

Mr. KEELE. Did you advise them of your reasons?

Mr. DOLLARD. I do not recall that we did, Mr. Keele.

Mr. KEELE. Did they question you?

Mr. DOLLARD. I do not recall if they did. We did tell them, I am sure, that we were discontinuing support grants to a number of agencies, and it was perfectly obvious that we were also changing our sights in this matter of developing studies on foreign areas, because we had already made some grants to universities for that same purpose.

Mr. KEELE. Very well. There are some other grants here that I believe you have listed, I think three or four more. One was to the University of California, the Institute of Asiatic Studies, page 26 of your report.

Mr. DOLLARD. Yes. That was for a study on modern Japan. The total grant was \$31,400. The reason we put that in, Mr. Counsel, is that one of the persons participating in the study was cited or criticized by the McCarran committee. I do not think there could have been any fair criticism of the grant itself—

Mr. KEELE. It was only T. A. Bisson who was criticized; is that correct?

Mr. DOLLARD. That is right, sir.

Mr. KEELE. And the same is true of your grant to the University of Pennsylvania, for south Asian study?

Mr. DOLLARD. That is right, sir. One person in that group, as I remember it, was cited or criticized by the McCarran committee. Excuse me. Two.

Mr. KEELE. One was Daniel Thorner and the other was Chen Hanseng?

Mr. DOLLARD. That is correct, sir.

Mr. KEELE. Then with reference to your grant of \$3,000 on May 16, 1947, to the Survey Graphic, that was to publish a special issue of the Survey Graphic on race segregation?

Mr. DOLLARD. That is correct, sir. And the only reason that we put that in was that one of the 24 contributors was Carey McWilliams, who was cited, I think, by the McCarran Internal Security Subcommittee.

Mr. KEELE. So you are now citing and have listed in your report any grant to a group wherein anyone, even though he would be only a member of the staff of the university, has been cited?

Mr. DOLLARD. That is correct, sir.

Mr. KEELE. I think it remains to address ourselves to the two grants to the Public Affairs Committee, \$5,000 each, in October 1947 and October 1948, for support of a pamphlet series edited by Maxwell S. Stewart, who is the person who was cited.

Mr. DOLLARD. Yes, sir. I must say that since this question has come up, I have reread the pamphlets that were produced under that grant, and they look to me impeccably good. The only reason we put that in was that Mr. Stewart himself had been cited. My recollection is that he was not the author of the particular pamphlets that we supported.

Mr. KEELE. That leaves only one, the International Committee of the Young Men's Christian Association, which received a grant of \$10,000 in 1931 to support the work of Max Yergen, in Cape Province, South Africa.

Mr. DOLLARD. That is correct. And I am sorry that I cannot tell you very much about that one, because it was 8 years before I came to the corporation, and I think at least 15 years before Mr. Yergen was cited. At that time, as my recollection runs, he was, I think, a member of the staff of the YMCA. I think it probably never occurred to my predecessors that the YMCA would be infiltrated.

Mr. KEELE. And in answer to the question D-16, as to whether your organization consulted the guide of subversive organizations and publications, House Document No. 137, prepared by the House Com-

mittee on Un-American Activities, you said that you did, did you not?

Mr. DOLLARD. Yes; that is correct, sir.

Mr. KEELE. That you do consult it?

Mr. DOLLARD. We do. And I explained why I was rather familiar with the list.

Mr. KEELE. I wonder if we could have about a 5-minute recess.

Mr. FORAND. The committee will be in recess for 5 minutes.

(A short recess was taken.)

Mr. FORAND. The committee will come to order.

You may proceed, Mr. Keele.

Mr. KEELE. May we pursue a little further the question of the support of the IPR and your withdrawal of support in 1947. How closely, Mr. Dollard, was your corporation, Carnegie Corp., following the work of the IPR at that time? And when I say "that time," I am talking about the period immediately preceding 1947.

Mr. DOLLARD. I would say quite closely, Mr. Keele. Somebody in the office or somebody on the staff was usually reading most of the things they turned out. We were in reasonably close touch with their officers.

Mr. KEELE. Right now, one of the men who was closely identified with IPR at that time was Frederick Vanderbilt Field, was he not?

Mr. DOLLARD. Mr. Field was, as I recall it, the executive secretary of the American Council up to 1940.

Mr. KEELE. And perhaps you ought to say a word about the construction of IPR, just for the record here.

Mr. DOLLARD. Yes.

Mr. KEELE. You say the American Council?

Mr. DOLLARD. Yes. There are two councils of the Institute of Pacific Relations: One, the American Council, which, as its name implies, is a wholly American enterprise; the other, the Pacific Council, which is really a holding company for the top structure of all of the branches or divisions of the Institute of Pacific Relations in other countries.

Now, in fact, both the secretariats were located in this country, both the secretariat of the American Council and the Pacific Council, and my recollection is that they were both in New York.

Mr. KEELE. And Field was connected with the American Council?

Mr. DOLLARD. That is right, sir.

Mr. KEELE. Now, as early as 1941, Field was openly avowing his connections with the Communist Party, was he not?

Mr. DOLLARD. I could not date it that closely. I would say certainly at that time there were grave suspicions about his affiliations with the Communist Party. But I do not know the record quite that well.

Mr. KEELE. I think it has been well established that as early as December 1941 he published an article under his own name in the New Masses, which was an avowed Communist publication, and continued with numerous articles thereafter. And by 1944, he was the author of articles in the Daily Worker; further, during that period of time, I think it must be assumed that he was well known as a Communist worker. My question is this, whether or not, looking backward, you feel that your action in cutting off support in 1947 was taken as early as it should have been under those circumstances.

Mr. DOLLARD. Certainly looking backward with all that has been put in the record about Field now, I would say that we wish we had moved a little more quickly.

Mr. KEELE. You wish you had acted a little more quickly?

Mr. DOLLARD. I do want to repeat, though, Mr. Counsel, because I think it is relatively important, that Field's connection with the staff of the Institute of Pacific Relations ceased in 1940, and to the best of my knowledge and recollection was not reestablished. He did, however, continue on the executive committee, as I recall.

Mr. KEELE. That is right.

Do you know what it was specifically or generally that alerted one of your trustees to what he considered a dangerous situation in the IPR, or at least an unhappy one?

Mr. DOLLARD. There had been some charges made, as I recall, in 1945 or 1946, by Alfred Kohlberg, of New York, about the institute, and I assume that was the basis.

Mr. KEELE. Did you—and by “you” I mean, of course, the corporation—did you make any investigation of your own after Kohlberg's charges were made?

Mr. DOLLARD. We did not.

Mr. KEELE. Why not?

Mr. DOLLARD. In the light of what we now know, I would say, again, that we would be happier if we had.

Mr. KEELE. In other words, at the time you did not feel that there was sufficient justification for an independent investigation?

Mr. DOLLARD. That is correct, sir. I think if you look at the New York Times or the Tribune for that period, you would find some references to this as a proxy fight. That is, it was a rather technical argument as to whether or not Mr. Kohlberg would be allowed to circularize the membership of the Institute of Pacific Relations. My recollection is that there was even a court action on it.

Mr. KEELE. In other words, at the time you felt that there were factors entering into the charges which at least threw some doubt upon their validity; is that right?

Mr. DOLLARD. Yes. And I think even more than that, Mr. Counsel, we had a confidence, whether it was justified or not, in the Institute of Pacific Relations itself. Here was an organization which over the years had had the leadership and the close attention of some very first-rate men, and over that period we had come to have a good deal of confidence in the IPR.

Mr. FORAND. This man Kohlberg that you referred to, is that the man who is writing letters—we get letters practically every week from him—showing great sympathy for Nationalist China?

Mr. DOLLARD. I believe it is.

Mr. KEELE. Let me ask you this, Mr. Dollard. As a result of what you observed in the case of IPR, are you taking any greater steps to prevent a possible recurrence of a similar situation?

Mr. DOLLARD. Yes; we are, Mr. Counsel. We have come to the very deliberate decision that when you are dealing with an independent research agency—by “independent” I mean not a university or college—you must keep in closer touch with what they are doing than if you are dealing with a university, because in one case I think it is quite clear that the university trustees take their responsibilities exceedingly seriously. I am afraid it is true that some trustees of inde-

pendent agencies do not always take their responsibilities equally serious.

Mr. KEELE. Do you feel completely confident in making grants to universities that those working upon those grants are not themselves committed to the Communist line?

Mr. DOLLARD. I would say, Mr. Counsel, that in the grants we have ourselves made, I would have a good deal of confidence, and a good part of that confidence is in the men who run the universities, as well as the scholars who do the work, and I think that is a justified confidence, not only in terms of the integrity and reputation of these men themselves, but, if I may say so, in terms of my own acquaintance with them.

Mr. KEELE. All right. In other words, you work closely enough with the recipients of your grants to have independent knowledge of them; that is, you and the members of your staff and the members of your board? That is the way I understand your answer.

Mr. DOLLARD. That is quite true.

Mr. KEELE. So that you have a pretty accurate gage of the type of men you are dealing with?

Mr. DOLLARD. Exactly. And all human beings make mistakes in judging men. As far as I know, only dead men do not make mistakes. But I would say that we have considerable confidence.

Mr. KEELE. Would you say that we have pretty well covered what might be termed mistakes and what we have gone over here, if they are mistakes?

Mr. DOLLARD. I think so, if they are mistakes.

Mr. KEELE. Have you any further questions along this line?

Mr. FORAND. Mr. Goodwin.

Mr. GOODWIN. No questions.

Mr. FORAND. Proceed.

Mr. KEELE. There are one or two questions I would like to ask before we finish, Mr. Dollard. It is obvious from examining the answers to the questionnaires which the Carnegie Corp. has prepared, and other of the large foundations, that they expended a great deal of time and money.

We have had some misgivings, or the staff has had some misgivings, about the fact that the answers to the questionnaire which we prepared did require considerable expenditure of time and treasure, which might well have been devoted to the regular business of the foundations. We have never asked, up to this time, at least, this particular question of a witness. But I should be interested in knowing, frankly, what your opinion is as to the value of the work and cost that has gone into getting ready for this examination, either by way of preparing answers and the work connected therewith, or appearing and testifying.

Mr. DOLLARD. Mr. Counsel, let me first confirm what you say. We have spent a great deal of time on this. We were going back over a record that extends for 40 years, and we were very anxious that our answers were responsive, adequate, and wholly true to the record. One always laments anything that distracts from one's primary job. I may say, however, that this has been in many ways a very rewarding experience for us. It has enabled, and indeed required, the trustees and the officers to review together a great deal of our past history, and I think undoubtedly that will have its effect on some of our procedures in the future. It has also had a byproduct that I did not anticipate.

We have in our office about four men, very able men, who came to us after the war, and who were wholly unfamiliar with the tradition and the history of the corporation, and who had no notion of what Mr. Carnegie had in mind or what the corporation had done before they came.

This has been a very liberal education for these men.

So I would say in all frankness that I think this time has been very well invested. Time is the most precious thing we have in a foundation office, because you never catch up. But I think that this time has been very well invested.

Mr. KEELE. The possibility has been suggested to the staff by a very competent head of one of the large foundations, that an investigation of this kind might have the end result of driving the foundations, or tending to drive them, from the risk capital into what we have come to term here the blue chips.

And it was pointed out at that time by that man that if that happened, he felt that the efficiency and potency of foundations would be severely impaired.

I am wondering whether you feel that thus far in this investigation such a result has come about.

Mr. DOLLARD. Mr. Counsel, I feel quite the reverse. I think the whole tone of this investigation or inquiry has been such as to encourage the foundation to stick to the concept of risk capital and to be bold about what it is doing, and not to take unmeasured risks, but to continue to take calculated risks, which is just what we should do. I should say that the whole tone of this inquiry—and let me repeat, I have read every word of the testimony before this committee—I should say that the whole tone of the inquiry has been to support rather than to discourage the kind of behavior that I would like to see made characteristic of foundations.

Mr. KEELE. I am sure, Mr. Dollard, it has not been pleasant to recite what might be called, at least, mistakes or at least instances which are subject to suspicion, such as we have been going into here in the last hour. We are interested in knowing whether you feel that that has damaged or will tend to damage foundations, the fact that mistakes, if they are mistakes, are brought to light.

Mr. DOLLARD. I do not think so, Mr. Counsel. If I were outside a foundation and you tried to establish a record that no foundation ever made any mistakes, I would not believe it. I would not believe it for a minute. And I think the fact that you have asked us to disclose what may be mistakes in judgment will not have an ill effect on foundations at all. I do not think, if I may use a baseball analogy, that anybody expects a foundation to have a 1.000 batting average. The best batter in either league never got much above .400, as I remember, and I think that we have done a good deal better than that, and I think the record that this inquiry has disclosed on the part of American foundations is, on the whole, a proud record, and I do not think that the fact that we have made some mistakes is going to hurt us at all.

Now, let me say that this investigation might have been conducted in such fashion as to do us irreparable damage, but it has not been so conducted.

Mr. KEELE. I do not know whether Mr. Paul Hoffman put this on the record here, but what he said, at least, in numerous instances

was that we might well have concentrated on what he called the flyspecks.

Mr. DOLLARD. Exactly.

Mr. KEELE. To the exclusion of the larger picture. I believe that it was his statement, and I do not believe I am betraying a confidence in saying it, because it may be in the record, but he thought that there might be a danger in the committee, because by concentration on the so-called flyspecks, there would be distortions in the picture and a great damage to the foundations.

Mr. DOLLARD. I think that we have all felt that danger, and I think we have all been immensely reassured by the way the hearings have been conducted.

Mr. KEELE. I should like to say to you, as you probably well know, that we have met with no resentment and no opposition from any foundation in this area, and on the contrary, we have had what I consider complete cooperation, and you have contributed to that, as you well know.

Mr. DOLLARD. Thank you, sir.

Mr. KEELE. I have no further questions.

Mr. FORAND. We thank you very much for your contribution.

Mr. DOLLARD. Thank you, sir.

Mr. FORAND. Do you have another witness?

Mr. KEELE. Yes.

Mr. Leffingwell, will you take the stand, please?

**STATEMENT OF RUSSELL C. LEFFINGWELL, CHAIRMAN, BOARD OF TRUSTEES, CARNEGIE CORP. OF NEW YORK**

Mr. KEELE. Would you state your name, your residence, and your connection with the Carnegie Corp., Mr. Leffingwell?

Mr. LEFFINGWELL. My name is Russell C. Leffingwell. I live in New York City, where I was born, or in the suburbs. I am chairman of the board of trustees of the Carnegie Corp.

Mr. KEELE. How long have you served in that capacity, Mr. Leffingwell?

Mr. LEFFINGWELL. As trustee, 29 years.

Mr. KEELE. And were you a trustee at any time before you became chairman?

Mr. LEFFINGWELL. Oh, yes, sir. I was a trustee for many years before I became chairman, and my predecessor as chairman was Nicholas Murray Butler. His predecessor as chairman was Senator Elihu Root. So you see, I am occupying a chair much too big for me.

Mr. KEELE. We would doubt that, knowing something of your abilities. But, Mr. Leffingwell, what other businesses or business have you been in?

Mr. LEFFINGWELL. I am a lawyer and a banker. I went to Yale College, Columbia Law School, and graduated from both, and I got my law degree in 1902, and went immediately to work with Guthrie, Cravath & Henderson. In 1907 I became a partner in that firm, under a changed name, and I continued a partner until 1917, when I was summoned to Washington by an old friend and neighbor, Secretary McAdoo, and ordered to work for the Treasury. I retired from my law firm. I became Fiscal Assistant Secretary of the Treasury. There was no Under Secretary in those days.

I continued in the Treasury until July 1920, when I returned to the practice of the law to my old firm. The name was changed so as to put my name in it. I continued to practice law for 3 years, that is, until July 1923, when I became a partner in J. P. Morgan & Co.; and when the firm of J. P. Morgan & Co. was liquidated in 1940 and the corporation of J. P. Morgan & Co. was incorporated as a trust company under the laws of New York, I became a director and an officer of the corporation, and I continued to be so. I am now vice chairman of the board.

Mr. KEELE. Have you served on the board of directors of any business corporations other than J. P. Morgan?

Mr. LEFFINGWELL. I have, but not for a good many years. In the first place, I never enjoyed having too many activities at one time, and I was slow to accept directorships, and then I had an illness 15 years ago, and following that I withdrew from all my business boards.

Mr. KEELE. Would you tell us what, in your opinion, are the comparative differences, in size, at least, of the duties of a director of a business corporation as compared with a trustee of a foundation, in making decisions?

Mr. LEFFINGWELL. I do not know whether you are referring to that old aphorism that it is a lot easier to earn \$1,000,000 honestly than it is to give away the money constructively.

Mr. KEELE. We are in that category, really, I should say.

Mr. LEFFINGWELL. Let me take that as a starting point, and say that I do not think that there is anything to it. As far as my experience goes, it is extraordinarily difficult to make \$1,000,000 honestly or otherwise. I am sure that it is the experience of most of 150,000,000 other Americans that it is extraordinarily difficult to make \$1,000,000 any way. I make a point of that because I think it is a mistake. The aphorism suggests undue difficulty about giving away money constructively. I have observed closely the work of the Carnegie Corp. for 29 years, and I have known about the work of several other great foundations, and I think they have done an extraordinarily constructive thing. They are not magicians. So I do not think that it is so difficult. I think that it is hard. It means a lot of hard work. But I never knew anything in this world worth while that did not mean a lot of hard work.

I find it difficult to conclude there is any real truth either in the statement that it is at all easy to make \$1,000,000 or in the statement that it is so terribly difficult to give it away.

Mr. Carnegie was a man of genius, truly, and in my mind, to him this country owes a great deal, because he was surely the first man of great wealth to have so magnificent a conception of constructive philanthropy. Here was a boy who came over before the Civil War, all by himself, a little boy from Dunfermline, put on the boat by his weeping mother with a pittance to make the trip, in days when it took many weeks to get from Dunfermline to Pittsburgh by slow ship, up the Hudson River, out the Erie Canal, down the Ohio, weeks to Pittsburgh, where he arrived ultimately and went to work as a messenger boy. And by his genius he recreated America and created the modern steel industry; and then, having made a great fortune, said: "Well, it is wonderful to make a great fortune and make a great industry. Now let me see how I can give the money away."



While still in the prime of life, he conceived this great series of grants for constructive purposes. He was unusually successful in his leaders, and set a pattern of which I think America may be proud.

I say that he has set a pattern because I think that that is important. Three of the great key industries of America, industries that make us strong and rich in peace, and are vital to our defense in war, are the creation of men and their families that you will have or did have before you. Carnegie, Rockefeller, and Ford. It is a striking thing that these immense philanthropies were based upon the fortunes achieved in what created modern, post-Civil-War America.

The next thing that I have to mention in this enterprise is that it is not nearly as difficult as it has been said to be. I know that we all like to make aphorisms, and I do not criticize the man who made this particular one. But it is not nearly as difficult, I say, because these foundations have been remarkably successful, strikingly successful. I think that one reason that they have been strikingly successful is that they have chosen good men to lead them, that is, the permanent, professional leaders of these great foundations have been well chosen men. In my own foundation, there was truly a great philanthropist, Fred Keppel, who was my lifelong friend and who led me to become, hesitatingly and unwillingly, a trustee. In those days I was a busy young lawyer, or middle-aged lawyer, rather, and I did not want to do it. But I loved Fred, and he said that I must. That man was 18 years the president of this undertaking, and his contribution was, if you like, by pensions and libraries. If you like, by art and adult education, and music. His real function was to make for the leaders of education in America a point of contact and sympathetic understanding of their problems and their needs and those of the other members of their community. To my mind, it is not merely the money that the foundations give, but this stimulus and encouragement, the feeling that there is somebody that you can go to and say, "I know this is a very difficult thing, and I am going to get into a lot of trouble and get you into a lot of trouble, probably. But here is something that ought to be tried."

Those are the risks.

We made a lot of mistakes. They were mistakes only in the light of information that we now have, and which we could not have had until the McCarran report was handed down, and the testimony before the McCarran committee. We know we have made mistakes. If a foundation 40 years old came to me and said, "We have made no mistakes in 40 years; isn't that wonderful?" I should say, "You buried your talent. Surrender your charter."

It is impossible that we should take the risks and inspire new enterprises which the Government cannot undertake and should not undertake, and which the established universities cannot undertake and should not undertake, and not make mistakes. You will make mistakes. You may find geniuses, some of whom may turn out to have twisted minds. You have to set them to work and see if they may not be geniuses.

That is my conception of how easy it is to do good with money if you have it to spend. Bear in mind, there are two fundamental philosophies about this, in my opinion.

I am talking an awfully long time in answer to your question. I am afraid I am boring you.

Mr. KEELE. No. We are interested in hearing it.

Mr. LEFFINGWELL. There are two fundamental philosophies. The first is that I believe completely and utterly in private enterprise in every field, and I am sure the American Government feels that way, too. It believes in private enterprise and wants private enterprise to prosper. That is the major thing. But coming close after that, in my mind, is that the enterprise of education is perhaps the most important single enterprise that there is in the United States of America. I do not know anything more important than education. And that is the Carnegie Corp.'s field.

I know another thing, I know it partly because I have a son-in-law who is headmaster of a boys' school. I know that there is also nobody in the business, directly in the business of education, who does not have a terrible amount of hard work to do to pay his current food and wages bills, and he does not have any money left over at all for the genius on his faculty, or the scholar on his faculty, for experiment, for study, and for research.

The third thing is that if he has not, then no matter how good his faculty is today, it is going to get less good week after week, almost, and certainly year after year, because the man who cannot go back to the springs of knowledge every so often and refresh himself with new learning and new research gradually becomes a hack, and no matter how good he was to begin with, he is going to fall back.

There is really my picture of how easy it is to do good with money. I hope it might inspire somebody to start another of these foundations.

Mr. KEELE. How much time, Mr. Leffingwell, would you estimate that you give to the Carnegie Corp. each year?

Mr. LEFFINGWELL. I could not possibly make an estimate. I never kept a diary in my life, and all I know is that I never withhold my time from the Carnegie Corp. when the president asks for it or I think it should have it. I have always got time for it.

Mr. KEELE. I do not want to press you on this, except that we are trying here to get an idea of the amount of time relatively the trustees give to their work. We are asking you with reference to one of the foundations, because the charge has been made to the committee and the staff that foundation trustees are somewhat in the character of absentee landlords. That is why I would like to press the question as to the approximate amount of time you give.

Mr. LEFFINGWELL. In terms of time given, I am afraid I cannot really give the answer, because I just do not know. If I had thought of this being asked, I should have done it, and I would have been making a record in recent years. But I do not know. I do not have the least idea how much time. All I can say is that if the measure of my service to the Carnegie Corp. was the number of hours or days I give to it, then they ought to fire me off the board, because my usefulness, if there is any, is due to my being able to apprehend a problem quickly and clearly and give useful advice promptly. It should be within the least amount of time on my part or theirs. Otherwise, I would go up there and get in Mr. Dollard's way for weeks.

You see, no trustee, no director, has any business trying to administer his company or his foundation. If he hangs around the office, he ought to be dropped from the board at the next annual meeting. It is not his time that they want. It is his brains, his experience, his

advice and his wisdom. Those are something that you can measure only in terms of 74 years in my case. You cannot say that the measure of my usefulness is so many hours or days per annum at the office. The measure of my usefulness is, on the contrary, how much I can keep physically out of the way and how much I am always present in the president's thought and also at his disposal, whether I am on vacation or in the office, or wherever I am. I am always at his disposal, and he knows that, and he uses it.

Mr. KEELE. Mr. Leffingwell, yesterday we were discussing some of these problems in the committee office. I would like to revert to two or three of the subjects we discussed there; for instance, the element of risk involved in setting up such a project as the area study of Russia at Harvard. I would like very much to have you tell the committee something of your views on that.

Mr. LEFFINGWELL. I think the risk is great. The first great risk is, of course, one that was pointed out by Mr. Dollard this morning, and this is the best answer to your question whether we are shirking the taking of risks. The first great risk is that the people cannot be made to understand why we want to know anything about Russia. It is a curious sort of thing. We know Russia is bent on world domination. We know that our lives and our future are daily at the mercy of this tyranny, and yet there is a nice old saying, "What you don't know won't hurt you."

Well, is that so? If you can give us that assurance, if anybody can give us that assurance, that by ignoring Russia, remaining ignorant of Russia, we can be safe from this dreadful threat, wouldn't we be happy?

There are those who think that Yalta might not have happened and the loss of China might not have happened if we had known enough about Japan to know that Japan was ready to collapse almost instantly. Then surely no concessions would have been made to Russia at Yalta, and surely we should not have lost China.

So far it is not true that what you do not know will not hurt you. It is our ignorance that is our greatest of all perils in dealing with this monster. As difficult as it is to go into the diseased areas of human thought, it is like going into an examination of insane asylums, you must know about it.

As Mr. Dollard said, you risk your scientists and lose some of them in search of yellow fever, its cause and its cure, or for typhoid fever, its cause and its cure. We could not have built the Panama Canal if we had not studied the evil ways of the mosquito that carried malaria.

Here is communism, an infinitely worse disease. Certainly the men who are employed in the effort to find out what it is and how to vaccinate against it—certainly those men are running the risks that we fear. I do not know that they run any greater risks than other unbalanced men. It is a curious thing, psychoanalytically. It may be a disease of the mind. How can an American tie up with communism? It is incredible that he should. But I am not prepared to guess for a minute that the man who studies communism is in greater danger of being infected than a man who remains ignorant of the disease that our enemies in Russia are trying to infect him with.

That is my answer. First, for our own sakes and our children's sakes and our grandchildren's sakes, we must know all we can find

out. For the sake of the soldiers that have to fight and die for us, we must know all we can find out. We must know the languages and we must know their plans, if we can find out, and we must prepare ourselves against them. It is intolerable to send boys to Korea, or wherever, if we are consciously denying them the benefit of what knowledge we can give and gain of the evil forces they are fighting against so that they may fight better and with greater assurance of victory. That is my theory of Russian studies.

Mr. KEELE. And I assume that was carefully considered by you and by the trustees of your organization before any grant was made?

Mr. LEFFINGWELL. Indeed it was. And may I say that it is a certainty that if the facts which the McCarran committee discovered and the papers the committee discovered had been known at any earlier time in the past to the trustees and the officers, from that moment on, grants to the Institute of Pacific Relations would have been refused. The conception of the Institute of Pacific Relations and of our support of it was of the first quality of magnitude and constructive effort. Here was an area that was neglected, of which everyone in this country was ignorant. It was of vital importance. Thoughtful people knew it was of vital importance. This was the only agency in the field. And as it started under auspices of the highest quality, under leadership of men we all knew and revered, it stood for the hope that we should throw the light into that dark area.

Now we know we were working with an instrumentality which we should not have used if we had known what was going on. But it was a conception of imaginative quantity, and it was in the hands of people whom we knew and trusted.

In business and in philanthropy we must say this in regard to all the investigations that we can make and all the studies of agents that we can make, we are just human beings. Whether we are bankers, lawyers, or philanthropists, we are, if I may say so, Mr. Chairman, just like Congressmen, human beings. The people that we trust we do trust, and the people that we do not trust we do not trust, and sometimes we are deceived when we give our trust. But you look at a man and say, "That is a man I believe in."

Now, take Owen Lattimore. He was recommended to me. I have only seen him once. He was recommended to me by Isaiah Bowman, president of Johns Hopkins, the greatest geographer of our day, and a man of superb wisdom and devotion and patriotism. I trust the people that I trust; and, if a man has the highest recommendations and his record is superlative and there is something that tells me that I may trust that man, I do trust him. That is just the way all of us are who have had experience in this world.

Even so, we are mistaken sometimes.

Mr. KEELE. When was your attention first directed to the activities of the IPR or the activities of the men in the IPR to the extent that you began to have some apprehensions or fears about their good faith?

Mr. LEFFINGWELL. I could not give you dates for it. I got uneasy about Field when I read some article in a magazine. It was just about that time he retired as executive director, and I had such confidence in the group that were trustees and officers that I did not think about that again. When the war came along, our activities faded out.

I may as well point the finger at myself and say that I am the trustee whom the President referred to who wrote a letter in the autumn of

1946 raising, among other things, these questions. I said something like this: that I did not think that they were as good as they ought to be, in general, and that I knew of a lot of reports about communism, with what justice I did not know. I can remember that phrase "with what justice I do not know." One does not pass judgment if one is a trained lawyer, but one stops sending money. We did not pass judgment, but we made a terminal grant.

That is the only date that I can give you, the latter part of 1946. I can remember at a much earlier date saying, "Now, look out for this fellow Field." But I was not at that time of a mind to say that it is important. He did stop being executive director. But in the latter part of 1946 I swung out that danger signal. I do not think that that is so terribly important, because I think that the officers no doubt were alert to it, too.

Mr. KEELE. Mr. Leffingwell, we were talking yesterday also about whether foundations generally have become more timid with the passing of years, whether they were still as bold and forward-looking as they were in the early days. Now, you have had a long association with this organization. I wish you would give us your views as to that theme or thought.

Mr. LEFFINGWELL. I think that one short view is that if we had been more timid maybe this inquiry would not be taking place. The very fact that we consciously were running the risk of making mistakes in the most difficult of all fields—and this is the most difficult of all fields—is the answer to your question. Let me explain what I mean.

In the natural sciences, except for the atom bomb, there really is no basis for popular or political criticism of foundation activity or other activities. In a way, the most attractive thing to do is to explore what there remains to explore in physics and chemistry. That is the most attractive thing to do. You can attract all the men you want into physics and chemistry and engineering. They can be assured, if they are good, of careers of high distinction and in some cases of great profit. They may come out with an addition to knowledge of the most tangible sort.

Now, when you turn your back, or almost turn your back, on these safe fields of intellectual effort and turn to the social sciences, or, as I prefer to say, the social studies, because many of the social studies have not achieved the rank of science, in my judgment—when you turn to that field, at every step you are stepping on somebody's toes. You deal with the fact which was mentioned this morning: That economics is really not a science of economics; it is the study of political economy. You cannot say anything in that field without arousing somebody's anger. I can remember a very great professor of political economy back in my day in the nineteenth century who lost his job because he was in favor of free trade, and the graduates of his college were not, and they just could not keep him.

Anybody who says that the tariff question is not a question of political economy has a difficult row to hoe; has he not? I know that it is a political question. You, Mr. Chairman, know that it is a political question. It is a political question.

I happen to be a free-trader. But that does not simplify the problem for me, because my Republican friends—many of them also are free-traders—cannot translate that into congressional opinion on a large scale.

But it is political economy. Now, in the rest of your social sciences, it is even more inexact. The study of man himself—what is he? You can have psychology, anthropology; and those need to be studied. You have political economy, sociology; you have every imaginable field, often involving people's prejudices, and my answer is that in electing this field we are doing two things: We are really helping the colleges and universities where they most need help, for the reason that the natural sciences and engineering elicit the help of the Government and of corporations. There was almost limitless money, available for the development of work in those fields.

We are entering the field of inexact sciences, which are political, controversial, and the field of international relations, domestic relations, the field of political relations, government, and the nature of man himself. Those are the subjects that cannot be supported by government. They cannot be supported by corporations. They are not interested in them. And yet, if we do not deal with man himself and his political relations, what is the good of adding anything to our knowledge of physical science?

I say that that is not an indication that the foundations are getting careless or burying their talent. On the contrary, I think they are entering into the most difficult of all fields. They have gotten their fingers burned, and they are going right straight ahead, knowing that their fingers will be burned again, because in these fields you cannot be sure of your results, and you cannot be sure that you will avoid risk; and you know that, if the boundaries of knowledge are pushed back and back and back so that our ignorance of ourselves and our fellow man and of other nations is steadily reduced, there is hope for mankind, and unless those boundaries are pushed back there is no hope.

Mr. KEELE. I take it that implicit in what you said are two propositions: (1) that foundations can do what government cannot—

Mr. LEFFINGWELL. I would go a step further and say that, since I believe in private enterprise, foundations can do what government should not. All you have to do is to look at the political nature of many of the studies that have been mentioned to realize that the Government should not be in that field, and that the Government should just sit back and say, "Well, isn't it nice that we have these philanthropists who are willing to burn their fingers, if need be, and who are willing to add to American knowledge in these fields," because obviously, as soon as government deals, not with what it knows, but with the exploration of political economy and sociology and international relations in a scientific field—as soon as government enters into it, the thing will become a dead thing. We know that men are not allowed to think in Russia any thoughts that are not in the statutes. We can not write these things into statutes. It is an act not merely that government cannot do, but that government should not do. The universities cannot afford to do it, because they have to pay their monthly bills, and they are all poor. There is no other money to go into the Arctic regions of thought except foundation money.

Mr. KEELE. Do you know how that problem is met in other countries of western Europe?

Mr. LEFFINGWELL. I think that it is not met, partly for the reason that there are no such funds.

Mr. KEELE. Do you mean to indicate by that, Mr. Leffingwell, that they are not making studies in these fields?

Mr. LEFFINGWELL. No; I do not mean that. You cannot stop the human mind dead. Scholars, particularly in the field of basic research, have in the past done amazing things in the countries of Europe and in England. Where they have fallen short of our achievement is in the application of the results of their basic research.

When you ask me that question and I make that answer, I have to make it with the feeling that my more learned friends are obviously saying, "Can't you stop him?" I am not an expert in that field. But I think that that is a rough approximation.

Mr. KEELE. In other words, though, there is no known equivalent in the countries of Western Europe to our foundations, as I understand it?

Mr. LEFFINGWELL. As far as I know.

Mr. KEELE. And the men pursuing studies such as you have enumerated do not get the consistent support of a group such as the foundations supply here?

Mr. LEFFINGWELL. I would think that that was so. But you have to remember, on the other hand, that they had an enormous head start on us, and the great foundations of the Middle Ages, represented by the great old universities of Western Europe, had done wonderful things. These were foundations in the sense that we are talking of foundations. They were not built by the government. They are supported by the government now, but they were not built by the government. They were built by kings and princes, and they were foundations in the truest sense.

The ancient universities of western Europe had their origin in a not altogether dissimilar fashion, and they have made achievements of the utmost significance. I think the same thing probably would be true of Germany up to the First World War, or soon after, when the evil influence of despotism settled down and scholars were no longer permitted to pursue their thoughts.

The Europeans have the genius, they have the knowledge, and they have the tradition, but I doubt that they have the implements today to pursue their inquiries on the scale that the foundations make possible now.

Mr. KEELE. Mr. Leffingwell, over your long experience, what is your judgment as to the comparative need for foundations today as against the time when you first came to have knowledge or active interest in them?

Mr. LEFFINGWELL. I should think that "need" is a difficult word. I should say that there is more opportunity visible today than there was 30 years ago. That means something like this. The farther you go from the hub of the wheel down each one of those spokes, the more fields of exploration you see before you. If you put yourself back in the days when Mr. Carnegie was envisaging these benevolences, I suppose that the things that his foundations have found and are looking into now would have been incomprehensible to his mind. They would not have made any sense to anybody.

Mr. KEELE. Would it be a fair statement to say, then, that the field of opportunity is constantly widening, rather than constricting?

Mr. LEFFINGWELL. I think so. I cannot too earnestly express the thought that it is in the interests of the American people to keep the

door open to every inquiry which conceivably in the mind of some qualified person may add to the sum of human knowledge. Mostly the things that are found out are not the things you were looking for. I have heard it said by people who know better than I do that if a cure for cancer is found, it will be by some scientist who is looking for something else. But each time you travel down one of those spokes, you open up new vistas, and you add something to the sum of human knowledge. It may be 10 years or 50 years from the time you have found it out before some other man comes along and says how to use it. But you have added something to the sum of human knowledge.

Mr. KEELE. Mr. Leffingwell, I have only two or three questions more. One, I would like to know whether in your experience and view you have ever known of any grant to be made by the Rockefeller Corp. which in your opinion tended to weaken or soften or undermine our way of life in this country.

Mr. LEFFINGWELL. I am a lawyer, too, and I have not made any examination of the grants of the Rockefeller Foundation that would enable me to say now—

Mr. KEELE. I stand corrected, sir—

Mr. LEFFINGWELL. All I can say is that I do not have the slightest idea they have ever made a grant knowingly that would undermine the American Nation, which they are just as loyal to as anybody could possibly be.

Mr. KEELE. That was an inadvertence on my part. I was not attempting to get you to express a view as regards the Rockefeller Foundation. I was really directing my question to your foundation.

Mr. LEFFINGWELL. It was a slip of the tongue?

Mr. KEELE. It was a slip of my tongue.

Mr. LEFFINGWELL. Well, I will say the same thing for myself. Only I do know the grants of the Carnegie Corp., and I am sure that none was ever made knowingly that could in the opinion either of the officers—and mind you, they are my intimates—or the trustees, contribute to overthrow the American way of life or the American Constitution, which we love and which we are devoting our efforts to support.

Mr. KEELE. Now I will deliberately expand my question without reference to any specific foundation.

In the course of your experience, have you observed any grants made by any of the foundations which in your opinion tended to undermine our way of life?

Mr. LEFFINGWELL. You know and I know vaguely that there is a foundation called the Robert Marshall Foundation, which I believe is frankly Communist. But I am not aware of any others.

Mr. KEELE. And it so happens that that is beyond the confines of the jurisdiction of this committee, for the simple reason that they are not tax-exempt. They do not enjoy that privilege, and we are limited to an examination of those. Aside, shall we say, from the Robert Marshall Foundation, do you know of any foundations which have deliberately tended to foster communism or to weaken what we like to call Americanism?

Mr. LEFFINGWELL. I have not the least notion that there exists any. But, of course, when I talk about foundations, I use the word in what has become the slang of our occupation. We think of the founda-



tions as institutions which have received great endowments for philanthropic purposes, and when I read some of the descriptions by your first witness of the multitude of the categories of foundations which you described, I just said, "This is beyond my range."

I cannot inform you about those, and I daresay that there is nobody who could, unless the files of the Treasury were to disclose something—

Mr. KEELE. When you speak of foundations, I take it that you are thinking more in the terms that were given by Dr. Andrews here?

Mr. LEFFINGWELL. Yes.

Mr. KEELE. In which he said there were roughly 1,000 of a certain size?

Mr. LEFFINGWELL. Yes. That is a much bigger figure than I am familiar with. I do not know anything about 1,000 foundations.

Mr. KEELE. Your knowledge goes to the larger foundations?

Mr. LEFFINGWELL. Yes, the great foundations in this field, and even there it is not my knowledge, but it is pretty well informed opinion.

Mr. KEELE. I have one other question, and that relates to public reporting, if we may call it that, the publishing of reports such as Carnegie Corp. does publish. I would like your views on the value of that, and the validity of a requirement, perhaps, requiring such a reporting.

Mr. LEFFINGWELL. I feel so very strongly about it that I ought to measure my terms. So far as there is a justification—and I am sure there is—for the existence of these institutions, it is that they serve the public good. If they are not willing to tell what they do to serve the public good, then as far as I am concerned, they ought to be closed down. A man that says he is a friend of the American people and that he has so much money to use for the good of the American people and will not tell what he does for the good of the American people, may be all right, but I would close him down. And I say that partly because the welfare of these great constructive foundations with which I am familiar, and their opportunity for usefulness, are constantly threatened by a confusion in the minds of the people about what is a foundation. And when they hear that their neighbor has set up a foundation for X dollars and they cannot find out what he does with it, the genus foundation comes under suspicion of Mr. John Smith, whose neighbor has a kind of foundation.

So I am frankly self-interested in expressing the opinion that all foundations should be required to make public their assets and their enterprises and their general purposes and their personnel.

Mr. KEELE. Do you think they should be required to file these reports in some central place?

Mr. LEFFINGWELL. I think they ought to be required to file their reports with the Treasury in a form that a man could understand, because I think that the basis of Federal action is in the tax exemption, and because I think the Treasury has a very great interest to know that taxes are not being evaded, and therefore it has an interest to find out what is going on. This tax exemption could be a source of tax evasion, and it is the Treasury's business to find out about that. But the reports should be filed with them, and I think they should be open to the public and to the reporters, and made freely available to the reporters, so that you would not have to consent. Why shouldn't they tell? I say that a man who says, "I exist," or a corporation that says, "I

exist for the public good," and will not tell what good it is, is open to suspicion.

Mr. KEELE. I think you made a suggestion one time when we were talking that the reports should contain an intelligible statement of what they are doing.

Mr. LEFFINGWELL. Yes. I did make that suggestion, because people are human beings, and if you write a statistical paper such as I gather the present law provides, and file it with the Treasury Department, it is not in human nature to be able to understand such a report and when you have gotten through with it you do not know anything.

Mr. Dollard writes a report, and all the time I have been in the corporation the president has written a report which intelligibly tells a man who will read it what the corporation has been doing, what it is thinking, and what it is projecting, and it is very interesting reading. If I could persuade more people that that is true, I would be happier, because I do not meet enough people who do read it. It is not funny, and it is not light literature, but to a man of intelligence it is very interesting reading.

We publish our investments. We have to be very careful about our investments, because we know that others, some others, take investments advice from our lists of investments. Well, that is all right. We think that the foundation should have glass pockets. That is one reason why we think this investigation is a good thing as it has been conducted because we hope that you can enable the American people to understand our institution and similar institutions, and that you will be able to tell them, "Now, this is a good, patriotic, forward-looking, constructive enterprise. We have seen their mistakes. We understand their mistakes. We can quite see how they happened. But they were small in relation to the constructive enterprise."

Now, what we want to do—and I hope you are going to say this in some form and some words—is to throw the full flare of publicity on every foundation, the same kind of publicity that has always been given by the Rockefeller trustees and the Carnegie trustees, and now by the Ford trustees, on every foundation, and I believe that will clear up people's minds about these institutions.

Mr. KEELE. I have no other questions.

Mr. FORAND. Mr. Goodwin?

Mr. GOODWIN. No questions.

Mr. FORAND. I have no questions.

Mr. KEELE. Mr. Leffingwell, I do not believe that we have any other questions. We are grateful to you.

We would like to talk to Mr. Josephs just a moment. We are aware of the fact that you are trying to make a train at a certain hour, too.

Mr. LEFFINGWELL. Thank you, sir.

**STATEMENT OF DEVEREUX C. JOSEPHS, PRESIDENT, NEW YORK LIFE INSURANCE CO., TRUSTEE, CARNEGIE CORP.**

Mr. KEELE. Mr. Josephs, we will not keep you long.

Mr. JOSEPHS. We have all the time you want, sir.

Mr. KEELE. Will you state your name, place of residence, occupation, and your connection with the Carnegie Corp., please?

Mr. JOSEPHS. My name is Devereux C. Josephs, and I am president of the New York Life Insurance Co. I am a trustee of the Carnegie Corp., and was for 3 years, from 1945 through 1948, its president.

Mr. KEELE. In an effort to speed this up a bit, let me ask you this question. You have heard, have you not, the testimony that has been given her by Mr. Dollard and Mr. Leffingwell?

Mr. JOSEPHS. Yes, sir.

Mr. KEELE. If the same questions were put to you, would your answers be substantially the same?

Mr. JOSEPHS. They would be substantially the same, and as emphatic in places particularly where Mr. Leffingwell was so emphatic.

Mr. KEELE. Did they say anything from which you would depart somewhat?

Mr. JOSEPHS. No, sir.

Mr. KEELE. In other words, have you anything that you could add to what they said along the same lines, or would you differ from them in any events?

Mr. JOSEPHS. No. I have nothing more to add, and it is not for lack of interest and a desire to give the committee as much information as possible. But what has been said by them I think has been extremely well said, and the witnesses that have preceded them on previous days have explained foundations very much to my satisfaction. I think that there is no reason for me to take the additional time of the committee simply to say again in different language, which I do not feel would be nearly as good, what they have already said.

Mr. KEELE. Your views correspond with theirs, then, I take it from what you have said, on their impressions of public accountability and public reporting on foundations.

Mr. JOSEPHS. That is correct. And it is no surprise that my views would be the same as theirs, because we have hammered out these views together. Mr. Dollard and I were very closely associated at the time that I was president, and he was my right arm and right hand, and whatever else his assistance was, and we work these things out together in connection with Mr. Leffingwell. So our views would naturally be the same.

Mr. KEELE. Have you observed at any time, either while you were president of the Carnegie Corp. or since, or before that time, any activities of foundations—and I am speaking now of the larger foundations, those which you have had some opportunity to have connections with or to observe their activities—which in your opinion were deliberately, shall we say, steps or activities taken with a view to weakening the foundations of our own Government?

Mr. JOSEPHS. No, sir; not at all.

Mr. KEELE. How would you explain the fact that there has been as much criticism as there has been—and there has been considerable—leveled at foundations on the charge and on the allegation that they have favored left-wing proposals, that they have supported activities which tended toward socialism, or even communism?

Mr. JOSEPHS. I would think it was a lack of understanding, first, of what a foundation is. A foundation, I think, is too mysterious an organization. It is not for our own good that it should be such. But I think the people have thought that foundations were esoteric, and the public knew very little about them. Then I think that when they deal in the social sciences and man as a social animal, to a lot of people that means socialism. It seems absurd to state that among people of education and thoughtful people, but it is a very easy sliding of

the word, and I think that that has created some doubt as to how the foundations were working.

First, people have not known what a foundation was. It had a lot of money; it seemed to spend it in a careless fashion; it seemed to be perhaps whimsical in the way that it gave its money out. Some people were disappointed. They did not get their money for such obviously good causes as the alleviation of suffering, for example. Foundations work more at the causes than at effects. So they said that they must be working in curious ways. And they said, if they are curious ways, they must be ways that are not quite clear on the surface.

I would suspect that that is probably the reason why foundations have perhaps suffered from some suspicion.

Mr. KEELE. In your opinion, have the foundations been aware of this type of criticism?

Mr. JOSEPHS. I would say that I think that they have been aware of it to a considerable extent recently. I would think that they were not aware of it to any degree, any serious degree, until the last year or two, or, to put it another way, that there has been a growing awareness. I think there was always an awareness on the part of the people whom I knew well in the foundation business that information should be given out, but I do not think that any of us realized that we were perhaps not talking in a language that was fully clear to the audience. We supposed that they knew the terminologies that we used, and I think we now know that they do not.

Mr. KEELE. Do you apprehend any tendency resulting from this investigation of driving foundations from the course which they have charted up to now, into safer waters, into the blue chips?

Mr. JOSEPHS. No, sir. I think it is, in fact, just the contrary, for the reasons already given today.

Mr. FORAND. I have no further questions.

Mr. FORAND. I have no further question.

Mr. Goodwin?

Mr. GOODWIN. No questions.

Mr. KEELE. I think that we can suspend, Mr. Josephs.

Mr. JOSEPHS. Thank you very much for giving me the opportunity.

Mr. FORAND. On behalf of the committee, I want to say that the committee appreciates the fine contribution that you three gentlemen have made to this investigation.

Mr. JOSEPHS. Thank you.

Mr. DOLLARD. Thank you.

Mr. LEFFINGWELL. Thank you.

Mr. FORAND. The committee will now recess until 10 o'clock tomorrow morning.

(Whereupon, at 3:55 p. m., the committee recessed, to reconvene at 10 a. m., Wednesday, December 3, 1952.)

## TAX-EXEMPT FOUNDATIONS

WEDNESDAY, DECEMBER 3, 1952

HOUSE OF REPRESENTATIVE,  
SELECT COMMITTEE TO INVESTIGATE TAX-EXEMPT  
FOUNDATIONS AND COMPARABLE ORGANIZATION,  
Washington, D. C.

The select committee met, pursuant to recess, at 10:10 a. m., in room 1301, New House Office Building, Hon Aime J. Forand presiding.

Present: Representatives Forand (presiding), Simpson, and Goodwin.

Also present: Harold M. Keele, counsel to the committee.

Mr. FORAND. The committee will be in order.

Mr. KEELE, will you call your first witness, please?

Mr. KEELE. Yes. Mr. Young, please.

Mr. Young, those microphones are connected. You can experiment a little with them. It will help some, I think, in addressing the committee.

Will you state for the record your name, your residence, and your business or occupation?

### STATEMENT OF DONALD YOUNG, GENERAL DIRECTOR OF THE RUSSELL SAGE FOUNDATION

Mr. YOUNG. My name is Donald Young. I live in New York, and I am employed as general director of the Russell Sage Foundation.

Mr. KEELE. How long have you been a director of Russell Sage?

Mr. YOUNG. Since July 1948.

Mr. KEELE. Will you tell us a little of the work that the Russell Sage Foundation has done? I mean by that, the general outlines of it, Mr. Young.

Mr. YOUNG. May I begin, Mr. Keele, by reading from the founders' purpose, both a little bit from her letter of gift, and also from our charter?

The letter of gift which was written in 1907 states:

The scope of the foundation is not only national, but is broad. It should, however, preferably not undertake to do that which is now being done or is likely to be effectively done by other individuals or by other agencies. It should be its aim to take up the larger and more difficult problems and to take them up so far as possible in such a manner as to secure cooperation and aid in their solution.

The charter, which was given us by act of legislature of the State of New York, also in 1907, specifies it shall "be within the purpose of the said corporation to use any means to that end"—that end being the improvement of social and living conditions in the United States—"which from time to time shall seem expedient to its members or trustees."

In other words, we have a very early broad deed of gift and charter, mandate from our donors and from the legislature, but it is focused on this basic phrase, "the improvement of social and living conditions in the United States."

That is our only limiting condition.

In carrying out this purpose the trustees—and Mrs. Sage herself was president for many years until her death—defined the term "welfare" very broadly.

They worked mainly by trying to bring the best knowledge gained through experience or study or research into the various fields of welfare such as recreation, social work, child care, delinquency, and penology, city and regional planning, social statistics, various forms of relief, and even very early into the study of philanthropy itself, as you know.

Now in working in these fields, as I say, we were trying to bring the best information possible into practice. We did this both by having a staff which operated directly as a part of the foundation, and also by making grants.

I think over the first 4 years of our history we spent about \$21,000,000, and we are supposed to spend the income of our funds, of which \$9,000,000 was spent in the form of grants to other agencies working for human welfare in this country, and the balance, or \$12,000,000, was spent directly through our own staff.

Now that program—and I take it you do not want me to go into detail about what we did in these various fields; this has been laid out quite fully in a two-volume history of the foundation which is a part of the record we submitted in answer to your questionnaire—continued with varying emphasis over the first forty-odd years, and when I came in, it seemed desirable to review our work after a program which had had strength to last over such a longer period, not so much because we were not proud of the record and confident in the value of our work, but much more because conditions had changed a bit.

We were sure, of course, that after 40 years new problems must have come into prominence, new ways of working must have been made available.

Furthermore, our income had been reduced, dividends and bond yields were not as high as they had been, and of course prices and other costs were up, too, so we had to consider what was the best way of spending our somewhat reduced income in the light of circumstances as they were shortly after World War II.

After review, we came to the conclusion that first we could no longer be both an operating and a grant-making foundation. We didn't have enough money for both of those activities.

We would have to pinch on both if we kept them going, so in view of the fact that there were other much larger foundations—our actual book value, for example, as of today is about \$16,000,000—pardon me, market value is about \$16,000,000, book value is about \$14,000,000—with many of the larger foundations such as Ford, Rockefeller, Carnegie, and so on, spending most of their funds through grants to aid programs of other institutions, it didn't seem that that was a profitable place for us to come in, particularly, since we had had some operating experience and had been reasonably successful in that area.

So we decided to move over exclusively to an operating program.

Mr. KEELE. Have you maintained since that time, Mr. Young, that program of operating?

Mr. YOUNG. Since 1945 we have been an operating foundation.

Mr. KEELE. And will you explain a little more what you mean by an operating agency or an operating foundation, so that we will get the difference between the grant-making foundations and the operating foundations.

Mr. YOUNG. The basic difference is that we have a program of our own and that our funds are not appropriated to other agencies for the support of their own programs.

Now, frequently, we do make agreements with other agencies such as universities to do a piece of work which they want to do but fits within our program also.

I have a statement of only two short paragraphs, which lays this out in the annual report which we are now preparing which I could perhaps read into the record.

Mr. KEELE. All right.

Mr. YOUNG (reading):

Activities of the foundation are conducted directly under its own auspices or jointly with selected institutions, either in the academic field or some area of social practice. In each cooperative venture, the foundation participates in the planning of the project, is an active partner in its operation, and reserves the right to publish any resulting manuscripts.

Grants are not made for the support of independent activities or other agencies or individuals. This restriction in procedure has been adopted, notwithstanding full recognition of the importance of grants given outright to research and operating agencies or individuals for support of their own programs, in the belief that the foundation's resources can be more effectively used in concentrated operation.

Mr. KEELE. Just by way of illustration, would you name other foundations, operating foundations, as opposed to grant-making foundations?

Mr. YOUNG. I am not sure I can name one which is exclusively operating, but predominantly so. Twentieth Century Fund is an operation foundation, although it does make a few grants, I believe.

The Millbank Memorial Fund is another, although both operate and make grants.

Those are two of the others. They are very few.

Mr. KEELE. Now as distinguished from those, the larger foundations such as the Ford, Carnegie, and Rockefeller are grant making primarily, are they not?

Mr. YOUNG. Primarily.

Mr. KEELE. Would you tell us something of what in your opinion the most significant contributions the Russell Sage Foundation has made, some of the ones which—

Mr. YOUNG. I think the most significant contribution is the way in which we have helped order the field of welfare, various welfare activities.

Now to get more specific, we have—and this is on the periphery of welfare as ordinarily defined—I think done some pioneering work in the field of city planning and regional planning.

The New York regional plan, for example, was one of our largest early projects. We have worked in the field of zoning. In the field

of education we did some pioneering work on educational measurement.

In the field of child care, we have made some contribution to the early development of children's institutions.

In the field of the professionals, for example, the study of professions as means whereby society uses its technical knowledge, gets the best value from its technical knowledge, we have done pioneering work in social work, law, engineering, medicine, nursing. Several fields have been studied there.

We were very active in helping develop and improve relief methods, beginning with the old charity organizations movement on down to more modern times. I think we have done some significant work in the field of foundations.

Now we have somewhat changed our program.

Mr. KEELE. I was asking over the span of the life of this foundation. It was organized in 1907, wasn't it?

Mr. YOUNG. 1907.

Mr. KEELE. So that it is one of the older foundations. In my reading, which has been discursive rather than thorough, it seems to me I have seen references to the fact that the Russell Sage Foundation did much to bring about a new profession or vocation, if it may be called that, that of the welfare or social worker. Am I correct in that?

Mr. YOUNG. That is correct. All of these activities, you see, bear on the welfare field of our profession, which is the profession of social work.

The schools of social work, we were very closely associated with the schools in early years, and with the organizations, the professional organizations, in social work. We actually helped finance the beginnings and general organization and advisory work of some of those associations.

Mr. KEELE. And you brought those together, as it were?

Mr. YOUNG. We tried to.

Mr. KEELE. Into some sort of pattern or organization?

Mr. YOUNG. And I think perhaps one of the ways in which we helped ordering that is by having them as tenants in our large building, which we now no longer own, but we had quite a large headquarters building, and many of these social-work agencies of quite different types were housed there.

Mr. KEELE. We know, of course, of the work that Mr. Andrews has done, because he appeared here as a witness, in fact, the second witness, but it is my understanding that your organization, the Russell Sage Foundation, has done more perhaps than any other foundation in studying foundations, isn't that correct?

Mr. YOUNG. I believe that is correct.

Mr. KEELE. And you have made a number of publications along that line?

Mr. YOUNG. I think our first little bibliographies and articles in that field go back 35 years. There were other rather minor efforts, but they were the beginnings.

Our first major effort was a publication by Mr. Shelby Harrison, then our general director, and Mr. Andrews, on American foundations for public welfare. That was followed by the volume on philan-



thropic giving, and just recently by another volume on corporation giving, and we intend to continue in that area.

Mr. KEELE. And those, as I understand it, have become definitive books, definitive textbooks, if that may be used, on this subject; isn't that right?

Mr. YOUNG. We like to believe it.

Mr. KEELE. We have made considerable use of them, I am sure.

How many directors do you have?

Mr. YOUNG. Twelve.

Mr. KEELE. Where are they drawn from mostly? I mean by that, where do they reside?

Mr. YOUNG. Drawn mostly from New York. One from New Haven; the others all live in or near New York.

Mr. KEELE. You may have been here yesterday, Mr. Young, when we were pursuing that subject of concentration or density of the New England district, the New York-New England district, so far as directors are concerned.

Can you tell us why your directors are drawn primarily from that area?

Mr. YOUNG. I suppose the basic reason is that we need the help of our directors, and a director in San Francisco would not be readily available. Our men are all close by.

New York has quite a supply of people capable of serving in a capacity as directors of foundations, and it would be quite expensive and quite difficult to try to have meetings both of our board and our special committees, such as executive and investments committees, if we had to arrange bringing people in from the Middle and far West and so on.

Mr. KEELE. What do you consider to be the qualifications of a director, of a desirable director?

Mr. YOUNG. Wisdom and a concern for society, for American society.

Mr. KEELE. And, by "wisdom," I assume that you mean that in all its facets; that is, common sense, experience. In other words, you are looking for competency in this particular field; is that right?

Mr. YOUNG. We are looking for competency of a generalized sort. We don't expect our directors to have the technical knowledge to be able to pass on a project which may be in the field, for example, of psychosomatic medicine.

We couldn't possibly have directors who would have such competence across the board of our activities; and, as our programs change and as new projects come in, of course, we have to change our directors too often; but we do expect them to be able to judge people, to consider evidence brought before them, and to exercise their judgment with—for want of a better term, I will have to call—a social conscience.

Mr. KEELE. How much time on the average would you say your directors devote to your work?

Mr. YOUNG. It varies considerably, sir; and I don't know how to put it in terms of time. We do have three or four full meetings a year. Those meetings are long meetings. They last from 6 o'clock through until 10:30 in the evening, and we do business throughout that time, even when we are having our dinner.

But they get a lot of preparatory material in advance. In fact, so much that some of them do tend to complain a little bit. We keep them informed of what is going on, both orally and by material.

At least one member reads every manuscript, even though it may be technical and somewhat out of his competence. They can be called on when they need help.

Now, those that serve on our finance committee give considerable time, and I don't know how much. Those that serve on our executive committee also given extra time, but it is when needed. The basic value is that we do have here a group of people who have experience and wisdom, judgment in business, and in matters of social policy, who are on call.

Mr. SIMPSON. Does your board pass upon every project which you undertake?

Mr. YOUNG. Every project which we undertake is passed upon by our board. If there is an emergency situation where we may have to take action before we can get a board meeting, the executive committee exercises the power of the board between meetings, but no project is put into action without the board having received full documentation, having discussed it and approved it.

Mr. SIMPSON. That is, the operating method which I understand you follow, as distinguished from a foundation making grants, your directors pass upon the recommendations of the trustees?

Mr. YOUNG. The staff. The staff prepares these projects.

Mr. SIMPSON. They submit them to the trustees?

Mr. YOUNG. That's right.

Mr. SIMPSON. In more or less the same manner that they would submit them if there was to be a grant?

Mr. YOUNG. Yes, sir.

Mr. KEELE. Are you directors paid?

Mr. YOUNG. No, sir.

Mr. KEELE. Mr. Young, would you give us the dichotomy on the thinking of those who favor paid directors and those who favor directors serving without compensation? I am sure you have heard those discussions and arguments. I wonder if you could give us the general thinking of it as you understand it to be.

Mr. YOUNG. I have never tried to sum up the arguments even to myself on those two points of view, because it always seemed to me that the direction of a philanthropic foundation, as its operations are normally conducted, should be accepted as a social obligation by people qualified for directorships.

Now, I can readily imagine foundations which are so large and require so much of the time of their directors that there should be some compensation, particularly true if some of the board of directors don't have too large an income to begin with.

So, I don't think that this is a matter of black or white; but I do think that most of the standard philanthropic foundations, the old-line foundations, present such an opportunity for service that there is really no difficulty in obtaining the finest people you can want to serve without compensation; and, consequently, no reason for offering an inducement of a fee.

Mr. KEELE. But in talking off the record with Mr. Leffingwell, I gained the impression that foundations are inclined to feel that there is something incompatible with a trustee's dispensing funds for public

welfare and making a charge for it. They prefer not to do it if they can avoid it, but it was pointed out here yesterday in talking about this that, where vast amounts of time were devoted by trustees to affairs of a foundation, unless the trustees were men of independent wealth, it presented a hardship which probably limited the field of possible trustees.

Mr. YOUNG. I don't think that limits the field seriously. Our board includes two academic people, one a retired professor from Columbia University who certainly does not have a large income; the other a professor from Yale University. Their incomes are comparatively small.

Mr. KEELE. But one is retired, you say?

Mr. YOUNG. He is retired as a professor, but he is still a member of our board.

Mr. KEELE. I meant as a professor.

Mr. YOUNG. He is retired; yes. That kind of person is still available.

Mr. KEELE. Even though he serves without compensation?

Mr. YOUNG. That is, he would not look on election to afford such desires as a means of increasing his income.

Mr. KEELE. How many employees do you have at the Russell Sage Foundation?

Mr. YOUNG. Direct employees in the central office, 17 or 18. That includes professional staff and secretarial staff.

Mr. KEELE. Mr. Young, I think Mr. Andrews when he was here read at our request or at his request the statement contained in your answer to our questionnaire with reference to public reporting or public accountability.

Would you just comment on it, because I am sure that statement represents your view in large part. Will you comment on your feeling about the desirability of public accounting?

Mr. YOUNG. It represents not only my point of view but I think the point of view of our entire staff and board of directors.

That is, that an organization which is allowed to operate appreciable funds for the benefit of others or for the public good and enjoy special privileges, such as tax exemption in carrying out its duties, should certainly report fully to the public on what it does.

I think that public accountability in full, going so far as to suggest special investigations of this kind, is absolutely desirable and I would say necessary.

When we point out that the foundations have the obligation to report their operations in full, financial as well as project operations, I think I would even go so far as to say that the Government has the obligation to see to it that such reporting is done.

Mr. KEELE. What do you think should be included in such a report, Mr. Young? I know you have indicated it, but would you give us a little more detail?

Mr. YOUNG. We will start with perhaps the least important, which is a complete financial statement, the kind that any reputable certified public accountant would want to prepare.

In addition, there should be a record of who are the trustees, who are the staff, what is the field of operation; in other words, what are you trying to do, what means are you taking to accomplish these ob-

jectives, what kind of projects are you engaged in, and even why do you try these projects.

You ought to give not only the bare facts but you ought to give your reasons, your philosophy, for working into the kind of program that you have in operation.

Mr. KEELE. So that anyone picking up that report could with average attention and average ability tell exactly what the program of the foundation is, what they are doing, and why.

Mr. YOUNG. I think so.

Mr. KEELE. What about a breakdown of administrative expense?

Mr. YOUNG. This is something I have never even been able to do for my own satisfaction. What is an operating expense? When am I, for example, spending money for general administration? When am I spending it for program development, for program supervision, for actual project operation? I don't know.

Now I think we should try, and we do try. We allocate in our balance sheet what we call just general administration, which most people would call overhead, a word which I think now has so many connotations that it is dangerous to use it. Overhead is supposed to be bad.

Mr. KEELE. Your problem is different in that you are an operating foundation.

Mr. YOUNG. Yes.

Mr. KEELE. You can hardly say that salaries, therefore, paid are all administrative expense; isn't that right?

Mr. YOUNG. My own salary, for example, is this overhead? Actually I spend most of my time trying to develop projects, following through on those that are in operation, stimulating new interest, and seeing to it that the results get out into practice.

Mr. KEELE. That is not quite the situation with the grant-making foundations; is it?

Mr. YOUNG. I think it is nearer the situation than most people imagine. The general concept that a foundation operates by letting it be known that it has money to spend for certain types of projects, and then wait until projects come in, is erroneous.

I am sure, for example, that the larger foundations, such as the Carnegie Corp., do quite a large amount of planning in order to get the kind of projects they want brought in.

You see, it is not an easy thing to design a good project, especially a large project, but even the little ones.

You don't just sit down in front of a table with a pad of paper and say "Now, let's make a project." It requires considerable background and considerable effort even on the part of the experts, and for this there is no money.

Perhaps this is one of the difficulties in foundation work: that the people who bring projects in are supposed to be able to design them, to blueprint them to the point where they can be passed upon with intelligence on their own, and the money comes after you have gone that far.

Now, it is frequently said by research people that the hardest part of any project is to get it into that blueprint stage where you know it is worth carrying through. When you have done that, you have done at least a third of your work.

Mr. KEELE. I assume from what you have said with reference to making a statement of what you are doing and why, in the case of

foundations making grants, that they should list those grants in that reporting.

Mr. YOUNG. Always.

Mr. KEELE. As to amount and description so that anyone could tell what the purpose of it was.

Mr. YOUNG. I would hope they would be listed by more than mere title. The title frequently is meaningless except within a small group of specialists, and certainly the title would not explain the nature of any project to the point where you can understand why this type of project was supported.

Now, frequently that could be done by clusters of projects in the same area, rather than one by one, especially if you have a large number of projects.

Mr. KEELE. Is there anything else that you feel ought to be in the report?

Mr. YOUNG. It doesn't come to my mind at the moment, sir.

Mr. KEELE. Do you think these reports should be filed at a central place or given dissemination in some way, or just how should that be handled?

Mr. YOUNG. Certainly they should be filed with a responsible governmental body where they should be readily accessible. Beyond that I think the foundation itself has the responsibility for distribution. Distribution is not just a matter of broadcasting.

If you are a specialized foundation—and many are—the problem there is to get it to the people who are concerned with the area of specialization who need to know about what is going on and who can really estimate how well the job is being done.

Now that only the foundations can do intelligently, and of course also there is a distribution to the media of mass communication.

Mr. FORAND. What would you think of the idea, hitting upon the very thought that Mr. Keele has just advanced about a central filing point, of filing one copy of the report with the Treasury Department and one copy with the local office of Internal Revenue so that it would be available to anyone in that area who would care to look into it?

Mr. YOUNG. I think that would be excellent, but I don't think it would serve the purpose of full communication of what foundations are doing.

I doubt if there are very many people, for example, who know whether there are one or several such offices in New York City, where they are, and how you can get to them, and I doubt whether there would be anybody in such offices who would be really much concerned as to whether they ever saw the light of day.

You would have to have somebody in each of these places who would have responsibility for making them available on request. That would require, I think, extra effort.

In other words, this is fine as a matter of official deposit and availability if otherwise hard to find, but beyond that a more positive effort is needed for distribution, Mr. Chairman.

Mr. FORAND. I am definitely in agreement with you. What I had in mind was this method of depositing these two copies in addition to your regular distribution.

Mr. YOUNG. Oh, yes.

Mr. FORAND. So that officially these would be available at these two central places.

Mr. YOUNG. Yes. I am in agreement with that entirely, Mr. Chairman.

Mr. SIMPSON. Mr. Young, reports are now filed to enable the Treasury Department to determine whether you are to have tax exemption; are they not?

Mr. YOUNG. Yes, sir.

Mr. SIMPSON. Now, what is the purpose of the additional report you are suggesting?

Mr. YOUNG. Mr. Chairman, I myself could not determine what Russell Sage Foundation was really doing in the sense that we have been discussing foundation operations here this morning, from the report we filed, following the instructions on the present forms.

The present forms which are, after all, prepared for tax purposes, for the Treasury Department's purposes, do not communicate to the reader what a foundation is really trying to accomplish.

Mr. SIMPSON. I still ask what is the purpose of letting the public know? Is it so that they may criticize?

Mr. YOUNG. Well, I see several purposes, Mr. Simpson. One purpose of course is to make sure that we do not create the impression that we are great secret bodies operating off by ourselves in accordance with our own whims.

Secondly, I think that, since we claim that we are working for the public good, we should not be the judges as to whether we are actually accomplishing anything. I think the public, the informed public, should have full information to see whether the special privileges we have are justified in terms of what we are doing.

Mr. SIMPSON. Yes, but it has been testified here that the big advantage of foundations, I might almost say in my opinion the principal advantage, is that in exchange for the tax concession, they get money which can be used in areas where Government can't use it.

Mr. YOUNG. Yes, sir.

Mr. SIMPSON. And they have the risk capital and they take chances.

Mr. YOUNG. Yes.

Mr. SIMPSON. Aren't you inviting the curtailment of that, which perhaps you will agree is the greatest purpose of foundations, if you throw it open and invite political opposition or public opposition about a matter that they know nothing on, and aren't you apt to invite legislation which will stop you in those areas where you are doing a great deal of good?

Mr. YOUNG. Mr. Simpson, in my judgment—and this is only a matter of judgment—I think we are likely to get more criticism from a policy of secrecy or seeming secrecy than we are from open operation.

In other words, I think we can operate precisely like a university operates. Now universities will operate in areas which are subject to political criticism, to criticism from various elements in the population who may disagree, but they still operate.

Mr. SIMPSON. I can read one of your reports, and you may talk about grants to this or that place, and I have no idea what the end purpose of that money is. You suggested an area there a bit ago that I don't understand at all, and I can't be expected to understand.

Yet you referred earlier, for example, with respect to your directors that a sound social consciousness was one of the prerequisites to being a director.

Mr. YOUNG. Yes, sir.

Mr. SIMPSON. Now what does that mean? Is it academic or is it based upon experiences in the fields of science, social science.

Mr. YOUNG. By that I meant the people who are concerned with the welfare of the American Nation and would do what they can for the improvement of the social order or, to use the word from our own charter, the improvement of social and living conditions.

Mr. SIMPSON. Do you imply that there are people who don't have that interest?

Mr. YOUNG. I imply that there are great differences in the amount of sacrifice individuals will make in pursuing that.

Mr. SIMPSON. Well, now, that brings us back to where I started. I want to know what you expect in these directors that aren't average as compared to average Members of Congress, for example.

It is a prerequisite, it is something that you have in your directors that influences them in your awarding of projects of fields in which they are.

Now I extend that to this matter of reporting. The public will want to know what your directors will want to do.

Now is that a political question, is it one where risk capital should not be invested, or just what does it mean?

Mr. YOUNG. We have found I think in our own directors that there are varying degrees of interest and willingness to work as directors, so that there are variations even in the people that we have selected, and we try to get those who willingly give freely of their time as required.

Mr. SIMPSON. But you want a man who has a social consciousness of matters and yet you don't pay him and you limit him to the well-off class of people.

Mr. YOUNG. I think not all of our directors.

Mr. SIMPSON. Wealthy people mostly.

Mr. YOUNG. I don't think they are all wealthy people. Two of our men certainly are not—three. I think of a third, also retired.

Mr. SIMPSON. Would you address yourself to this. With respect to these reports, would you like the Congress to further define or attempt to limit the use of your funds?

Mr. YOUNG. No, sir. Our report, in answer to the questionnaire—and I believe our answer to that particular question was read into the record earlier at the first session of these hearings—says that we believe in public accountability, but believe it would be very unfortunate to have Government control of program.

There is a difference. You report what you are doing. That is quite different, in my opinion, from getting approval in advance or any limitation on what you may do in the way of going out on the pioneer fringes of research.

Mr. SIMPSON. If you were doing something which after you filed these reports the public doesn't want you to do, you know when you would be curtailed.

Mr. YOUNG. I am afraid we would have to be courageous in some cases, as foundations have been. Foundations have been criticized for what they have been doing, foundations which have publicly reported. They have tried to justify themselves, and they have not given up just because of criticism alone.

Mr. SIMPSON. I know. But your answer is, though, as I understand it, that in your judgment it is better to take the risk of letting the public know how you risk the money which they permit you to have by remission of taxes, it is better for you to make all that information public, no matter how much risk you are taking, than to do it as you are now, without telling the public in detail where the money goes.

Mr. YOUNG. That is my judgment, Mr. Simpson.

Mr. SIMPSON. I just suggest that it would be pretty well to emphasize just what you are doing, namely, that you are in a field that Government can't enter where in the judgment of directors the taking of the risk is bound to lose in a number of instances.

Yet, nevertheless, it is proper social duty and justifies Congress in giving you this leeway. I think that the public will have to be sold on that if we make these reports generally public to the people as you recommend.

I think the people will have to be told along with the report that some of this money is in the risk area, but is on behalf of progress proper and necessary.

Mr. YOUNG. We try to make that plain in our reports, sir.

Mr. FORAND. I think that brings up the point that I made yesterday, that the foundations need a better system of public relations, so to speak, having someone that would make known to the general public what is going on, what is being done, and why.

That was brought up yesterday during our discussion of the criticism of some people to the effect that there is a nest of Reds in Harvard and in Columbia Universities, because they are developing some project regarding the study of the Russian language and the Russian people.

If it is a valid project, then it should be made known to the people in more detail than has been done, so that there will not be any misunderstanding. I think that would apply particularly in the case Mr. Simpson has just sought to develop, that more information should be given to the people, and I think the establishment of a public-relations office in each of the foundations may go a long way to that end.

Mr. YOUNG. Mr. Chairman, your comment, with which I agree, suggests that there are two kinds of risks which foundations have to take.

One is the kind of risk of misunderstanding which comes about through financing centers, as at Harvard and Columbia, by Carnegie and Rockefeller, for the study of the Russian languages and people.

This can be misinterpreted in the sense of being dangerous.

The other kind of risk is far more common, and that is a risk from working out on the frontiers of knowledge where the risk is a failure in research, and of course a high proportion of all studies don't come out as they were planned.

You just keep working at it, so that it is the second risk which is far more common, and certainly that the public can understand quite readily, and I think with better public relations the other kind of risk too can be made plain.

Mr. KEELE. Well, practically all of the old-line well-known foundations are doing the kind of reporting that you are talking about, aren't they?



Mr. YOUNG. Yes, Mr. Keele, I think all of the old-line foundations do publish reports. Some of them are not very readable I might say, and perhaps we need more than just one kind of a report.

One that would be the straight basic reporting job, "This is what we did," including matters of investment policy and finance as well as details of appropriations, but those kind of reports—and I find some of them quite exciting—are not going to be widely read, and it doesn't channel out to as large a group of people who need an understanding of what we are trying to do.

Mr. KEELE. Well, I was thinking of the fact that yesterday the Carnegie Corp. testified that it published 6,000, I think, of their annual reports and attempts to get for them the widest possible dissemination.

The Rockefeller Foundation, of course, publishes reports, you people publish reports, the Commonwealth Fund, for instance, which I happen to have before me, because the Commonwealth representatives are going to testify shortly, give their report in great detail showing their grants and what they are trying to do and so forth, so there is nothing revolutionary as I understand it in making reports of this kind.

Mr. YOUNG. This has been done by the old-line foundations for many years. It is simply a question of spreading it to a wider range of foundations, and it is spreading of its momentum right now.

Mr. KEELE. I was told yesterday that since the 1950 Revenue Act was passed, the Carnegie Corp. received reports from 12 foundations which had never before made reports.

They indicated that since it was brought to their attention there was some desirability for reporting of some kind, that these foundations who never before troubled to make reports now voluntarily made these types of reports.

Mr. YOUNG. I haven't counted them, but I have noticed quite a number of foundations which have started reporting within very recent years.

Mr. KEELE. We have gone back many times to the question of the role of the foundations in modern society. I think it would have particular significance with you as the head of a foundation which is studying foundations, if you would tell us your view as to the role of foundations in modern society.

Mr. YOUNG. I don't think the role of foundations in modern society is very much different from the role they have performed over many years. I think perhaps it has grown in importance if not changed in character.

It has grown in importance because, as was pointed out by one of your witnesses yesterday, there are more opportunities, more spokes leading out from the hub which can be followed. There are more ways in which they can work. In a sense, there are more frontiers ready for development than there have been before.

Now there has been some question raised about the fact that the Government is now doing many things that philanthropic foundations used to do, and it has been said, "Well, now, why should private money, so-called volunteer money, continue to operate on such a large scale?"

To me it seems that as the Government works more and more, shall we say in the field of welfare, our own area of activity, the more reason there is for private foundations to operate in the same area.

This serves several purposes. In the first place, there are these frontier jobs which it isn't fair to ask the Government to undertake, where the experimentation has to be done with this private-risk capital, as Mr. Simpson pointed out.

In the second place, there are demonstrations in putting new knowledge into practice which need to be made, and again I think private capital can make those demonstrations much more freely and perhaps with much less danger of unfortunate results if they fail. They could be more varied in their attack.

We never know quite what is the one way to try something out. We have to try many ways as we go along.

Then there are always gaps which can never be all taken care of by any large governmental program, which can be filled in.

And lastly, I think perhaps it is a good idea to have several systems of operation, I was going to say if only so they can act as yardsticks for each other, by different systems accomplishing the same purpose to serve as a check one on the other, and this is something foundations can help do.

There are many reasons of this sort why, not only because the opportunities have increased as we have progressed but also because there is more activity in these fields, why we need this outside, this private, philanthropic operation.

Mr. KEELE. I gather from that, I think, you have indicated you feel the need today is perhaps greater than it has been before.

Mr. YOUNG. Much greater, sir, in my opinion.

Mr. KEELE. Yesterday there was some discussion as to the danger of an investigation such as this one deflecting or tending to deflect the activities of foundations from their venture capital into safe or more certain channels. It was said here yesterday, as you may have heard, that, in the opinion of those testifying, that was not the case.

I know that you have some reservations or doubts about that, and I wish you would express them frankly, Mr. Young.

Mr. YOUNG. I do have some reservations about the judgment expressed yesterday that investigations even of this fine kind may not influence some philanthropic operations into more, shall we say, safe types of activity.

In the first place, I don't think we can make a generalization about all foundations. I think Mr. Dollard, for example, when he testified yesterday afternoon and expressed no doubts on this point, was thinking of foundations such as the Carnegie Corp., and I would like to think he was also thinking of Russell Sage Foundation. I don't think it is going to have any such unfortunate influence whatever on foundations of these two old-line types.

There are, however, quite a number of foundations and of philanthropists in process of establishing foundations for operating, for example, private family foundations who are not quite as, oh, well-informed about what goes on here, who are not in a sense—I don't like to use the word—professionals as the staffs of the old-line foundations are, professionals in the sense that they have worked in this kind of area as their major occupation for years.

And those people I think are very likely to be made a little more timid, if only because they are not here, they will not read the transcript of the record; few of them will probably ever read the final

report of this committee, and what they do learn about it is a trickle that gets to them.

Very little of what has been solved by these hearings so far will trickle out to this large new area of philanthropy, to the newer philanthropists who are just feeling their way in here and for that reason I am a little doubtful, sir, more than a little doubtful.

But not for the group of foundations to which Mr. Dollard was referring as I understood him yesterday afternoon. There I am in entire agreement with him, 100 percent.

Mr. KEELE. The point being that the mere fact that there is an investigation is in itself perhaps a little frightening to some of the newer and less-informed foundations.

Mr. YOUNG. It sensitizes them, or perhaps oversensitizes them, to the fact that not everybody is going to approve of what they may do with their philanthropic dollars. It throws another little element into their thinking.

Mr. KEELE. Isn't it inherent in the nature of giving that for every friend that you make you are apt to make several enemies? Hasn't that been said repeatedly about foundation giving, that it is not the way of making friends?

Mr. YOUNG. I think it has been said beyond reason. I have been on both sides of the fence. Before I went with the foundation I was in a recipient agency. I was one of those who was continually applying for grants, and I didn't get all of my applications through by a long shot.

To me it is really a nice comment on human nature that most people who come in with what they think is their really bright idea, their one opportunity, and find that it doesn't fit into a foundation's program, or that the other fellow doesn't agree that it is so wonderful, most of them are very, very nice about it.

I have made some very good friends through declinations, and some enemies, perhaps.

Mr. SIMPSON. Mr. Young, why might these foundations take less chance with their risk capital as a result of this investigation?

Mr. YOUNG. Because of the fact that people are sensitive to criticism.

Mr. SIMPSON. And they would be afraid in the final analysis that they might lose tax exemption?

Mr. YOUNG. I don't think that that would be it. I don't think it would be the tax-exemption issue so much, and here I am of course expressing a personal judgment.

Mr. SIMPSON. I understand.

Mr. YOUNG. As it would be the fact that a man who wants to help, wants to give away money for the benefit of others, is really let down if people say, "Oh, oh, you did us a disservice."

Mr. SIMPSON. That's right.

Mr. YOUNG. He is never going to be let down if he gives to one of the outstanding universities, to one of the outstanding national welfare institutions. Usually they are agencies which are in less need of new sources of money than the more venturesome risk activities.

Mr. SIMPSON. That brings me right back where I was a bit ago, because this committee is going to make some kind of recommendation to the Congress, and that is with regard to these reports.

If we require a report each year from every foundation which shows in minute detail where the money goes, aren't we inviting a con-

tinuing opposition and a continuing limitation upon the great work foundations do today in giving them a great latitude in the use of their funds in experimental and hazardous fields?

Mr. YOUNG. I think a good deal depends on the regulations which are developed or which may be developed.

Mr. SIMPSON. That is why I would like to hear some discussion on it.

Mr. YOUNG. Such regulations can very easily be made burdensome and discouraging. This would be particularly likely to be the case if they were written by someone who hadn't previously familiarized himself with the problems of foundation operation, for example, who did not realize that there were things known as grant-making foundations and operating foundations.

Now I have seen forms which may be well designed for the grant-making foundation but which are just impossible for the operating foundation.

Mr. SIMPSON. May I interrupt just a moment?

Mr. YOUNG. Surely.

Mr. SIMPSON. Do you envisage that a report, for example, of the Ford Foundation would show this:

We gave \$1,000,000 to Harvard University.

Or do you envisage that the report to Congress might require—and you have recommended full reports—the Ford Foundation gives \$1,000,000 to Harvard University, and then spell out in detail the purposes for which Harvard University uses that money?

Mr. YOUNG. I should like to see them not spell out in detail, but make plain with pretty broad strokes of the brush that it was given for.

Mr. SIMPSON. Do you think that such requirements as a matter of law would not have the same effect on the foundations as these hearings we are holding today will have, as you have testified?

Mr. YOUNG. Oh, no; I don't think they would have any such effect, sir.

Mr. SIMPSON. Do you think that the donor wouldn't be perhaps undesirous of being ridiculed if he gave the money to some other place other than Harvard as you suggested a bit ago? Wouldn't that same danger exist?

Mr. YOUNG. Well, there is always more prestige to be derived from giving to a prestigious institution, but this exists regardless of whether reports are published or not.

Mr. SIMPSON. Well, then we aren't going to have a bad effect from the committee hearing.

Mr. YOUNG. I don't see that the cases are analogous, Mr. Simpson.

What I was thinking about is the possible oversensitiveness to criticism as the effect of such hearings on people who were not present and who didn't read the full reports, which would be through making them overconscious of the fact that they might be criticized for giving to something that was risky. Shall we say, to use an illustration that was used before, to a Russian research center at Columbia University or Harvard University or the University of Washington or what not. They might say, "They pick on this."

This is the kind of information that sifts out to them. They don't get the total picture. If they all got the total picture of what was going on here, then I would withdraw my statement instantly.

Mr. SIMPSON. It looks to me as though these reports, unless they are very carefully guided by regulations which permit some concealment, unless they do permit that, you are going to have this limiting effect on the use of risk funds. I just can't see any other outcome.

Mr. YOUNG. I think, Mr. Simpson—and I understand that you—

Mr. SIMPSON. It is a dangerous area for us to make more than general requirements on reports if we are going to retain the immunity of risk funds.

Mr. YOUNG. I am just more optimistic about the possibility of getting simple regulations which can be complied with without taking on too much, shall we say, nuisance value.

Mr. SIMPSON. Is that substantially different from the report issued today?

Mr. YOUNG. What we issued today, our annual report, I think is perhaps even more full; is more full.

Mr. SIMPSON. Than you would recommend be required?

Mr. YOUNG. Yes; this is more full than I would recommend that you require.

Mr. SIMPSON. Would you care to address yourself to the Ford report for the moment? Is it as detailed as you think should be required of foundations?

Mr. YOUNG. The Ford report?

Mr. SIMPSON. Yes.

Mr. YOUNG. I don't think I have read a Ford report.

Mr. KEELE. I don't believe they are available.

Mr. SIMPSON. Well, take Rockefeller.

Mr. KEELE. Take Rockefeller or Carnegie.

Mr. YOUNG. I think Rockefeller and Carnegie, Mr. Simpson, both report much more fully than could possibly be required.

Mr. SIMPSON. You think much more fully than any law we pass should require?

Mr. YOUNG. Much more, sir.

Mr. SIMPSON. And you think that gives the public full and sufficient knowledge of the operation of foundations?

Mr. YOUNG. Yes, sir.

Mr. SIMPSON. Thank you; that is all.

Mr. KEELE. Mr. Young, don't you feel that the criticism that has been leveled at foundations stem largely from the fact that the public has been unable to find out in many instances what a great number of foundations are doing?

Mr. YOUNG. I do, sir.

Mr. KEELE. In other words, we have the question of whether you want to operate secretly or, as has been advocated here, with glass pockets in a goldfish bowl. Those are the two areas of thinking. What is your view?

Mr. YOUNG. I think certainly I am opposed to the secrecy provision. I think that foundations should report on their financial and other operations so fully that it can be understood by the reasonably well-informed citizen, and I think that should be spread wider in understandable form, wider than to the audience which, for example, can read our own annual report.

The problem is one of communication, Mr. Keele. You don't communicate by just any words.

Mr. KEELE. Would you comment on whether you feel that the foundations—by that I mean the larger and better-known foundations—have been suffering from abuses either real or suspected that have been indulged in by the foundations that are springing up in great numbers?

Mr. YOUNG. I do think so, sir, and in our report last year I pointed out that we are frequently charged by the company we are supposed to keep as well as by the company we actually do keep.

The word "foundations" is a conglomerate term, as I am sure we all are aware. It covers institutions which are fund-raising as well as fund-dispensing.

You can start a foundation, have it incorporated with no money whatever, just for the purpose of getting money, a quite different type of agency, and frequently a highly desirable type of agency, but of a different nature. They are sometimes well organized, well structured and well staffed. At other times they operate as private pocketbooks.

Sometimes they operate in a goldfish bowl, reporting fully, as does Carnegie, for example, as we think we do. Other times they even refuse to let us know how much money they have or how much income they have or in what field they are interested.

Our study, called the American Foundations for Social Welfare, to which I referred, tried to get information from foundations at that time, and foundation after foundation flatly refused to disclose their assets or their objectives, and this is perfectly legal.

Now, of course, since the Revenue Act of 1950 they do have to make reports, reports which are not too readily accessible, I believe, and in my own opinion not too informing, and I think we have suffered consequently because we have been lumped together, all of us in one group, and anything done by any one of these different types is carried across as a criticism to the other.

Mr. KEELE. What about State regulation of various foundations which are chartered in various States? Do you have any ideas as to whether or not there is sufficient regulation there or would it answer the question, State regulation, that you have propounded here and suggested answers to?

Mr. YOUNG. Insofar as regulation is required, I suppose that basically that is a State function, since foundations are creatures of the State rather than of the National Government.

We have two interests here, the State and the National Government, with the National Government coming in from the point of view of tax-exemption and general public policy. I can't speak with any authority about present State regulation practices.

We do have a study in this area under way now, almost completed, as I believe you are aware, and I would rather let that manuscript speak for itself on this subject and try to comment on it.

Mr. KEELE. Mr. Young, do you know of any grants that have been made or operations undertaken or projects undertaken by Russell Sage Foundation which in your opinion tended to weaken what we call the traditional American way of life?

Mr. YOUNG. I know of no such grants, Mr. Keele.

Mr. KEELE. And you have been asked to list any such grants or any such persons and, as I recall your answer to the question there, no such grants were listed; is that correct?

Mr. YOUNG. That is correct, sir.

Mr. KEELE. However, under D-14 of the questionnaire where you were asked whether your organization had made any grant, gift, loan, contribution, or expenditure, directly or indirectly to any individual, individuals, group, organization, or institution which had been criticized or cited by the Un-American Activities Committee of the United States House of Representatives or the Subcommittee of Internal Security of the Judiciary Committee of the United States Senate, you did cite an instance where money had been paid by your organization to an employee.

Mr. YOUNG. Yes, sir.

Mr. KEELE. Who had been cited, isn't that correct?

Mr. YOUNG. That is correct, Mr. Keele.

Mr. KEELE. And what was the situation there? Will you just tell us in brief, and I will not refer then to the answer here.

Mr. YOUNG. In response to question D-14, the one that you have just read, we searched as well as we could through the records of the two committees and made inquiries also at your office, and we found one of our former employees, Miss Mary Van Kleeck, was indexed, I have forgotten how many times, but quite a lot of times, was frequently mentioned in connection with activities of interest to one or the other of those committees.

We consequently sent you a statement concerning her employment with us. Her first contact with the foundation was not through direct employment but was rather through three grants which were made in 1908, 1909, and 1910. These appropriations were to enable her to study in her field of interest at that time, which was women in industry.

In 1911 she was brought on to our staff as a regular employee at a salary of \$1,500 per year. She stayed on our staff as a regular employee down to her retirement on September 30, 1948, at which time she was drawing a salary of \$8,808 per year.

Since her retirement, in accordance with our general policy, she has received an annuity, a portion of which has been paid directly by the foundation. The portion that we pay has been at the rate of \$1,279.08 per year. Is that the information you wish?

Mr. KEELE. And the total amount she received over that entire period was some \$238,000.

Mr. YOUNG. Yes, sir.

Mr. KEELE. Now investigation revealed, did it not, that Mary Van Kleeck had been connected in one way or another with some 60 organizations which have been listed as subversive?

Mr. YOUNG. I was so informed at the time this matter came up, and have no reason to doubt the information, sir.

Mr. KEELE. But until that was brought to your attention you had no knowledge of the fact?

Mr. YOUNG. I want to be very careful in answering that question, Mr. Keele. The word "knowledge" is a difficult word.

Now I have actually known of or known Miss Van Kleeck myself since I was a graduate student back as long ago as 1919 when I recall reading at least one of her early studies on women in industry.

I believe I met her myself first in the late 1920's and from that time down to the time I joined Russell Sage Foundation staff I must have seen her perhaps six or eight times.

Now toward the later period I did hear her gossip, idle chatter, and so on. It was quite commonly said that she was to the left of center in her thinking, so that in that sense I have long had some knowledge of the fact that there was a general opinion that Miss Van Kleeck was to left of center in her thinking. I frankly did not pay much attention to it.

Her specialty was not in my field, and I had no idea that I was ever going to be connected with Russell Sage Foundation. And when I did become connected with Russell Sage Foundation, she had 2 months left before retirement, which was barely enough to do the closing-down operations, so again I paid very little attention to the matter.

This was a closed issue. Now so far as any specific knowledge of actual participation was concerned, it would result from this questionnaire coming to me.

Mr. KEELE. What was the work of Mary Van Kleeck in the Russell Sage Foundation?

Mr. YOUNG. She was one of the members of the staff. The staff over the years was much larger than it is now.

Originally she made studies of women in industry. I think perhaps it might be interesting to look at the titles of some of these early works. *Artificial Flower Makers* was published in 1913 by the foundation. *Women in the Bookbinding Trade* was published in the same year. These are 270- to 280-page books.

*Working Girls in Evening Schools* was published in 1914. *A Study of the Millinery Trade in New York* was published in 1917. That was the work for which she was originally employed, a field in which she was outstanding.

I have recently taken occasion to go over those early books and I am quite impressed by them. They must have been very useful influential books. As I say, I remember actually reading one of them when I was a graduate student in 1919. In later years her field broadened out from women in industry—after all, that became less of terror incognito after World War I—and we have published three books since then.

One is *Employees' Representation in Coal Mines*, where she was a joint author with Ben M. Selekman, published in 1924; another one on *Miners and Management*, published in 1934 by herself, and the last publication issued by us written by her was *Technology and Livelihood*, published in 1944.

Now all of this time she was a regular staff member except for 2 years during World War I when she was in Washington with I think the Ordnance Department for a while and with the War Labor Policy Board and the Department of Labor, I think all three of those agencies.

Mr. KEELE. She was also a member during part of time of the board of trustees of board of governors of Smith College, was she not?

Mr. YOUNG. It says so in *Who's Who*, sir. That was 1922-30, in accordance with the statement in *Whos' Who*.

Mr. KEELE. Did she have the position which permitted her to make policy decisions?

Mr. YOUNG. No, sir. Policy decisions are made by the board of trustees in full consultation with the directive staff, meaning the general director and any associates he may have in the administrative line.

She was a straight research worker in the field, originally women



in industry, and later that was broadened out when that subject became a little passé to industrial studies.

She had the amount of influence on policies that you would attribute to her own persuasive powers. Anyone can talk to the general director and the staff and urge a point of view, but in the sense of any administrative responsibility for policy making, no.

Mr. KEELE. In other words, she had only such influence as her abilities, persuasiveness might have with those to whom she talked?

Mr. YOUNG. That is what I was trying to say, a bit awkwardly.

Mr. KEELE. With the exception of that one employee, then your search has failed to reveal anyone else who either as an employee or recipient of a grant or as an employee or subemployee on a project—she is the only one who has been listed.

Mr. YOUNG. As we understand that question, we have been unable to find anybody else that comes close to requiring mention.

Mr. KEELE. I have no other questions of Mr. Young.

Mr. FORAND. No further questions. We thank you, Mr. Young. Call the next witness.

Mr. KEELE. Mr. Aldrich.

Mr. Aldrich, will you state for the record your name, your address, and your connection with the Commonwealth Fund?

**STATEMENT OF MALCOLM PRATT ALDRICH, PRESIDENT OF THE  
COMMONWEALTH FUND**

Mr. ALDRICH. Yes, sir. My name is Malcolm Pratt Aldrich, and my address is 36 East Seventy-second in New York. I am president of the Commonwealth Fund.

Mr. KEELE. Have you any other business or occupation, Mr. Aldrich?

Mr. ALDRICH. No, sir. I am on several of the boards, banking board, railroad board, hospital board, but no other occupation.

Mr. KEELE. Will you tell us what the assets are today of your foundation, the Commonwealth Fund?

Mr. ALDRICH. Yes, sir. Book value they are approximately \$85 million, market value around \$97 million.

Mr. KEELE. And your average income for the past 6 years has been just under \$2 million per year, is that correct?

Mr. ALDRICH. Yes, sir.

Mr. KEELE. This fund was established primarily through the generosity of the Harkness family, was it not?

Mr. ALDRICH. Yes, sir.

Mr. KEELE. And your work as I understand it has been primarily in the field of medicine and health, is that correct?

Mr. ALDRICH. That is correct.

Mr. KEELE. Will you tell us a little more fully about that?

Mr. ALDRICH. Yes, sir. I could either tell you off the record or read a very small statement of three pages.

Mr. KEELE. I think that would be helpful. I think I have seen that statement and I think you might run through that.

Mr. ALDRICH. The Commonwealth Fund was established in 1918 by a gift from Mrs. Stephen V. Harkness. Subsequent gifts and bequests from Mrs. Harkness, Edward S. Harkness, president of the fund from its founding until his death in January 1940, and Mrs. Edward S. Harkness have increased the endowment to about \$85 million.

That, as I said, is book value. The terms of these gifts make the income or principal broadly applicable to "the welfare of mankind."

The fund now devotes the income from this endowment chiefly to the promotion of health in its broadest sense—through grants for medical education, experimental health services, and medical research. Its primary concern is to use all these channels to encourage better and more comprehensive health care, in which due account is taken of physical, emotional, and environmental factors.

In medical education the objective is to encourage progress, in both the undergraduate and graduate years, toward a better understanding and more skillful care of the whole patient in his environment. In the field, the fund seeks to promote the integration of medical and hospital care, public health, mental health, and other relevant services, in both local and regional settings, in the hope of adding breadth and continuity to community health care. In medical research, grants are made for study of a wide range of fundamental as well as clinical problems. In these areas appropriations are made only to institutions or organizations.

Through advanced fellowships in medicine and allied fields the fund seeks to further both teaching and research. Applicants for these must ordinarily be members of a university teaching staff or assured of such a post upon completion of the fellowship period, which is usually 1 or 2 years. Most favorable consideration is given to a situation in which a dean or department head asks help in providing special training for a person who is expected to contribute materially to the school's over-all teaching program as the result of the additional period of study. A few similar fellowships are open to overseas candidates for study and observation in this country. Stipends and awards are arranged, within limits, to meet individual needs. No scholarships are offered for undergraduate study, either general or medical.

The Commonwealth Fund fellowships for British subjects, administered by the division of education, provide for advanced study, research, and travel in the United States by graduates of British universities, by British journalists, by teachers of American history and affairs at British universities, and by civil servants from Great Britain and the British Commonwealth. These are awarded under fixed annual quotas by a British committee of award. The fund maintains Harkness House (35 Portman Square, London, W.1; S. Gorley Putt, warden) as a center for the common interests of former fellows and for American scholars and specialists studying in Great Britain, particularly a center for the Fulbright students also.

Five to ten fellowships are offered in 1952 to students who have attended recent sessions of the Salzburg seminar in American studies. Students especially qualified to undertake advanced studies in the United States will be invited to apply for these fellowships.

The fund published a limited number of books and pamphlets of educational value in the fields of its interest. Most of these originated in work which it helped to finance. In 1951 Harvard University Press became the publisher of Commonwealth Fund books, assuming responsibility for their production and distribution. I might add we edit the publications.

As these activities represent the fund's major interests and utilize most of its income, grants for miscellaneous purposes are few. As a

matter of policy, grants are not made to relief projects, either abroad or at home; to general educational institutions or community service organizations for building, endowment, or general budgetary purposes; or to political organizations. The fund does not make loans, nor make grants to individuals for any purpose other than fellowships. It is the fund's hope to use its resources for activities which have long-range significance and which at the start are not likely to command support from the contributing public at large.

Mr. KEELE. Mr. Aldrich, I have one of your annual reports, the annual report for 1952, which is some 42 pages in length.

In that I note that you discuss at considerable length the history of the fund, the fields of activity in which you are working, including some expression of your views in connection with those, and then a detailed statement, financial statement, with a breakdown of various grants that have been made and description in brief of what those grants are for, is that correct?

Mr. ALDRICH. Yes.

Mr. KEELE. How long has it been your policy to publish such a report?

Mr. ALDRICH. Ever since the founding of the fund in 1918.

Mr. KEELE. I assume that since you do that that you are in favor of such reports being published?

Mr. ALDRICH. Very much so.

Mr. KEELE. You have some of the discussion that has gone on here this morning with Mr. Young and the committee. What is your view as to the advisability and desirability of foundations publishing reports in detail?

Mr. ALDRICH. I think they should publish a report in at least the form that we publish. If you have seen the Rockefeller Foundation report, which I am sure all the committee members have, it is a report roughly that thick, giving a perfect fund of information. The Carnegie report is about half the size, and ours is as you see it.

I think any report should contain not only the financial data and a list of the appropriations, but I think it should lead off, as ours does, with the theory behind the actual giving.

We not only give a theory of our thoughts on medical education, but then we take up the larger gifts and try to explain why we have made those particular gifts, in addition to listing every one at the back of the report. I believe that being semipublic institutions, that foundations should give to the public a report on their activities.

Mr. KEELE. Do you feel that there is any danger of reporting such as this discouraging the efforts of foundations to spend in so-called risk ventures, or spend their risk capital?

Mr. ALDRICH. I can only speak for our own. There would be no danger as we were concerned, sir.

Mr. KEELE. I think in answer to the question as to what in your opinion was the function of a foundation, you said this in answer to G-1 of the questionnaire:

In the opinion of the Commonwealth Fund, the function of tax-exemption philanthropic and education foundations in society today is to make private wealth available to serve social ends with a broader perspective than individual donors or their executors are likely to possess, and in particular to lead the way in experimental activities for which other sources of support may be unavailable, to support unknown and untried causes which hold promise for the future. The fund considers this a vital need.

I think that was your answer, was it not?

Mr. ALDRICH. Yes, sir.

Mr. KEELE. And have you anything to add to that?

Mr. ALDRICH. Perhaps I might give one or two specific examples of what we have in mind.

When we say that we think that foundations are in a better position to experiment than perhaps other institutions, it has often been mentioned the risk capital that a foundation has, and I think it is quite true that it does have it and should use it as risk.

To give two examples of our own giving, in the twenties we have a program of helping various local public health fields both in county and State units, particularly in the Southern States. It was at a time when public-health activities in those States were very low.

I don't think that the general public understood or believed in the activities enough to have them put in the taxing budgets of those communities. We helped them by adding trained personnel to the county and State public health groups, and after several years had passed the people of those States and those counties became convinced that they needed the better kind of public health activities that these people are giving them. It was then taken over into their budgets, and we gradually moved over that field.

I think one other example is in our so-called rural hospital project. Quite a few years ago we started giving to communities throughout the United States from Farmington, Maine, to Provo, Utah, and Farmville, Va., and other places, two-thirds of the total cost of the hospital, about 100 beds, while the community put up the other one-third and guaranteed to take the operating expenses.

We erected 14 of these hospitals. Then the Hill-Burton bill was enacted and the Government has now gone into exactly that same project, and, as you know, has erected many very good hospitals throughout the country.

We don't want to take, by any means, the credit for having started that, but it was interesting that we were far ahead of the Government plans. They did come to us and go over our architectural plans and the entire scheme for erecting these rural hospitals. We have since, of course, discontinued that because now the Government has taken it over.

I cite those two examples of the kind of experimental and risk money which I think foundations have and should use in that way.

Mr. KEELE. Mr. Aldrich, again it appears that the bulk of your board of directors, the great majority, are from the east section of the country.

Mr. ALDRICH. Yes, sir.

Mr. KEELE. Would you tell us why that is true?

Mr. ALDRICH. Out of the nine people, sir, we have one from Boston, we have one from Oberlin, Ohio, and one from Denver, Colo. The other six are from New York. It is composed of two medical men, one the dean of a medical school and another the head of the department of medicine in a large hospital.

They supply to the board, I think, the technical knowledge in our field of medicine which is so required. We have a banker who is chairman of our finance committee, we have a university president and we have tried in taking these people to get a broad section of experience and capabilities.

To answer your question directly, sir, as to why most of them are from New York, although we deliberately went to the Middle West and the far West for our two latest ones in order to better represent the whole country, it is only a question again of availability.

We have frequent meetings of the finance committee, and it is very necessary that the finance committee should be in New York. We have frequent meetings of the executive committee, and that is essential that they be in New York.

We have now only three meetings of the board, formerly four, each year, and then it is generally possible for the men from the Denver and Oberlin areas to come on for those meetings.

Mr. KEELE. Do you compensate your directors?

Mr. ALDRICH. No, sir.

Mr. KEELE. And they never have been compensated in the history of this organization, have they?

Mr. ALDRICH. No, sir. It might be interesting that many years ago when Mr. Harknes was president he brought up that very question I think because of the fact that in England, I believe, directors of charitable organizations are paid.

It was discussed with Mr. Dwight Morrow, who was then on our board, and one or two others, all of them feeling that they personally would rather feel that that was a small contribution toward social welfare which they could make. They advised strongly against it, and it was dropped.

Mr. KEELE. I think you were asked to state what mistakes, if any, the foundation had made or was making, and I think in answer to that you said this:

All our positions are subject to involuntary errors of judgment. The points at which we believe errors are most likely to occur in connection with foundations are—

1. Failing to take risks early enough in situations where only free experimentation can solve difficult problems.
2. Trying to bring about changes for which a given community or institution is still unready.
3. Clinging too long to a program whose essential education effect has been achieved.

Mr. ALDRICH. Yes.

Mr. KEELE. Have you anything to add to that?

Mr. ALDRICH. No, sir; I think that pretty well covers it, unless you have a question on it.

Mr. KEELE. In other words, it is a matter of timing more than anything else, isn't it?

Mr. ALDRICH. Yes, sir.

Mr. KEELE. Would you tell us something of your selection of overseas students and approximately what percentage of the money is spent either abroad or in bringing those students to America?

Mr. ALDRICH. About 12 percent is spent on that foreign-fellowship program. The British fellows are selected by a committee of award, a committee of Englishmen composed of the following. Would you like to hear the names?

Mr. KEELE. It might be interesting if they are not too long.

Mr. ALDRICH. Sir Hector Hetherington, who is chairman of the committee and principal and vice chancellor of the University of Glasgow. Edgar Douglas Adrian, who is master of Trinity College, Cambridge. Keith A. H. Murray, rector of Lincoln College, Oxford. Sir James Fitzjames Duff, warden of the Durham Colleges. The

Viscount Harcourt, managing director of Morgan, Grensell & Co., Ltd., and Willis Jackson, professor of electrical engineering, Imperial College of Science and Technology, University of London. Lord Halifax was on it until this year, and just got off.

Mr. KEELE. Do they select students who are sent over here for study?

Mr. ALDRICH. Yes, sir. They select graduate students only.

Mr. KEELE. In what lines?

Mr. ALDRICH. All lines.

Mr. KEELE. Not limited to medicine?

Mr. ALDRICH. No, sir; all lines.

Mr. KEELE. And they come here for graduate study?

Mr. ALDRICH. They come here for graduate study. Formerly they came here for a 2-year period and in the summer between the 2 years we required that they program a trip around this country so that they would know as well as possible in that short time the different sections, South, West, Middle West, and the East. They study at all the chief universities here, no more than three at any one university.

Mr. KEELE. How is that determined? Do they have a choice or do you determine it?

Mr. ALDRICH. We have a man, the head of our so-called division of education, who goes over to England every March when these men are selected. He advises with them based on the particular subject which they are following, and he tries to pick out for them the outstanding teachers in this country.

If, for instance, in American history, they might well pick a top American history man at Yale, or if they are in biology they might send him to Stanford. It all depends on the place where they think he will derive the greatest benefit in his particular subject here in the United States.

Mr. KEELE. And how do you arrive at the percentage or figure, the amount of money to be spent? Is it predetermined by your charter or is it simply a matter of—

Mr. ALDRICH. No, sir; it is simply a matter of mathematics. For instance, if the program were extended and we had more people, naturally the percentage would rise. There is no predetermined percentage to be expended in the foreign field. It just happens to work out that way, a little over 300,000.

Mr. KEELE. Now in answer to the questions propounded in the questionnaire, you found no one who had been a recipient or no institution that had been a recipient which has been cited by the House Un-American Activities Committee or the Senate Subcommittee of the Judiciary?

Mr. ALDRICH. No, sir.

Mr. KEELE. Or which has been on the list of the Attorney General; is that correct?

Mr. ALDRICH. That is correct.

Mr. SIMPSON. Mr. Aldrich, do you consider the application of the men who come into this country with a fellowship? Do you inquire into their political background?

Mr. ALDRICH. We don't; no, sir.

Mr. SIMPSON. How do you select them, on the basis of their interest and their scholastic attainment, or what?

Mr. ALDRICH. They are selected by this British committee of award, Mr. Simpson.

Mr. SIMPSON. Is there no checking whatever made as to whether they believe in democracy or socialism or communism?

Mr. ALDRICH. Only that each one, of course, has to be O. K.'d by the State Department in order to come into the country. We rely on that, sir.

Mr. SIMPSON. And the question was just asked regarding whether any funds were got by undesirables or whether their names appear on our listings of undesirables. You have never found any of them so listed?

Mr. ALDRICH. No, sir.

Mr. KEELE. I didn't get the answer to one question. Perhaps my attention was diverted. Do you get students from anywhere but England?

Mr. ALDRICH. We do now. We just started a program mentioned here, the Salzburg seminar in Salzburg, Austria, where we are now offering up to 10 fellowships again to graduate students of the west European countries. We just have had our first contingent arrive here.

There are two West Germans, one or two Italians, a Dane, a Norwegian, and this is the first time that we have opened up the fellowships to those countries.

Mr. SIMPSON. How are they selected?

Mr. ALDRICH. They were selected this year, sir, by our own division head, division of education, who also sits with the British committee, and by our vice president, Mr. Stevenson, who is president of Oberlin University, going over with our division head interviewing each one of these personally and going to the various countries, talking with their professors and analyzing their capabilities and their personality and whether or not they seem to be proper candidates.

We intend to set up a real program of selection this coming year. That is the way it was done last year.

Mr. SIMPSON. I would like the record to show—I must know the answer—that you surely, consciously wouldn't admit anyone here whose leanings were too far to the left.

Mr. ALDRICH. Definitely not, sir.

Mr. SIMPSON. In other words, the political beliefs of the applicants are either considered by the board or your representatives.

Mr. ALDRICH. Yes, sir.

Mr. SIMPSON. No undesirables would get that fellowship other than what the State Department O. K.'d?

Mr. ALDRICH. That is correct, sir. In our interviews with them that is disclosed, or at least we try to have it disclosed.

Mr. KEELE. Do you have any trained investigators checking them other than the men that you have mentioned?

Mr. ALDRICH. No, sir.

Mr. KEELE. The embassies or consulates over there will not give a visa to those people until they have been checked; is that right?

Mr. ALDRICH. That is correct, sir.

Mr. KEELE. I have no further questions.

Mr. ALDRICH. Thank you, gentlemen.

Mr. FORAND. The committee will be in recess until Friday morning at 10 o'clock.

(Whereupon, at 11:50 a. m., a recess was taken until Friday, December 5, 1952, at 10 a. m.)





## TAX-EXEMPT FOUNDATIONS

FRIDAY, DECEMBER 5, 1952

HOUSE OF REPRESENTATIVES,  
SELECT COMMITTEE TO INVESTIGATE TAX-EXEMPT  
FOUNDATIONS AND COMPARABLE ORGANIZATIONS,  
*Washington, D. C.*

The select committee met, pursuant to recess, at 10:35 a. m., in room 1301, New House Office Building, Hon. Aime J. Forand presiding.

Present: Representatives Forand, Simpson, and O'Toole.

Also present: Harold M. Keele, counsel to the committee.

Mr. FORAND. The committee will be in order.

Mr. Keele, will you call your first witness, please?

Mr. KEELE. Mr. Straight.

Mr. STRAIGHT. Mr. Chairman, I would like permission to bring along the secretary of the foundation, Mr. Milton Curtiss Rose.

Mr. KEELE. Will you state your name, your residence, and your connection with the Whitney Foundation, please?

### STATEMENT OF MICHAEL WHITNEY STRAIGHT, PRESIDENT, WILLIAM C. WHITNEY FOUNDATION, ACCOMPANIED BY MILTON CURTISS ROSE, SECRETARY

Mr. STRAIGHT. My name is Michael Whitney Straight. My residence is Weynoke, Va., and I am president of the William C. Whitney Foundation.

Mr. KEELE. Have you any other business or occupation, Mr. Straight?

Mr. STRAIGHT. Yes, sir. I am director of certain corporate enterprises. I am at present editor of the New Republic magazine.

Mr. KEELE. What is the size of the foundation in its assets?

Mr. STRAIGHT. Can I refer that question to Mr. Rose, Mr. Keele?

Mr. KEELE. Don't you, as president, know roughly what it is, Mr. Straight?

Mr. STRAIGHT. Yes; I do. The capital, as I believe it to be, is approximately a million and a half dollars.

Mr. KEELE. And what is your average income over the past 5 years, Mr. Straight?

Mr. STRAIGHT. Approximately \$60,000 a year.

Mr. ROSE. Seventy-five.

Mr. STRAIGHT. Seventy-five.

Mr. KEELE. You publish reports, Mr. Straight, on the activities of your foundation?

Mr. STRAIGHT. Yes, sir; we do.

Mr. KEELE. And have you a copy of one of those with you?

Mr. STRAIGHT. Certainly, we brought those along.

Mr. KEELE. Do you publish them annually, Mr. Straight?

Mr. STRAIGHT. We publish them biannually, sir.

Mr. KEELE. And in those reports you set forth the list of grants, the officers, and the short statement each year, a summary statement; isn't that right?

Mr. STRAIGHT. That is correct.

Mr. KEELE. I take it you favor such reports or you wouldn't publish them.

Mr. STRAIGHT. Yes, sir; I certainly do.

Mr. KEELE. And what is your thinking about the advisability of foundations making public their reports?

Mr. STRAIGHT. I believe they should. I believe they do have a public interest and a public trust, and they certainly should be accountable to the public in the sense of publishing these reports.

Mr. KEELE. How many paid employees do you have in your foundation?

Mr. STRAIGHT. We have two paid employees.

Mr. KEELE. Do you know what your administrative expense is on the average for your foundation? I mean by that, the cost of your employees running the foundation, aside from the making of the grants.

Mr. STRAIGHT. I would like again permission to refer that question to Mr. Rose, if I could, or Mr. Rose can give you the papers on this to give you the exact answer.

Mr. ROSE. The expenses run approximately—

Mr. FORAND. I think before Mr. Rose testifies, you had better give your full name and capacity, for the purpose of the record.

Mr. ROSE. My name is Milton Curtiss Rose. I reside in New York City. I am secretary and director of the foundation.

Mr. KEELE. All right, Mr. Rose. Suppose you tell us what the administrative expenses are.

Mr. ROSE. The administrative expenses for the year ended December 31, 1951, were \$16,996.76. Now the expenses through the years have averaged from approximately \$13,000 to \$17,000.

Mr. KEELE. Who are the paid employees of the foundation?

Mr. ROSE. Mrs. Harriett K. Evison, who has been in the employ of the foundation since its inception, and a Miss Daiyzk. Mrs. Evison is an assistant secretary.

Mr. KEELE. Now let's go back to Mr. Straight again.

How many directors or trustees do you have?

Mr. STRAIGHT. There are five directors.

Mr. KEELE. And will you tell us how those directors are selected? Were they designated in the original instrument creating this foundation, or have they been elected since, or just how has that been done, Mr. Straight?

Mr. STRAIGHT. Mr. Keele, this foundation grew out of the philanthropic work of my mother, who at that time was Mrs. Dorothy Whitney Straight, and was the daughter of William C. Whitney, after whom the foundation is named.

She put her philanthropy work on a somewhat more institutional basis in 1927, when she named an advisory committee to advise her

on making gifts, and that committee then consisted of Miss Ruth Morgan, who was well known in various international peace organizations at the time, of Herbert Croly, who was well known also for his writings, and of Dr. Eduard Lindeman, of the New York School of Social Work.

The committee was further organized as a foundation in 1936, and when Mrs. Straight, who was by then Mrs. Elmhirst—she had remarried Mr. Leonard K. Elmhirst, when her children had reached their majority, two of them went onto the board of the foundation, but the general policy was that the members of the family should be a minority, and therefore on the board of five were added in addition to Mr. Rose, Mr. Thomas J. Regan, who is a banker of New York City and a former secretary of Mr. William C. Whitney, and also Mr. Max Lerner, and those five together constitute the directors of the foundation.

Mr. FORAND. Are your directors and the trustees the same, or do you have trustees?

Mr. ROSE. The directors are the trustees.

Mr. FORAND. What was the original purpose of the foundation, according to your instrument of organization?

Mr. ROSE. It was broadly stated that general educational and eleemosynary purposes organized under the New York membership corporations law.

It has the usual language in the charter to general educational and charitable purposes, betterment of mankind, and so on, which was the usual form for a certification of incorporation under that particular section of the law.

Mr. FORAND. Thank you.

Mr. KEELE. Now your foundation operates, as I understand it, from looking at the grants and from the report you made in reply to the questionnaire, primarily in the nature of giving grants to organizations which are already organized for eleemosynary purposes, is that correct?

Mr. ROSE. That is correct. The great majority of our grants are grants-in-aid to other organizations which apply to us and submit in connection with their applications proof of their tax exemption under the same provision of the Internal Revenue Code that we are exempt under.

Mr. KEELE. And so far as I have been able to ascertain from an examination of your grants, you do not make individual grants except perhaps in the case of that one scholarship, is that correct?

Mr. ROSE. Very rarely. It has been a principle to avoid giving to individuals. We felt that in a foundation of this size we weren't sufficiently staffed to go into that field intelligently.

Mr. KEELE. I note that over the years your expendable income has been about \$75,000, is that correct?

Mr. ROSE. That's right.

Mr. KEELE. And your average expenditures, you say, have been about \$13,000, leaving a little more than \$60,000 for distribution?

Mr. ROSE. That is correct.

Mr. KEELE. And I note, for instance, over the years that in 1937 there were 40 grants, in 1938 there were 43 grants, and in 1939, 42 grants, which would mean that the average grant would be around \$1,500, isn't that correct?

Mr. ROSE. That's correct.

Mr. KEELE. Have you considered what has been characterized in this hearing and elsewhere by those who have made a study of foundations, as advisability of avoiding scatteration giving?

Mr. ROSE. We have considered whether it was wise to allow the trend to continue of giving more grants each year. We felt that as we went on our program was expanding. We found new fields of interest.

We felt that the maximum contribution we could make was in permitting eligible applicants to apply, and we have tended, I think you will find, toward giving more grants through the years. That has been a calculated decision.

Mr. KEELE. You mean giving a greater number of grants?

Mr. ROSE. A greater number.

Mr. KEELE. On the contrary, did you drop from 40, 43, and 42 in the first 3 years down to 17, 25, 30, 22, 25, 25, and 30 in the succeeding years?

Mr. ROSE. I know to what year you are coming up.

Mr. KEELE. I am taking them consecutively now, from 1936.

Mr. ROSE. The last few years have increased over that low point, have they not, in number?

Mr. STRAIGHT. Yes, I think that's right, sir. The last year is 31 and 32. I think Mr. Rose is referring to a present trend.

Mr. KEELE. You did drop down in number, I gather from an examination here, so that you are going down to about 20, 22, and 25. You have been picking up again in the last few years, so that it has gone up as high as from 30 to 41. I was just wondering about your philosophy with reference to spending your money thinly or concentrating it. I am not criticizing it.

Mr. ROSE. Our feeling is as our interests expanded, we should expand the number of our grants.

Mr. STRAIGHT. I wonder if I could go into that a bit further, Mr. Keele, on the general principles of our foundation. The general interest of this foundation, as Mr. Rose pointed out, sir, is much the same as many of the major foundations. However, in size and available income, of course, we are very much smaller.

We have, as you have heard, only two paid staff, both of whom are in New York. We can have no real field staff, no field review. What we do is necessarily a matter of intuition, of general understanding and experience on the part of the directors themselves.

Mr. FORAND. Are the directors paid?

Mr. STRAIGHT. No, sir. The administration necessarily has to be kept to a minimum. Otherwise, obviously, we would have very little funds to distribute.

For the policy, this small-sized foundation has led in my opinion to certain principles in giving which Mr. Keele I think was leading up to.

First, we endeavor to give to small groups, where a relatively small grant amounts to a significant contribution to the group's work.

For example, a small college like Black Mountain College, a small institute like the Wellesley Summer Institute where five hundred or a thousand dollars makes a very significant contribution to the carrying on of what we feel is a small but significant worth-while enterprise.

Secondly, as a small foundation, we have a certain flexibility and a certain social interest perhaps that is denied to the foundations many times our size, and that leads us into an emphasis toward working among underprivileged groups, among low-income groups, among labor organizations, particularly in the field of labor education.

And, for example, you will note in our reports a consistent giving to the American Labor Education Service, which is, we feel, a typical grant that we are very proud of, an institution working with the major trade unions, but nonetheless with a very small budget, where a grant on our part of \$1,500 a year or so permits them to considerably expand their summer conferences or their research work in a field which we feel is very important and somewhat neglected by the trade unions themselves.

Thirdly, we make a point, since we can't contribute very much money to any one group over a number of years, to try to support groups which we think have some opportunity of getting on their own feet and becoming self-sustaining after a certain formative period, and typically in that group you will find our grants in 1939—1940, I believe, roughly—through 1945 to the National Planning Association, which is a group centered here in Washington, which was started very substantially with Whitney Foundation money, but which now is broadly supported by businessmen, by banking groups, is very widely represented on its boards, and makes reports for companies on labor relations and other matters, but which is largely now independent of the kind of need of support that we were able to provide it in the early days. And, lastly, we feel that we can give as a small foundation to somewhat flexible groups which are probably unable because of their nature, to obtain grants from the very large foundations which would require a good deal more in the way of supervision.

Mr. FORAND. What do you mean by flexible groups?

Mr. STRAIGHT. I mean groups like the American Veterans Committee, which you will find in our report, which has had very substantial contributions.

I think while that group has had individual contributions, very large amounts from people like Nelson Rockefeller, nonetheless foundations like the Rockefeller Foundation would find it not the group within their main sphere of influence and interest.

I mean those are the kinds of directions under which a small foundation in our opinion properly goes.

Mr. FORAND. I still don't get the flexible group.

Mr. STRAIGHT. Flexible, sir, I mean by that a group which has had a very important contribution perhaps in the rehabilitation of veterans over a short period, but which is not in the sense of a continuing scientific grant to a university for work in the field of medicine, biology, which was important in the thirties, the forties, and the fifties, but which function is changing quite rapidly, and which therefore, I use the word "flexible" in a sense of a group which changes its character.

Mr. FORAND. Thank you.

Mr. SIMPSON. Do you mean there is an area in which big foundations can supply the need for this risk capital we have been talking about in these hearings?

Mr. STRAIGHT. No, sir. I think they do that and I think that the record of the large foundations is very good in that regard, but I

think that a small struggling group has often found it rather difficult to prepare the preliminary paper work to provide the consistent reporting.

Mr. SIMPSON. Does that imply that you don't require the kind of survey before you make your grant that the larger foundations would require?

Mr. STRAIGHT. No, sir. I think I tried to explain that. We do not have the field representatives, and as I said, we do try to take advantage of the flexibility which a small foundation dictates, but we do require substantial reports.

Our files, I think, would show you that we follow the work of these groups quite closely, where we feel they have not really adequately explained to us what they have done with our funds. We go back to them continuously and ask them for more information.

Mr. SIMPSON. I don't quite follow this point. You said earlier that your foundation will pay attention to requests where the big fellows can't do it or don't do it, and that you do it even though you have less personnel to do the work, I conclude that you don't require the same kind of survey and don't know as much about the recipient as the big foundation would require if it were to make the grant.

I ask whether that is the case, and if it is a healthy situation?

Mr. STRAIGHT. Mr. Simpson, maybe I can give you an example. For instance, the Highlander Folk School is a group, as you know, in Mount Eagle, Tenn., and last year or the year before a hurricane hit the school and they needed immediate financing in relatively small amounts to attempt to repair the damage.

Now in that case, I think it would be very unlikely that a major foundation would have gone through the process of clearing that grant and giving eight hundred or a thousand dollars to help re-establish their building, and that is the kind of a thing I think the Whitney Foundation can do.

Mr. SIMPSON. Then you mean there is an area?

Mr. STRAIGHT. Yes; I think so.

Mr. SIMPSON. Where a small foundation operating with less detail and so on can do the work which the big foundation practically won't do?

Mr. STRAIGHT. Yes, sir.

Mr. ROSE. I would just add there that I think in some cases it turns perhaps on the amount required for the immediate work. We have often given grants which I believe to be smaller than the grants that the larger foundations would normally make.

Mr. SIMPSON. Do you think that the larger foundations are too strictly and conservatively managed?

Mr. ROSE. No; I do not.

Mr. SIMPSON. Do you think they have too much red tape in giving consideration to requests?

Mr. ROSE. I think their program is so much larger than ours can be, that they are naturally more interested in the large appeal and in the big job to do.

Mr. SIMPSON. Do you think that the smaller foundation, because it is small, using yours as the example, will take more risk with their capital than will the larger foundation?

Mr. STRAIGHT. I wouldn't say that; no; but I think the illustration I gave you as an example, in the case of the Highlander Folk School,

as I said, the Whitney Foundation, lacking field organizing, has to depend on the general knowledge, experience, and intuition of its directors.

In this case, the school is known to myself, the directors are known to myself. If the school submits an emergency grant, a large foundation might feel it necessary to go down to inspect in fact what the damage was and what the fund should be used for.

In my case, in the case of a foundation this size, the solution much more probably is to call on people I trust, whose judgment I think is sound, and if they tell me this really is an emergency, to make available these funds; and that is in the sense that I use the word "flexible." We can do that.

Mr. SIMPSON. You mean you can personalize the granting better with a small foundation than the large one can?

Mr. STRAIGHT. I think it has to be personalized, sir.

Mr. SIMPSON. Do you think it is healthy to have the foundations operate on that basis?

Mr. STRAIGHT. No. If you go on from that to say that a foundation of our size give funds to projects in which the directors themselves are primarily and personally concerned, the answer is "No."

I have no personal concern of any kind, for example, in the Highlander Folk School, but by measure of my work, the directors of that school are known to me in the general nature of my work, but not in my work concerning that school.

Mr. KEELE. Mr. Straight, I assume you have talked with the officials, the trustees, of other foundations, of comparable size. We have not had the representatives of a foundation of this size, or comparable size, before the committee until you were called today.

We are anxious to get the thinking of the smaller foundations, shall we say, and I am wondering if your thinking here reflects what you have learned in talking with other groups of comparable size.

Mr. STRAIGHT. Mr. Keele, I have explained how we try to overcome this problem of lack of field service. It is a very serious problem for us.

Of our directors, Mr. Rose is necessarily in New York most of the time; Mr. Regan is retired and is in New York. My sister is in New York and Mr. Lerner travels substantially more, which is one reason we welcomed him on the board.

On the other hand, there are many areas in this country that we normally don't get into, but at the same time we receive requests from California, from the Northwest, from the South, which we have no real way of judging, and with that in mind, Mr. Rose initiated an effort to bring together the small foundations as a sort of clearinghouse to find out, for example, from a couple of western foundations, whether a certain project applying to us was in their opinion worth while and providing them with the same service.

Now, we did our best to set that kind of system up. Mr. Rose might go on a bit about that.

Mr. KEELE. In other words, for the exchange of ideas and information?

Mr. STRAIGHT. Yes, sir.

Mr. KEELE. Is there any such organization in existence for foundations?

Mr. ROSE. I don't believe there is. That was one of the things, one of the points that interested me at the beginning.

We made some progress, but I can't say that it was wholly successful. Each foundation wants to preserve the independence of its action, and while I still have hopes that a basis for an exchange of information can be worked out along those lines, I am not optimistic of its reaching fruition quickly. I think it would be a very valuable contribution to the service of small foundations.

Mr. KEELE. Mr. Rose, would it be possible for there to be some central agency where not only would there be an exchange of information, a clearinghouse for ideas and information, but where requests might be received centrally and brought to the attention of the smaller foundations?

Mr. ROSE. I would think that would be altogether possible. Of course, one has to bear in mind that the approach even among the small foundations differs rather widely.

As you remarked, we have certainly concentrated most of our giving among projects which are themselves established as tax-exempt projects applying to us for grants-in-aid. I think you would find small foundations that probably were quite active in other fields than that.

Mr. KEELE. But isn't this a problem which confronts all of the smaller foundations, this problem of lack of staff, due to the fact that they must conserve their income for the expenditures on grants of one kind or another, so that each of them when they get below a certain level of income are faced with this same problem of lack of field staff?

Mr. ROSE. I think that is correct.

Mr. KEELE. And doesn't that of necessity or necessarily impair, perhaps, their effectiveness?

Mr. ROSE. I think their effectiveness would be improved by such an agency as we are speaking of.

Mr. KEELE. You said in your answers to the questionnaire we sent out that one of the problems—and I am sure it has been reiterated here by witnesses for the large foundations—is that of selecting wisely and deciding whether to concentrate on one or two projects or on what has been called here scatteration giving, which is spreading your money very thinly.

I am just asking about the problem, whether or not that isn't a problem of small foundations.

Mr. ROSE. I think that is a problem of small foundations.

Mr. KEELE. They can't become professional to the extent that the larger foundations can, can they, in the sense that they cannot have the paid staff?

Mr. ROSE. That is right.

Mr. KEELE. Nor can they probably attract to their boards men with as wide a vision or as great competency, perhaps, as those of the larger foundations; isn't that so?

Mr. ROSE. Yes, that is correct, but perhaps there isn't the need where they elect to confine their giving largely to grants-in-aid of the sort I have described.

Mr. KEELE. Again I say I am not criticizing. We are simply trying to get the thinking here of the smaller foundations and the problems of the smaller foundations.

Mr. ROSE. I understand.



Mr. KEELE. To what extent do you find the making and publishing of reports a burden upon you?

Mr. ROSE. I don't consider it any great burden. I think it is something every foundation should do.

Mr. KEELE. Why?

Mr. ROSE. I think the public is entitled to the information. The Federal Treasury Department has sanctioned the foundation by granting it the privilege of tax exemption.

The endowment funds have been dedicated to a public use, and I think that it is right for the public to expect such reports and right for the foundations to provide them.

Mr. KEELE. Would you favor legislation directed to the compelling of tax-exempt organizations to file reports similar to the ones you people file or publish?

Mr. ROSE. I consider that a difficult question because I think some foundations are of such a nature that there would very likely be no need for published reports.

Mr. KEELE. Would you give us an illustration of that?

Mr. ROSE. A foundation that concentrated its giving, perhaps, within a very narrow field and made a very few grants. I can't name a foundation in that category offhand, but I think there must be such.

Mr. KEELE. I fail to see the distinction. Why should it be whether they give all their money to one organization or whether they give it to a hundred?

Mr. ROSE. Simply because I wouldn't have considered it so significant that a report be published of a foundation that was, for instance, active only in the field of medical research and giving, perhaps, to two or three medical institutions.

I shouldn't think the public interest in the activities of that foundation would be anything like as great. I don't see any objection to it.

Mr. KEELE. You mean public interest or public curiosity?

Mr. ROSE. I would say public interest.

Mr. KEELE. Don't you think the public is as interested in learning about gifts to medical institutions or medical research as they are, shall we say, to the Highlander Folk School?

Mr. ROSE. I think that most of that information is probably public without the necessity of a report from the foundation.

Mr. KEELE. And how is it made public?

Mr. ROSE. Frequently by the recipient of the grant where the amounts are of a substantial size.

Mr. KEELE. But supposing they are not a substantial size? Suppose it is a small foundation. Possibly they have \$10,000 to give and that is all they have to give. They give it, say, to Harvard Medical School.

Mr. ROSE. And that is their only grant?

Mr. KEELE. Do you say by reason of that they should not be compelled to file a return?

Mr. ROSE. You are speaking of publishing a report?

Mr. KEELE. Yes.

Mr. ROSE. Yes. It wouldn't have occurred to me that in certain instances that which I consider an extreme example, that a published report would serve any very important purpose.

Mr. KEELE. Shouldn't any report that is made show their officers, their trustees or directors, a breakdown as to the amounts of income they have and how that is spent?

Mr. ROSE. Well, Mr. Keele, that information is generally available from most foundations in the books that are published, the foundation directories.

Mr. KEELE. What books specifically?

Mr. ROSE. There is one called "American Foundations and Their Fields," published by Raymond Rich Associates.

Mr. KEELE. When was the last issue of that published?

Mr. ROSE. The bound volume was published some years ago.

Mr. KEELE. In '46, wasn't it?

Mr. ROSE. But it has been supplemented since by paper-bound supplements.

Mr. KEELE. Do you know that Raymond Rich has not even been able to get that information from a great many foundations?

Mr. ROSE. I understand that there are foundations that decline to provide such information, and I hold no brief for that.

Mr. KEELE. Now how are they going to get it unless there are published reports in the cases of those foundations, and I mean required by law, in the case of those foundations which choose to keep their operations secret?

Mr. ROSE. I know of no other means.

Mr. FORAND. Isn't it a fact that the same would be true of the smaller foundations making a limited number of grants as with the larger foundations, that they are tax-exempt and as such should come within the purview of the remarks made previously by one of you two gentlemen?

Mr. ROSE. I think that is generally so.

Mr. KEELE. In other words, this doesn't require any great amount of work or expense on your part.

Mr. ROSE. No, it does not.

Mr. KEELE. You have done it voluntarily.

Mr. ROSE. That is right.

Mr. KEELE. You have done it from the beginning practically, haven't you?

Mr. ROSE. Yes. Well, we began I think it was perhaps '46.

Mr. STRAIGHT. Forty-one.

Mr. ROSE. Forty-one, right.

Mr. KEELE. And you were organized in '36. In '41 you began to make reports?

Mr. STRAIGHT. Yes. I feel Mr. Keele is quite right.

Mr. KEELE. I don't know what is right or wrong here, nor am I trying to express a view. I am only trying to bring out the thinking on it. If my questions seem to indicate that I think a certain way, I regret that. I am not trying to express any view of my own here.

Mr. ROSE. Since January '42, actually we have been making published reports.

Mr. O'TOOLE. May I ask a question at that point, Mr. Keele?

Mr. KEELE. Surely.

Mr. O'TOOLE. Mr. Rose, have you any idea of the total amount of these grants from all the foundations in the course of a year as to what they amount in actual dollars?

Mr. ROSE. I haven't, Mr. O'Toole, offhand. I don't know.

Mr. O'TOOLE. Do you think it might be a good idea, Mr. Rose, for legislation to be drafted calling for a tax of 1 or 2 percent on all of these grants, and the money so collected to be used solely for the purpose of establishing a Government office or a Government position that would review these grants, the money not to go to the Treasury of the United States but solely for the sustenance of such a position to review these grants to see that they were being used for the proper purpose, and that they were not being used for tax evasion?

In other words, let them police themselves through a Government agency.

Mr. ROSE. I would see no objection, and a good deal of benefit, to the policing operation. As to how it should be financed, I can't say.

I would see difficulties offhand in distinguishing between the foundation gift and the individual gift which is exempt under the same provisions of the law. I think that would create a problem. I am only addressing myself now to the means of raising the money that would be needed.

Mr. O'TOOLE. Well, if we were to have such attacks on foundation gifts or individual gifts and this money solely to be used for this new position created by the Government to review these gifts to see whether they were for tax evasion or see whether they were for the benefit of mankind and the benefit of civilization—

Mr. ROSE. I would want to give consideration before I exercised an opinion.

Mr. O'TOOLE. If there is to be a continuance of tax exemption, surely there is some need for Government or other supervision to decide whether this is really for study, research, or propaganda.

Mr. ROSE. I agree with that.

Mr. KEELE. Mr. Straight, let's consider a moment your views as to the function or place of tax-exempt foundations in modern life.

You have said it, I think, in your report very well, but would you just briefly state what your view is of the optimum function, shall we say, of foundations.

Mr. STRAIGHT. Mr. Keele, I believe, as we have said, that the foundations have a very important pioneering role in the development and growth of experimental projects, of new ideas, and that role is necessarily played either by the foundations or by individuals or by the Government, and that, as Dr. Vannevar Bush said here, I think the foundations in playing that role are a genuine protection of society against the intrusion of Government into fields where the private individual, the foundation is able to make mistakes, is able to acknowledge its mistakes, if necessary, is able to experiment in the sense that the Federal Government is not and should not be.

I believe that in the field of education, the arts, of social studies, which certainly constitute our major interest, the kind of enterprises we have supported have been beneficial, have led to very useful work on the part of the country.

I think no other group, certainly no Government institution, could have financed that work, and I think it is also true of the major foundations in their own certainly more important fields of medical research, of scientific research and development, of support to universities and other institutions.

Mr. O'TOOLE. At that point, Mr. Straight, do you or do you not—I am not seeking to trip you, I am asking you for information—think

that some of these foundation grants which were tax-exempt were at all times used for scientific studies?

Don't you think there were times when they were used for straight propaganda purposes? I don't mean your particular foundation. I mean in your field.

Mr. STRAIGHT. That is a difficult question, Mr. O'Toole. In general, the foundation, of course, gives only to an organization which has been granted tax exemption.

In my opinion, there have been organizations which have violated their tax-exempt status and which have used funds technically assigned for educational purposes in fact for propaganda, for organization, for other matters, and I think that is certainly regrettable, and I think, as you said, a policing of this matter will cause the foundations and cause those organizations themselves to use tax-exempt funds for legitimate purposes only.

Mr. O'TOOLE. This thing is now becoming so big as to the size of the foundations and the amount of money they have at their disposal that it is far beyond the thoughts of those who originally started them. They have become so big and so complex that the man in the street in many cases doesn't know too much about them and in some cases is suspicious.

Unless there is some effort made to put these foundations under regulation the same as Wall Street has done with the SEC—not to interfere with their cause or not to interfere with their purpose any more than we attempted to interfere with trading in Wall Street—but because funds that might be taxable are being used, there should be some governmental supervision.

Mr. STRAIGHT. Of course there is, sir, already in the granting of tax-exempt status to the organizations which foundations support.

Mr. O'TOOLE. But it is quite loose.

Mr. KEELE. In answer to one of the questions, namely, G-4, in which we asked whether or not the public had a direct interest in tax-exempt foundations, Mr. Straight, you said this:

The public has a direct interest in tax-exempt foundations and comparable organizations, since most of the work done by these foundations and organizations inures to the benefit of the public.

Public opinion can be an effective method of control on the operation of tax-exempt foundations, and to that end it is a good idea for foundations to make public reports of their activities. Unless informed public opinion is available as an effective control, public pressure may require a more stringent approach by the Government.

In other words, you feel, I take it, from that answer that, (1) a fund such as yours or such as the great foundations have is in the nature of a public trust. I think you have said that.

(2) Therefore, the public have a direct interest.

(3) That unless they are informed through adequate reporting, that there is grave danger that there will be regulation which might do damage to foundations. Is that correct?

Mr. STRAIGHT. Yes, sir.

Mr. KEELE. Is that the progressive steps in the thing?

Mr. STRAIGHT. It is.

Mr. KEELE. And I take it by that that you do not favor regulation which would determine how you would give your money or to whom you would give your money?

Mr. STRAIGHT. That is correct.

Mr. KEELE. Other than the regulations that now exist?

Mr. STRAIGHT. That is correct.

Mr. KEELE. Let's go back to an earlier part of your report in answer to the question there. I think it is on page 6.

Mr. STRAIGHT. Yes, sir.

Mr. KEELE. Under section B-15 you were asked the question—

Mr. ROSE. It is page 7, sir.

Mr. KEELE. You were asked whether or not anyone connected with the foundation—I am having difficulty with my own questionnaire. The question was No. 9:

Have you made investigations of individuals who are connected with the foundations, and did any of your investigations reveal anyone who had been connected in any way with subversive organizations or organizations that had had been cited?

I think you gave the answer:

No person who is or has been connected with the foundation had at the time he became connected with the foundation any affiliation with Communist-front organizations.

One of the directors, prior to his election as a director, had permitted his name to be listed as a sponsor of several organizations which were later cited. However, at the time of his selection, he had severed all connections with such organizations.

I wonder if you would enlighten us a little on that.

Mr. STRAIGHT. Certainly. That language was inserted there at his request, since this was read by all the directors, by Mr. Max Lerner, who is one of our directors.

The directors became acquainted with Mr. Lerner in 1940 and 1939, and at that period Mr. Lerner, in my opinion, was one of the leaders in the liberal movement in the United States and one of the leaders most bitterly attacked and abused by the Communist Party and its various fronts.

For example, Mr. Lerner was very active as a journalist and a writer in supporting the war effort, and for that purpose since their vindication is reserved for people who challenge their efforts at leadership within the labor movement, within the liberal movement, Mr. Lerner was very bitterly attacked by the Communists.

Now, previously, I understand this, although I didn't know Mr. Lerner at the time. Mr. Lerner had as a young man, as a young professor, been associated with several groups as a sponsor which later on were cited or criticized, and Mr. Lerner has required that to be pointed out, but in my opinion—and I think it is the general opinion—Mr. Lerner is a very outstanding, loyal, and fine American.

Of course, he was well qualified, in our opinion, to serve as a director, precisely because of his knowledge of the social welfare, the educational, the social study, the social science fields in which his foundation was interested, and his very acquaintance with liberal, with radical movements in this field, we felt would help him in assessing for the foundation these numberless requests that came in from all over the country, which, as I said, for lack of field work it was very hard for us to otherwise assess and distinguish.

Mr. KEELE. That is the man, then, to whom you refer in that answer?

Mr. STRAIGHT. Yes, sir.

Mr. KEELE. And that is the only person connected with the foundation who has been cited?

Mr. STRAIGHT. That is correct.

Mr. KEELE. Then you were asked in question D-14 of the questionnaire:

Has your organization made any grant, gift, loan, contribution, or expenditure, directly or indirectly, to any individual, individuals, group, organization, or institution which grant, gift, loan, contribution, or expenditure or recipient has been criticized or cited by the Un-American Activities Committee of the House of Representatives or the Subcommittee on Internal Security of the Judiciary Committee of the United States Senate?

Your answer to that question was as follows:

The foundation made no grants or contributions directly or indirectly to any organization or institution subsequent to citation of that organization or institution by the Un-American Activities Committee of the United States House of Representatives or the Subcommittee on Internal Security of the Judiciary Committee of the United States Senate.

Grants were made on several occasions to organizations and institutions which were later cited, but after the directors of the foundation learned of such citation, no further grants were made to such organizations or institutions.

Moreover, such organizations and institutions at the time of receiving grants from the foundation enjoyed tax-exempt status by a ruling of the Treasury Department.

Then we asked you to list those organizations which had received grants from you, and which of those organizations had been cited or listed, and you gave in your citations the Southern Conference for Human Welfare, grants in 1943 of \$1,500; 1944 of \$1,500; 1945 of \$1,000; 1946 of \$1,500; and 1947, \$1,000; 1948, \$1,000.

Were not there grants also made by the Whitney Foundation to that organization in 1939 and 1942?

Mr. STRAIGHT. Is that correct?

Mr. ROSE. Yes, that is.

Mr. STRAIGHT. That is correct, Mr. Keele.

Mr. KEELE. Why were they not listed?

Mr. STRAIGHT. We have them listed on another sheet, and I am sure it was solely by inadvertence. It is a mistake and I am sorry for it.

Mr. ROSE. Excuse me, I do have an explanation for that.

Those grants in those years were actually made to the New School for Social Research. The particular activity of the Southern Conference Educational Fund in those years was carried on through the New School, and the amounts, I think, are listed under the New School.

Mr. KEELE. The New School for Social Research, the Southern Conference for Human Welfare in 1939, \$2,500.

Mr. ROSE. In 1939, that is correct.

Mr. STRAIGHT. I wonder if I could explain that further, Mr. Keele. The grant in fact—and I think this is entirely correct—was not to the Southern Conference but was to a research project which was originally sponsored by the New School and which the Southern Conference came in as sponsor in 1941.

Now that research project was actually by a Miss Elinor Bontecou who is at present engaged in research work for the Rockefeller Foundation, I believe, and it was research into the problem of suffrage in the South, and therefore it was not originally connected with any organizational work of the Southern Conference.

The Southern Conference did come in in 1941 to sponsor that research, and subsequently grants were made to the Southern Conference.

Mr. KEELE. Yes; but this is back in 1939. You say the Southern Conference came in in 1941. You list it under 1939, 2 years before the Southern Conference came in, according to your statement, as the New School of Social Research, the Southern Conference for Human Welfare.

Mr. STRAIGHT. Is that our reply, sir?

Mr. ROSE. It is in the annual report.

Mr. KEELE. It is in the report, the third page of your report, report for 1939, about six up from the bottom.

Mr. STRAIGHT. I can only say, Mr. Chairman, I have gleaned back over the files on this and have read all our correspondence, and the story that I have just told you is entirely correct in our files in the sense that Miss Bontecou received this grant, and the first mention in our files, as I found them, of any connection with the Southern Conference was in 1941.

I should point out, Mr. Chairman, again as I have that the foundation directors changed in 1940, and therefore it is perfectly possible, as Mr. Keele says, that 1939 directors of Southern Conference were active in this, and I frankly wouldn't know.

Mr. FORAND. Mr. Simpson.

Mr. SIMPSON. How many different organizations received grants prior to the time they were cited?

Mr. KEELE. We are going through it, Mr. Simpson. This was the first one?

Mr. STRAIGHT. Yes.

Mr. SIMPSON. All right, go ahead.

Mr. KEELE. There are 6 separate organizations, but there are a total of 20 grants covering 6 organizations which have been cited at one time or another.

You have also listed there the League for Mutual Aid. That is on page 13 of your report. In 1938 and 1939 grants of \$500 each were made. You have listed Frontier Films, grants of \$1,000 in 1939, \$2,000 in 1940, and \$1,600 in 1941.

Now there were grants made to organizations which have been cited which you did not include in your list; isn't that a fact?

Mr. STRAIGHT. I think you are referring, sir, to the American Council of the Institute of Pacific Relations, and that is a fact, and that was an inadvertence on our part due to, I think, a careless reading of your questionnaire.

Mr. KEELE. And that was as late as 1948, wasn't it?

Mr. STRAIGHT. Yes, sir. As I understand it, the Judiciary Committee of the Senate did not cite but did criticize the American Council of the IPR in its report published, I would say, about approximately in June of this year, and our questionnaire of course was submitted to you shortly after that date.

Mr. KEELE. Now Frederick Vanderbilt Field is probably personally known to you, isn't he?

Mr. STRAIGHT. I have met him at one IPR conference.

Mr. KEELE. And in 1940 he resigned, did he not, as the executive secretary of the American Council?

Mr. STRAIGHT. I don't know, sir.

Mr. KEELE. But he was very well connected, very closely connected with it, wasn't he?

Mr. STRAIGHT. Yes; he was.

Mr. KEELE. And Field's activities between 1940 and 1948 became very well known, did they not? He made no secret of the fact that he was a Communist, did he, or a Communist sympathizer?

Mr. STRAIGHT. I think he made a secret of the fact that he was a Communist. I think he made known the fact that he was a Communist sympathizer.

Mr. KEELE. If you made the investigations you say, why was it that as late as 1948 you were still making contributions to the American Council?

Mr. STRAIGHT. Well, I would like to answer that at length, if I may, Mr. Keele, because that is a matter of considerable interest to me.

I attended the Mont Tremblant Conference of the Institute of Pacific Relations in 1943. To be perfectly frank, I was tremendously impressed at that time with some of the work of the conference and with many of the delegates there, and I was as a matter of fact very much antagonized by certain individuals, including Mr. Field. Nonetheless, the Institute of Pacific Relations is something very much more than the American Council. It is a world-wide organization which in my opinion is still doing a useful and unique work in the field of research and education.

Now I think in the opinion of these other components of the institute, a feeling grew up that the American Council in the forties and under the influence of men like Frederick Field departed from its role as a scholarship organization, as an objective research organization, and in fact adopted the role of advocate in the field of far-eastern policy, and I have discussed this matter with members of other components of the institute such as the members of the Royal Institute of International Affairs in Britain who are considerably concerned over this matter.

It came to a head shortly after the war, I believe, in the conference held in Honolulu, and following that in my understanding the American Council was reorganized.

The then chairman left. The members of the Communist Party, if there were any at that time, left. I myself had acquaintance and full trust in the then director and present director, William Holland.

The 1948 grant of the Whitney Foundation was given for one specific purpose, and that was to help the American Council prepare data papers on behalf of the United States delegation to a 1948 conference on Indian-American relations, which was held in 1948 in India. That United States delegation was headed by Arthur Compton, a very distinguished American.

It was joined by I. F. Baker, vice president and treasurer of Westinghouse Electric; by J. Morton Murphy, of the Bankers Trust Co.; by Mr. J. Ballard Atherton, of the Mutual Telephone Co. of Hawaii; and by a good friend of mine, Mr. W. F. Rivers, of the Standard Vacuum Oil Co.

Now, our grant was to help this group go well prepared to India. In India they met with an outstanding delegation led by G. D. Birla, who again is known to me as one of the outstanding industrialists of India.



I have read through the reports on that conference; and, while great acrimony and bitterness developed because the Indian businessmen believed they were entitled to more support from American business than they were receiving and were told by the representatives of the United States there that they could not expect more support, nonetheless Mr. Rivers and others felt that the conference did a great deal of good in clearing away misunderstandings between this Nation and India, of which I am personally acquainted as are a great many.

In other words, I think this grant, sir, was a very successful grant, and I personally believe that the IPR, today, backed by men like Gerard Swope and directed by men like William Holland, is a group which is now well supported by many American corporations and which deserves support.

I don't by any means mean to say, by that, if a properly constituted committee of the Congress should conclude in its own wisdom that this group is subversive, that any foundation should thereby be entitled to give tax-exempt funds to the American Council of the IPR, but it is my understanding that no such ruling has been made; and, while no present grant is considered for the IPR or the American council, as far as I am concerned that is an open matter.

Mr. KEELE. You also failed to list in your answers—did you not?—a grant to the IPR in 1943?

Mr. STRAIGHT. That is correct. The IPR was left out as an organization. You are quite right. That 1943 grant, I think, was related to that Mont Tremblant Conference which I described.

Mr. KEELE. You did not include—did you?—the American-Russian Institute grants. In 1937 you gave \$500; in 1938, \$1,000; in 1939, \$500; in 1944, \$500; in 1945, \$500; in 1947, \$500.

Mr. STRAIGHT. Yes, sir.

Mr. KEELE. I am referring now to the American-Rusisan Institute of Cultural Relations.

Mr. STRAIGHT. That committee, as we understand it, was cited by the California Committee on Un-American Activities in 1948, subsequent to our statements, and by the Massachusetts House Committee on Un-American Activities in 1938. It was not cited or criticized, to the best of our knowledge, by the committees mentioned in your questionnaire.

Mr. KEELE. Now, you said in your questionnaire that in making these grants you did consult the Guide and various other publications, and before the Guide was available you considered at all times or concerned yourself with other publications.

Well, you have just mentioned the fact that the Massachusetts citation took place in 1938. How do you explain the fact (1) that you did make these gifts, and (2) that you didn't list them here?

Mr. STRAIGHT. Well, I will have to say that, as far as I know, that Massachusetts citation was not known to me at the time.

The grant to the American-Russian Institute, as you have pointed out, commenced before the present directors became directors, but continued considerably after through the war years and, I think, as you have said, for one postwar year.

Those grants were granted basically for the purpose of research work.

The 1946 application was on behalf of catalog cards to be purchased in the Library of Congress to make a Library index. The 1947

grant was in response to an appeal for a very much larger amount for the general budget.

Those grants in general were to do research work by people who included, in my opinion, some very reputable scholars, and they were represented at all times as research work to be done by specialists and scholars.

It included Prof. George Cressy, of Syracuse University; Mr. Lazar Bolin, of the Department of Agriculture; Mr. E. C. Ropes, of the Department of Commerce; Mr. John Chapman, of Business Week; Dr. Henry Sigerist, of Johns Hopkins; and Robert Magidoff, of the Columbia Broadcasting System.

Mr. O'TOOLE. What type of research was this?

Mr. STRAIGHT. The application was for study series providing factual material. Well, they wrote to us and said—in fact, they had applied to us for a grant to be used for one of two purposes during this war year, I think, of 1944; but, in fact, our grant had been used to put out a pictorial pamphlet entitled "Industry in the U. S. S. R." which they claimed was used subsequently by the United States Army for specialized training classes.

Mr. O'TOOLE. There was none of this research done in Russia itself?

Mr. STRAIGHT. Not to any knowledge I have, sir; no.

Mr. O'TOOLE. It was all second-hand information that was given, not factual?

Mr. STRAIGHT. It was. It was done by these groups in some cases which later became the Institute for Russian Studies in Harvard, Columbia, and other groups.

Mr. O'TOOLE. But the study was based solely on the writers, not by factual observers?

Mr. STRAIGHT. Oh yes, sir. No question about that, I think.

Mr. ROSE. Mr. Keele, you have been speaking about the grants to American-Russian Institute 1937 through 1939. In 1948 a pledge of \$250 was made, but it was not paid, as the directors learned that the American-Russian Institute had been cited.

That was by the committees Mr. Straight has mentioned, but that knowledge came to us when we received a copy of the Government publication early in 1948.

Mr. KEELE. Mr. Rose, do you wait until you find that an organization is cited before you decide whether or not you should make a contribution?

Mr. ROSE. No, sir.

Mr. KEELE. Don't you make any investigation of these organizations?

Mr. STRAIGHT. Yes. On the board of the American-Russian Institute, sir, were people known to me, such as William Lockwood, whom I had a high regard for. I haven't seen him since the Mont Tremblant Conference; Ernest Simmons, whom I think is an outstanding scholar on the Soviet Union, the author of many books; Mrs. Kathleen Barnes and others whom I knew.

I also knew Edward Carter, not very well, but I regarded him as a man of considerably high reputation with a long background in the field of social work.

Now, we regarded this ground as an objective group preparing library material and preparing factual material. Some information

has since come to light in these committees that in fact it was also engaged in propaganda.

At the time, and particularly during these war years, I think we sincerely felt that this was an effort to spread further information concerning an ally of the United States, and of course with hindsight I think it is possible to look back on some of these and say that perhaps Soviet Russia was not an ally, but at the time, I think, she was accepted as such.

Mr. O'TOOLE. I can't understand, Mr. Straight, why there had to be such a study of an ally. Everyone knows that Russia was taking without any question anything that we would give them. There was no difficulty on the part of Russia accepting our supplies, men, money, and everything else. Why was there a necessity of studying them?

Mr. STRAIGHT. Mr. O'Toole, I think that they submitted to us lists of a great many groups, organizations, study groups, women's institutes, and so forth, who were clamoring for further material on Soviet Russia, who felt at that time that they wanted to know more about it.

Mr. O'TOOLE. Did you find an equal demand on the part of scholars to study France or to study England?

Mr. STRAIGHT. No, sir; I think they felt that they knew those countries. They had access to information concerning them.

Mr. O'TOOLE. I just heard you testify. You gave a group of names there of various men you said were outstanding scholars on Russia or on the Russian situation.

I don't doubt they are outstanding scholars, but it is a sort of mystery to me how our people who have been in the consular service, and who have actually been in Russia during a period of years, come out and say they know absolutely nothing about Russia, that they never had the opportunity of looking over nor were they allowed to study the situation. Yet, these people are classified as great scholars and authorities.

To me I am wondering whether they are great scholars and authorities solely on the study of second-hand material or from actual observation.

Mr. STRAIGHT. I would say the people I mentioned were scholars in the sense that they have made a very expensive study of present-day material and have set it against what they know the background and tradition of that country to be.

Mr. O'TOOLE. How many people can actually know much about the background of that country?

Mr. STRAIGHT. I can believe they know more about the background than about the present, sir.

Mr. O'TOOLE. From my observation we are dealing with a country whose policy on all things changes every day. Their communications, their state policy every single day is changed, and how anyone can become an authority I don't know.

Once again the question comes to my mind, not directed at your foundation but whether these groups that were given these grants for propaganda purposes or for actual study, and God knows there was an awful lot of propaganda in favor of Russia during the war—

Mr. KEELE. What about the grants to Commonwealth College in 1937 and 1938? You have not listed those either; have you?

Mr. STRAIGHT. I have no recollection of Commonwealth College, Mr. Keele.

Mr. KEELE. In 1937, \$500.

Mr. STRAIGHT. Well, as I have pointed out to you—

Mr. KEELE. In 1938, \$500.

Mr. STRAIGHT. That was 3 years before I came onto this foundation. I frankly don't know about it.

Mr. KEELE. I am not asking you now about the grants. I am asking you why they were not listed here in your answer as grants made to organizations which had appeared on the Attorney General's list or on the House Un-American—

Mr. STRAIGHT. I assume we have no record at all of its being cited. I take your word that it has been.

Mr. KEELE. Well, Commonwealth College was cited as Communist by the Attorney General in a letter to the Loyalty Review Board released April 27, 1949. It is on page 40 of the Guide to Subversive Organizations and Publications.

It was characterized as a Communist enterprise, cited as subversive by investigating committees of the Arkansas Legislature. Commonwealth College is, as you know, in Arkansas, and it received money from the Garland Fund.

The Special Committee on Un-American Activities report of March 29, 1949, made in 76 and 167, cites it. It was also cited by the Massachusetts House Committee on Un-American Activities in 1938.

Mr. STRAIGHT. Well, of those, Mr. Keele, you are quite right in pointing out that at least one if not all come within the scope of your question in D-14.

Mr. KEELE. Or D-10.

Mr. STRAIGHT. Or D-10.

Mr. KEELE. Which was the Attorney General's list.

Mr. STRAIGHT. Yes. Well, the Attorney General certainly is in D-10. I think those Arkansas and Massachusetts groups are not.

Mr. KEELE. Do you know how many grants your organization has made through 1951?

Mr. STRAIGHT. I don't offhand, sir; no.

Mr. KEELE. Well, by our computation from your report that came to us, we find 440 separate grants.

Mr. FORAND. Is that over the life of the foundation?

Mr. KEELE. That is beginning in 1937; 1937-51, both years inclusive. We find 20 of those grants were made to institutions which have been cited, criticized, or appear upon the list of the Attorney General. Does it not occur to you that that is a very high percentage?

Mr. STRAIGHT. Well, sir, I think, as you have pointed out, the list of the Attorney General occurred in 1948 or 1949, and many of these grants, in fact, were made 10 years previously by members who are not even directors of this present foundation.

I think at the time certainly information was lacking which subsequently came to light, and at the time also it became in 1948 and 1949 very much more easy to distinguish between the Communist Party line and the non-Communist line.

In many of those years, frankly, it was extremely hard for people who were full-time foundation directors to make up their minds, without available aid, as to whether an organization might be doing undercover work that did not appear in any way on its application.

Certainly none of the applications of any of these groups at any time would indicate in any way that they were carrying on work

hostile to the interests of the United States; and, had they, it is out of the question that the Whitney Foundation would have supported them.

Mr. KEELE. Do I understand the tenor of your answer to be that the small foundation, lacking forces to investigate, may have made mistakes which would not have occurred had they had adequate staffing?

Mr. STRAIGHT. I would say that some of these—

Mr. KEELE. Had they been able, shall we say, to have had in the field adequate representatives for investigation?

Mr. STRAIGHT. I think that is a fair statement.

Mr. KEELE. Would you attribute then the relatively high percentage in the case of the Whitney Foundation as against a percentage which I have not figured but which ran about 10 or 12 out of 1,725 grants in the case of the Carnegie Corp. to the fact that the one has field representatives and a large staff comparably, whereas your foundation has a small staff professionally?

Mr. STRAIGHT. I think that would be a factor in it, sir. I think another factor would be that our field of interest is probably more substantially in the general areas in which these organizations, groups, and individuals were active.

For example, I am sure that the Attorney General is not concerned particularly in the field of biological medical research, and this foundation is not either.

Mr. KEELE. But, of course, Carnegie is for education, you remember.

Mr. STRAIGHT. Yes.

Mr. KEELE. So they are, it would seem to me, exactly in the field where the greatest possibility of danger occurs. I am not taking the Rockefeller or the Carnegie Institutions.

Mr. STRAIGHT. As you can see from our grants, we are particularly interested in these fields of labor organization and education, and there is no question at all that in those fields the Communist Party was a very active underground force during the life of this foundation.

I think it would have been very remarkable—it would probably have been more a matter of luck than intuition—had we had a perfect record during that period from your point of view.

Mr. KEELE. I suggest the possibility that smaller foundations—and by that I mean foundations, shall we say, under \$5,000,000—might be more subject to the victimization than the larger foundations by reason of the fact that they are not able to afford the large staff for investigation. Do you think that is a fair suggestion?

Mr. STRAIGHT. I do, sir. I think against that you have got to set the fact perhaps that the directors of this foundation are themselves active in their own professional way in many of these fields, in a general way.

Mr. KEELE. I don't follow that. The trustees, you mean?

Mr. STRAIGHT. Yes, sir.

Mr. KEELE. Will you say that again, please?

Mr. STRAIGHT. That the directors of certainly this foundation—

Mr. KEELE. You mean the trustees now or directors; is that right?

Mr. STRAIGHT. The trustees or directors of this foundation are themselves active or follow actively the general field from which these applicants come, which may not be true, for example, in the case of a

Carnegie director who is asked to give funds to the field of labor education. I say that now in no sense as a criticism.

Mr. KEELE. I am not sure that I quite understand you, but do you mean to say that the directors or trustees, as it may be—are you referring now to the Whitney Foundation or to small foundations generally?

Mr. STRAIGHT. I am referring principally to the Whitney Foundation.

Mr. KEELE. All right—that the directors or trustees of the Whitney Foundation are interested, shall we say, in these friction areas?

Mr. STRAIGHT. Yes.

Mr. KEELE. To a greater extent than the trustees of the Carnegie Foundation?

Mr. STRAIGHT. Yes.

Mr. KEELE. In other words, they are playing closer to the danger zone?

Mr. STRAIGHT. That is correct, which is also a zone of challenge and opportunity.

Mr. KEELE. Which they have every right to do. No one is challenging their right to do so.

Do you think that applies, or do you have information and experience enough to say whether that applies, to the smaller foundations generally?

Mr. STRAIGHT. I couldn't answer that question, Mr. Keele.

Mr. FORAND. Do you have any way of following through once you have made a grant, to see whether or not the money is used for the purpose for which it was given?

Mr. STRAIGHT. Mr. Forand, we do our best and, for example, to take one project, the Highlander Folk School I mentioned to you before is the type of project which will always run a small deficit because the trade-unions themselves do not appropriate funds for education, but which we feel is in a significant field.

The Highlander Folk School has been active throughout the life of this foundation, and the foundation in general continued support although it saw no immediate opportunity of the Highlander Folk School becoming at any time self-sufficient. On the other hand, the Highlander Folk School suffered from some of the residual problems of labor organizations themselves.

On its board of directors, for example, which was open to all members of the CIO, were representatives of the Mine, Mill, and Smelter Workers, of I think at least one other union subsequently expelled from the CIO.

Now, that problem led to a crisis in the Highlander Folk School in 1947 and 1948, in which the directors of the steel workers on the board, supported by the directors of the gas, coke and chemical workers, of the textile workers, of the leading non-Communist unions in the CIO, forced the issue and compelled the representatives of those unions to resign from the board, by requiring all members of the board and all staff members to in effect take a non-Communist oath.

And that led to a great deal of friction, of debate, which I endeavored to follow quite closely to find out in fact what the issue was.

I consulted leading members of the CIO about it, and was considerably troubled about it to find out whether in fact the Whitney Foundation should go on contributing to the Highlander Folk School.

The Highlander Folk School is now organized on a completely different basis. The unions themselves staff their own conferences there, and the staff of the school itself has been reduced, but these leading unions have never had any question at all.

People like Philip Murray, whom I consulted about this, have no question at all that it was useful in their general struggle on behalf of the principles they stood for in their opposition to the Communist Party, to have the Whitney Foundation support the Highlander Folk School.

Mr. FORAND. That was the case, of course, where they were doing self-policing and the thing came out openly, but in some of your other smaller projects where you allowed a grant of say \$1,000 for a specific job, is there any way at all that you follow that through?

Mr. STRAIGHT. Yes, sir, we do. We write steadily through the year to the recipient and require them to make in our opinion reasonably full reports to us as to how the funds have been used.

Mr. FORAND. Now if you should find one that is not using the funds for the purposes for which they were made available, is there any way that you could stop your grant and get a refund say?

Mr. STRAIGHT. I would doubt that, sir. Another example was the organization mentioned by Mr. Keele, the Southern Conference.

Now we gave initially there, as I said, for the purpose of education, for the study of suffrage in the South and specifically for the poll tax, and that study continued, but we came to feel after a time that the Southern Conference was in fact becoming more of a political and organizational movement, and therefore we tended to become rather doubtful about the wisdom of giving foundation aid to the Southern Conference.

Subsequently the Southern Conference was split, and Mr. Keele was referring to one part of it. The other part of it, the Southern Conference Educational Fund, has still continued under non-Communist auspices and still enjoys tax-exemption.

However, we felt that the usefulness of the Southern Conference from our point of view had come to an end during this period in which it was in fact attempting to become a different type of organization.

Mr. FORAND. From then on you made no more grants?

Mr. STRAIGHT. That is correct.

Mr. FORAND. But no attempt was made in any case to retrieve the funds that had been allocated, if you found they were being misused?

Mr. STRAIGHT. I am not aware of any, sir. I think that could involve us in quite serious problems since we presumably made a legal obligation when we inform an organization that funds will be made available to it.

Mr. ROSE. Might I just interject there that we have a practice of making only 1-year grants. We are never committed beyond the relatively small amounts you find as the annual grant.

Mr. FORAND. So all you have to do is stop making grants and cut off the project, so to speak; is that the idea?

Mr. ROSE. That is correct.

Mr. SIMPSON. Keeping in mind the conditions as you recall were existent when these grants which are being criticized now were made, and in retrospect, would you say that those grants were unwise?

Mr. STRAIGHT. I would say, sir, that this whole country has learned a great deal that it was not aware of at the time some of these grants were made. I would not make these grants today, for obvious purposes and reasons.

Today, looking back on it, for example, the Frontier Films is mentioned, that film that we helped support was made on the subject of civil liberties. Now, looking back on it, the film was very highly reviewed by the New York Times, by the Brooklyn Eagle, by the New York Herald Tribune. Now if it was unwise, perhaps, it was an "unwisdom" which was shared by those newspapers generally.

I would be very hesitant to use hindsight, but I would say that today we are all a great deal wiser concerning the interrelation of communism, democracy, and the role of the Soviet Union than we were then.

Mr. SIMPSON. Who is wiser; you, the directors, or the other directors?

Mr. STRAIGHT. I believe the whole Nation is, sir. I think I am, and I think the other directors are.

Mr. SIMPSON. What do you do today to avoid making grants to a fringe organization? How do you examine into it now as you didn't examine into it a few years ago?

Mr. STRAIGHT. Well, we have stated in our questionnaire, in the reply to your questionnaire, that we do make use of the material that is available, the guide, various other organizations which make a point of listing groups.

We certainly, I think, are very slow to support any organization that we have any question about, but basically beyond the guide, when you say a fringe organization, I take it you mean one of questionable nature.

We can only rely again on our own intuition, on the advice of the people we trust, and I would think that we are now quite experienced in that field.

Mr. SIMPSON. In the final analysis, it is still a personal matter for the directors.

Mr. STRAIGHT. Well, it seems to me it can only be so where there is no legislation, where there is no ruling laid down.

Mr. SIMPSON. Whether you have a staff or not.

Mr. STRAIGHT. It still would be. I think you will find in the case of Rockefeller that where there were questionable grants under discussion, the staff simply forwarded those applications to the directors and let them decide without a recommendation, and whether we had a large staff or not, the same problem might arise.

Mr. SIMPSON. Do you see value in the risk, in taking the chance with an organization about which you have the least bit of question? I want to say that perhaps there is.

Mr. STRAIGHT. I think if you are going to operate in this—what Mr. Keele has called an area of friction, which to me is a very decisive area in this country—and I feel that when the CIO purged itself of the Communist Party, that was a very major victory which could not have been obtained by the Congress or by the Government.

When you are in this field, obviously, there is risk. I think today we have the information and the insight to make that risk very much less than the benefits.



Mr. KEELE. Mr. Straight, have you changed your views with reference to the question of whether the Communist Party in this country constitutes a clear and present danger from what they were in 1950, shall we say?

Mr. STRAIGHT. I testified on the McCarran Act, sir, before the committee under the chairmanship of Congressman Wood, and I said then at that time my own experience in combating the Communist Party as I combated it with no relation whatever to the Whitney Foundation, but in my own professional capacity, my own experience led me to believe that the McCarran Act would not help people like myself to set back the Communist Party in the factories and in the organizations where the front lines in fact existed.

I still hold the view that legislation is not the final or the only answer to this matter, and in fact may be a hindrance.

Now, I certainly regard the Communist Party as a danger to this country, as a source of espionage and subversion. I think there is no question about that at all.

Whether it should be declared illegal or not, or whether it can be under the Constitution, as a clear and present danger, is a matter that I think I am not equipped as a nonlawyer to determine.

Mr. KEELE. I don't mean to rip a sentence out of context of a general statement which was made. You are quoted here as saying, "We don't believe that the Communist Party today is a clear and present danger."

Mr. STRAIGHT. Yes. Well, I was using that phrase, so—I assume that is from my testimony?

Mr. KEELE. Yes.

Mr. STRAIGHT. In relation to Justice Holmes' famous dictum, as to whether a danger clear and present existed, compelling the country to take action by the legal suppression of this group, and in the sense that I believed at that time that there was no constitutional means of suppressing and outlawing the Communist Party, under Justice Holmes' dictum, I felt that in that sense it was not a clear and present danger.

It certainly to me is a danger, but I question—I am not sure it is one in the sense that Justice Holmes used the phrase in denying that a Communist Party member at that time could be prosecuted with as such.

Mr. KEELE. Well, as I said, I was not trying to rip the sentence out of its context, and I take it from what you have said that speaking now within the framework of Justice Holmes' remarks, you would say the Communist Party is a clear and present danger today; is that right?

Mr. STRAIGHT. I certainly would; yes.

Mr. KEELE. I wanted to give you that opportunity because I thought you meant it in an entirely different light than you stated it here.

Mr. STRAIGHT. Thank you. I certainly would.

Mr. KEELE. I think I have no further questions, Mr. Chairman.

Mr. FORAND. We have no further questions. We thank you gentlemen for your appearance.

The committee will be in recess until 2 o'clock.

(Whereupon, at 12:05 p. m., a recess was taken until 2 p. m., this day.)

## AFTERNOON SESSION

Mr. FORAND. The committee will be in order.

Mr. KEELE, will you call your first witness, please?

Mr. KEELE. Mr. Field, I understand that you would like to have Mr. Hahn sit with you at the witness table.

Mr. FIELD. Thank you very much. He is a director and secretary of the foundation.

Mr. KEELE. Now, for the record, will you state your name, your residence, and your connection with the Field Foundation, Mr. Field?

**STATEMENT OF MARSHALL FIELD, PRESIDENT, THE FIELD FOUNDATION, ACCOMPANIED BY MAXWELL HAHN, DIRECTOR AND SECRETARY, THE FIELD FOUNDATION**

Mr. FIELD. Marshall Field, Lloyds Neck, Huntington, Long Island, N. Y.; president of the Field Foundation.

Mr. KEELE. Mr. Field, you have other work that you are engaged in besides that, have you not?

Mr. FIELD. Yes, I have.

Mr. KEELE. And what is the nature of that work or business?

Mr. FIELD. I am president of an organization called Field Enterprises, publish the Chicago Sun-Times, the World Book encyclopedia, Childcraft, a radio station in Chicago, WJJD, and hold interest in Simon & Schuster, and in Pocket Book Publishing Co., in New York.

Mr. KEELE. All in the nature of work in publications, are they not?

Mr. FIELD. The publications field.

Mr. KEELE. I wonder if you would be kind enough to pull those amplifiers a little closer to you.

Mr. FIELD. I am also, of course, a director and a member of the executive committee of Marshall Field & Co., a bank in Chicago.

Mr. KEELE. Will you tell us the approximate size and assets of the Field Foundation?

Mr. FIELD. Somewhere between \$11 and \$12 million.

Mr. KEELE. And what over the last 4 or 5 years is the average income that you derive from that?

Mr. FIELD. Between six and seven hundred thousand dollars.

Mr. KEELE. And will you tell us the general nature of the activities or the fields of activities in which your foundation has engaged?

Mr. FIELD. I wonder if I might just take the time of the committee, it might shorten the time, if I could just read the introduction to our first annual report, which I think gives pretty much the whole story, without taking too much time.

Mr. KEELE. I have seen it, and I think it would be helpful to the committee.

Mr. FIELD. I think this perhaps covers the ground rather better than I can do it.

This is the first published report of the Field Foundation, Inc. It summarizes activities of the foundation from its incorporation in October 1940 to September 30, 1949, end of the last fiscal year. It is the corporation's intention to publish annual reports each fall so that all who are interested in this nonprofit fund, established for public benefit, may know which organizations have been aided, the trend of the foundation's giving, its policies and purposes, and its financial position.

From time to time, I am asked about the origin of the foundation. There are several reasons why I decided in October 1940 that I should establish the Field Foundation, Inc. For one thing I found that a busy schedule of civic and business responsibilities did not allow time to exercise thought and discrimination in deciding upon the merits of the hundreds of appeals for donations addressed to me personally. Moreover, I am opposed to giving of money on a paternalistic or emotional basis. Such gifts, made impulsively and without appropriate study, are frequently resented by the recipients and in any event are extremely unlikely to achieve constructive results.

With these considerations in mind and convinced that the inheritance of large sums, which public opinion is more and more likely to limit in the future, imposes on the recipient of such funds something in the nature of a public trust, I decided to organize the foundation. I found that there are many devoted men and women—experts in their fields—who are willing to give of their time and experience in order to assist in the constructive distribution of funds available for philanthropy. The members of the foundation are residents of Chicago, New York, Philadelphia, Washington, and New Haven. They are highly qualified in their respective fields and sensitive to the social needs of the community. I am glad that I have been able to vest control of the foundation's policies and funds in these members, and I am very grateful to them for the time and thought that they are giving to the foundation from day to day. It is the hope of the members that by experimentation a few ideas and social techniques may be helped to germinate which will eventually prove to be of enough value to be adopted by the community.

Among the first decisions a foundation faces is whether to operate research and experimental projects directly, whether to focus its efforts on making grants to other organizations, or whether to do both. Our board decided that for the present the Field Foundation, Inc., would be primarily a grant-making foundation.

The charter and bylaws give the board of directors wide discretionary powers. In accordance with the provisions of its charter, the foundation limits itself exclusively to "charitable, scientific, and education" purposes and operations. The foundation cannot and does not seek to influence legislation or to engage in propaganda. No grants are made except to organizations having similar purposes which have been granted Federal tax exemption. The foundation is not limited to assistance to organizations and institutions within the United States. Both principal and income may be expended. Thus the foundation is assured freedom of action to meet changing conditions.

As the treasurer's report shows, the foundation has assets of \$11,000,000. No spectacular increase in the foundation's principal is foreseen. Therefore, unlike the foundations with principal funds many times larger than ours, we expect to operate with only a small administrative staff.

Interested friends, wholly unconnected with Field interests, have indicated their confidence in the board and its actions, in certain instances, by generously contributing cash and securities to the foundation and, in other instances, by advising the foundation that it has been named as a beneficiary in their wills.

In the beginning, the foundation's grants were distributed over a relatively wide range of recipients. More recently—as appears from the report—the board of directors has decided that the principal areas of interest of the foundation will be the problems of children and those arising in the field of interracial and intercultural relations. A small percentage of income is allocated to germinal projects outside the fields of major interest.

In the pages that follow is set forth other information, including review of the foundation's grants and the treasurer's report.

Does that answer the question about the purposes?

Mr. KEELE. I should think so. Would you tell us how you happened to decide on the particular fields, Mr. Field?

Mr. FIELD. Well, it was the outcome of quite long discussions by the board. There are very large foundations that are very much interested in the medical field. Now, we didn't want to exclude ourselves and don't intend to exclude ourselves from the medical field.

However, there are such vast funds given by some of these larger foundations to that field, and also in the field of the natural sciences, that we thought there had been not enough devoted to the social

sciences. Therefore, that seemed to be our best chance to make some kind of an impact.

Mr. KEELE. Who determines what grants will be made? I mean, do you do that through the board generally, the trustees or directors, or is it done by your staff primarily?

Mr. FIELD. Well, the application in the first instance comes to the staff, comes to Mr. Hahn here. Mr. Hahn has a couple of secretaries who can get them into shape and so on.

Then he goes over it, and then my office is quite near his, and if the thing is obviously so far from our field that it is not worth bothering anybody about, we don't go any further than that.

If there is the slightest doubt in our mind, however, it is put down and the thing is carefully outlined, and all the applications are sent to the board of directors in advance of the meeting. They have probably a week or 10 days to look at them.

Now, in particular cases which are in one of our directors' fields, the directors have been awfully good as acting sort of as voluntary committees to inquire more about and get more facts about any organization that asks us for money. Eventually the grant itself is passed upon and how much by the whole board of directors.

Mr. KEELE. You use your board of directors or lean upon them heavily, I take it, for decisions in this field, once they have been passed on by Mr. Hahn?

Mr. FIELD. That's right, and I don't think we have ever passed on anything unless it is unanimous, after discussion with the whole board. If there is any objection to it, we just decline it.

Mr. KEELE. You have a board of 15 members, as I understand it.

Mr. FIELD. That's right.

Mr. KEELE. Which is comparatively a large board for a foundation of your size, and I assume that was done deliberately in order that you might have as broad a range of judgment as you could.

Mr. FIELD. Well, there is one other thing there. I wanted my children, who are very interested, naturally, to get the experience of this kind of giving and this kind of work, and they were interested to come on the board, and I never wanted the family itself to be in the majority.

In other words, I wanted outside people to have a majority, so having three children on the board besides myself, that starts with a certain number for the board.

Mr. FORAND. Is your board and directors and the trustees the same?

Mr. FIELD. They are the same, yes. They are all called directors in our case.

Mr. FORAND. Are any of them paid?

Mr. FIELD. None of them are paid.

Mr. KEELE. I notice also that your directors are drawn not exclusively from New England and New York. You do have directors from other portions of the country. I wish you would tell us about that, how that has worked out, and why you decided to do that.

Mr. FIELD. That is right, yes. We wanted to cover the field as much as possible. Of course, a great deal of this money was made in Chicago originally, and should return to Chicago. It was felt that a good Chicago representative was very much in order, besides the family.

Naturally, under the circumstances, a great many Chicago applica-

tions come to us, so we have those. Now as far as the other ones are concerned, New Haven happens to be Dr. Senn, who is the head of the Child Development Institute—he happens to be there because he is an expert in that particular field, and I think that about really covers the reasons. They are all awfully good about attending meetings. We hardly ever don't have a very full attendance.

Mr. KEELE. That was the next question I was going to present to you, as to whether or not you found from experience the fact that some of your directors lived at some distance from New York caused any absentee problem at your board meetings.

Mr. FIELD. Very rarely. Every now and again it is hard for a Chicago director to get out, but we keep him fully informed of what has been done or is about to be done, and if he has any comments to make, he writes them in, but as a rule they come on. They have been awfully good about that.

Mr. KEELE. Do you know roughly about what percentage of your expenditures are made in the field of mental health, if we can call it that?

Mr. FIELD. Well, that would be rather hard.

Mr. KEELE. Just roughly.

Mr. FIELD. I have some categories here.

Mr. KEELE. Whether it would run at 50 percent, 40 percent, or some such figure as that.

Mr. FIELD. I wouldn't think that high, no. If you include in the question of mental health perhaps children's institutions, where there are some pretty sick children, then a quite big proportion would run that.

Mr. KEELE. Perhaps my characterization was not a fair one of mental health. I was using that generically to cover the care of children, and in some cases it is not a matter of emotional adjustment that you are working with there, perhaps.

Mr. FIELD. It is fairly liable to be these days. You would be surprised how few orphans there are today, compared to what there used to be.

Mr. KEELE. How few what?

Mr. FIELD. How few orphans there are. That is something that has changed very much. The average length of life of people has gotten to be so much older, that you don't find nearly as many orphans as you used to. They are generally there for other causes, because they are disturbed in some way.

Mr. KEELE. In other words, the increased longevity that medical science has endowed us with—

Mr. FIELD. That is the word I was looking for.

Mr. KEELE. Has had the result of giving us fewer orphans.

Mr. FIELD. That's right.

Mr. KEELE. Mr. Field, what do you conceive, to be the place or function, the primary function, anyway, of foundations in our society?

Mr. FIELD. Well, I think that by the time that I established the foundation, it had been fairly well established and I just have taken that pretty much to be that that objective is a good one, and that they have done a great deal.

You only have to read the records of the Rockefeller Foundation and some of these other foundations to just see what they have done for this country and for humanity in general.

I believe that a foundation can do a lot of things that other people can't do, that it is hard to do personally, because of lack of knowledge and so on. It is hard for the Government to do it, because it is hard for them to experiment, and I think foundations can experiment and can afford to make mistakes.

And probably, if they don't make some mistakes, they are actually not doing a very good job, which probably means they are pretty careful, perhaps too careful. I don't mean they shouldn't be careful from many points of view, but I am talking about the kind of experimentation that is done, is done sometimes on somebody's idea, as it is in medicine, done on somebody's idea, and it may be failure, and quite often is a failure.

Mr. KEELE. I gather that you subscribe to the view that has been expressed here so frequently, namely, that the primary function of foundations is to experiment, to push back the frontiers, shall we say, of knowledge, to do that which the Government and individuals—

Mr. FIELD. There are a lot of excellent organizations that have so much public support, and you know that one contributes to individually and the country in general contributes to individually that are thoroughly established.

I don't think that is the realm of a foundation. You could easily give all of your money away contributing to very well known organizations, but it seems to me that the general public is able to do that, certainly in these days.

Mr. KEELE. Now you mentioned the fact that you had a report. What is your view with reference to whether foundations should make a full accounting or a full reporting of their activities?

Mr. FIELD. Well, I think it is very important and completely right that they should. After all, as I say here, it is pretty much the nature of a public trust. I would say that it was very important that they should, and I think that everybody should be required to. I can see no reason why they shouldn't.

If it is a small foundation, then they have got a small amount to account for. If it is a large foundation, they have presumably got the staff to do it.

Mr. KEELE. So that it would not fall with undue burden upon the smaller foundations because their activities are restricted by their size?

Mr. FIELD. I wouldn't think it would. Now, may I just refer a minute—

Max, you don't find it too difficult to get out an annual report?

Mr. HAHN. No, sir.

Mr. KEELE. The question has arisen. I think Dr. Bush raised it as to whether or not it might possibly be a burden on the small foundations.

I think he was referring to the very small foundations where they may have only a few thousand a year, but I think Mr. Field has pointed out that in that case their report ought to be comparatively simple and easy to make.

Mr. FIELD. Yes; I think you could just do it from your checkbook pretty much; couldn't you?

Mr. KEELE. Checkbook accounting.

Mr. Field, we would like to have your views on the questions I am going to propound to you, primarily because you are not only in

foundation work, shall I say, but that you have had considerable experience in the field of publications.

We have been wondering and have asked some witnesses their views as to whether or not the mere fact that there is an investigation being conducted of foundations would have any effect on foundation giving and upon foundations. What do you think of it?

Mr. FIELD. Well, I would think it was a pretty good thing, really. In other words, I think people are liable to go along and take things pretty much for granted, and this kind of questioning and questionnaire makes you stop a bit and think what you are doing and how much of this is beneficial.

As I say, I still think that you are going to make mistakes if you are going to do anything. That is inherent, I think, in almost anything; but I can't imagine its having a bad effect.

Mr. KEELE. It has been suggested here that the mere investigation itself may tend to make more timid the smaller foundations who are less professional, let us say, in their approach to their problems, may make them more conservative, less willing to hazard money on experiments and so forth.

That naturally is a matter of interest to the committee. That is why I asked that. The other view, too, has been expressed that it was desirable. We are interested in getting your views, because those two views have been expressed here.

Mr. FIELD. It is pretty hard for me to speak for these smaller foundations. It is hard to say what effect it will have on them.

I would not call ours a very large foundation as foundations go these days, but I don't think that it would stop us from considering any applications that we always have considered.

Mr. KEELE. As I recall it, your answers to our questionnaire were rather interesting where you talked about the mistakes of a foundation and of foundations generally.

Would you discuss that? What do you think are their mistakes, if any, and what their problems are, their main problems?

Mr. FIELD. Well, I think possibly one of the troubles is that you are likely to scatter what money you have got so that it is pretty ineffective, if you don't take a good deal of care.

There are always a lot of people who sound pretty persuasive and are very persuasive and who have perfectly excellent objectives or believe they have excellent objectives; but, if you scatter it too much, I don't see how you can do a very effective job. I think that might be one of the chief dangers.

Mr. KEELE. I know that you also said—and this has been touched upon but not emphasized in other answers—"Not recognizing the public interest in their activities" as a possible mistake of foundations.

Mr. FIELD. I think it is possible. I mean, I hope we haven't been guilty of that, but I would think that probably might be a mistake; yes.

Mr. KEELE. It has been suggested that better public relations were perhaps indicated. The thought has been expressed here by a number of witnesses that the foundations have suffered in the public mind, at least, by reason of the fact that their activities were not better known and better understood, and I assume that is what you are talking about here: that there is a public interest and that maybe they have not recognized how great the public interest is.

Mr. FIELD. I think that is possible; yes.

Mr. KEELE. Of course, public accountability or public reporting such as we are talking about is aimed at that very thing as you understand.

Mr. FIELD. Yes.

Mr. KEELE. Not all foundations publish reports.

Mr. FIELD. Yes.

Mr. KEELE. In fact, I should think the very small minority of them now publish a report of their own volition.

Mr. FIELD. I am surprised to hear that, to tell the truth.

Mr. KEELE. I think it can be put this way: that, of the larger foundations, most of them do; but the larger foundations are in the great minority, so far as foundations in number are concerned.

Mr. FIELD. Yes. I think one of the other things we did call attention to is this: that you have to be a little careful when you are giving foundation money away, not to attack sort of palliatives rather than try to get at the cause of things.

I think you can spend an awful lot of money trying to do something palliative in the way of looking after disease, for instance; but perhaps the best way for a foundation to approach it is to try to get at the cause and see if something can't be done there.

That is a little bit of what we are trying to do in the children's field: to see what it is that causes these children to get into the things they do and lead unhappy childhoods.

Mr. KEELE. Now, in answer to our question as to any grants that have been made to organizations or persons who have been cited or criticized by the House Un-American Activities Committee or the McCarran subcommittee, or have been listed by the Attorney General as subversive, I believe you listed the following or said the following:

The following grants-in-aid were made from 4 to 7 years before it was announced October 21, 1948, that Attorney General Tom C. Clark had listed the organizations as subversive and the Bureau of Internal Revenue stripped the organizations of a tax-free status.

You listed the following: \$2,500 given as of October 15, 1941, to The Open Road, Inc.; October 15, 1942, \$1,000 to the People's Institute of Applied Religion, Inc., of Evansville, Ind. Will you tell us about those two grants, please?

Mr. FIELD. I think we have all the details here. I think perhaps I can tell it very shortly.

The Open Road: The actual applicant in that case was the president of Smith College. The idea, which seemed to us a very good one, was that there was to be a sort of travel bureau to help students from different colleges travel around the country under proper guidance.

Now, apparently at some later date, this was pretty much taken over by the Commies, because that seems to have been the conclusion arrived at by the Attorney General anyway, and the board of directors and the direction of it seemed to us absolutely impeccable at the time that we made the grant.

Mr. KEELE. And, with reference to the People's Institute of Applied Religion, you have set forth these reasons in the answers to the questionnaire, but I think perhaps it is preferable to have you state what you know of them here. If you want to refer to that, you may.

Mr. FIELD. I think possibly on this one I might.

Mr. KEELE. Page 59.



Mr. FIELD. \$1,000 was voted to the People's Institute of Applied Religion in Evansville, Ind. The application was for grant of \$4,000 and represented that the People's Institute of Applied Religion is doing a vital and most timely work in promoting tolerance and active brotherhood among impoverished rural citizens in the South. [Reading:]

It was further stated that, while many organizations in the field of tolerance were doing worthy work among the middle classes, the People's Institute was alone in carrying the message of tolerance to sharecroppers and Negroes.

The grant was not paid until December 15, after the People's Institute sent the foundation a copy of a letter signed by T. Mooney, Deputy Commissioner of Internal Revenue, holding the People's Institute to be exempt from Federal income tax under the provisions of section 101 of the Internal Revenue Code.

Second and final grant-in-aid of \$500 was made to the People's Institute of Applied Religion while the war-emergency board of the Presbyterian Church of the U. S. A. was employing the Reverend Claude Williams, director of the People's Institute, to work in Detroit under the Detroit presbyteriate direction. The second grant was made in 1944.

As I remember it, this came pretty well recommended. I mean we had the Presbyterian Church people, and I think the Unitarian Committee both recommended this to us. I think that was probably the reason of the grant.

Mr. KEELE. I think there are many other organizations which have been listed and criticized which you did not list and to which you gave funds. In 1942 you gave \$2,500 to the Southern Conference for Human Welfare, and in 1945 you gave \$5,000 to the same group.

Mr. FIELD. I am sorry we missed out on listing them there. It was just an oversight.

The way the Southern Conference came into us was an application for a conference at Nashville. I remember it very well, and it came with the very highest recommendation, including a letter from the White House signed by the President saying he thought this was a good thing.

It seemed to us to have an excellent objective; that is, to have a conference on how best the South might mobilize their resources of manpower for the war effort. With that introduction as I remember it, they made another application at some later date for a grant-in-aid, which we also granted. This was of course sometime before we knew anything about their appearing on the list.

I don't think they ever have appeared on the list actually. I don't think they have ever been cited.

Mr. KEELE. They are cited at page 104 of the House Un-American Activities Guide to Subversive Organizations. It probably was not cited at that time.

Mr. FIELD. As I remember it, they protested that, and I rather think they were relieved from that allegation. I think at some later date they protested it.

Mr. KEELE. We were checking on that this morning. I think they did protest it, but I believe it stands.

Actually, this is the latest publication, May 14, 1951, and it does stand at page 104, Southern Conference for Human Welfare.

Then there was a gift by your organization or grant which was not listed; namely, one to the American Council of the Institute of Pacific Relations. That was for \$1,250 in 1943. I think we talked about that awhile ago—that is, before we came over here—and I think you might make such explanation as you gave to us about that.

Mr. FIELD. That request came in for a conference—this conference up in Canada. I think again it was really to try to see what might be done to get India and some of these other countries together. I am sorry I am a little vague about it.

Mr. HAHN. This is the original application.

Mr. FIELD (reading):

This is to request a special grant of \$2,500 from the Field Foundation toward the expenses of the forthcoming international conference of the Institute of Pacific Relations at Mont Tremblant, Quebec, December 14.

This conference promises to provide the occasion for an important study of the basic problems of cooperation in winning the war in the Pacific and securing some lasting adjustments in that area. The grant of the sum requested would contribute materially to the success of the program.

Monttremblant is the eighth in a series of triennial IPR international meetings. The value of such conferences depends on the quality of the persons attending and the thoroughness of the preliminary preparation. Outlook for this conference is encouraging from both points of view.

Then it goes into the probable personnel, which it certainly seemed to us was very impressive.

Mr. FORAND. What was the date of that?

Mr. KEELE. 1943, and that is the same meeting to which Mr. Straight testified this morning, I think.

Mr. FIELD. I think so; yes.

Mr. KEELE. The Whitney Foundation.

Mr. HAHN. Yes; that's right. That is the same one.

Mr. FIELD. I see a lot of pretty familiar and rather impressive names here which I think probably influenced us to make the grant.

Mr. KEELE. Well, perhaps I should reserve this question for Mr. Hahn, but because there are well-known names, your mentioning of that leads me to question you as to how extensively you examine into these applications or into these grants. Do you do it merely on the basis of their having impressive names?

Mr. FIELD. Oh, no, no. We have to know, but the Institute of Pacific Relations at that time, I am frank to say, is looked upon as an excellent educational institution, and probably knowing more about the east than any other institution.

The fact that they asked for the grant would at that time have certainly made me think that it was a worthy project.

Mr. KEELE. All right. In other words, at that time you had no idea that there was any reason for suspicion of that organization?

Mr. FIELD. No; none whatever.

Mr. KEELE. And I believe that is the only grant you made, that one in 1943?

Mr. FIELD. That's right.

Mr. HAHN. There may have been one other after that. There may have been a small one after that; I am not sure.

Mr. FIELD. I don't think so.

Mr. KEELE. We haven't caught it.

Mr. FIELD. I don't think so.

Mr. KEELE. Now, one of the questions which I should like answered is with reference to one of your trustees, Dr. Channing Tobias.

The reason I ask with reference to him is simply that he has been identified with a considerable number of organizations which have been listed as Communist-front organizations; and, therefore, the finger of suspicion does point toward him. Would you tell us about

Dr. Tobias, what you know of him, why he was selected for your board?

Mr. FIELD. I will be very glad to. I have the greatest respect for him. I think him one of the most intelligent members of his race I have ever met, and one of the wisest. He is a great leader; he is quite a leader of his race, and was with the YMCA and also with the Phelps Stokes Fund. He had some experience with foundation work there with the Phelps Stokes Fund.

I think perhaps the answer to his belonging to these organizations may be best reported in his own words, which were in answer to some questions that were asked by the subcommittee of the Foreign Relations Committee of the Senate on the question of his going abroad or not.

I think he said at that time, as I remember it, that he could not have remained a leader of his race if he hadn't taken part in some of these organizations in which they were interested; and I am quite certain that, if they had a Red tint or were communistic, he would fight it very strongly from within. I have no question about that.

As I say, all his advice that he has given us shows the greatest wisdom and consideration and, furthermore, he saved us from a lot of very foolish grants, I think, in race relations which didn't really have any validity.

Mr. KEELE. Well, it is true that a number of the instances in which he has been identified with organizations which have been labeled by the House Un-American or by other bona fide groups of the Government or organizations of the Government had to do with Negro affairs.

For instance, he was on the Council on African Affairs in many capacities, and he wrote a great deal for them. He was identified with the Southern Conference for Human Welfare, also.

Mr. FIELD. I think the moment Dr. Tobias got any idea that an outfit was communistic, he resigned from it. I think he has resigned from all these things sometime ago.

I do think we have to remember this, Mr. Keele. I am sure you do: That there are a lot of organizations which were started with perfectly worthy purposes and under good auspices, that were taken over and have been taken over. I mean that is a regular technique. I have seen it happen several times where a perfectly good organization will just get taken over, and the next thing you know they are on the Attorney General's list, but I don't think in a great many cases they started with a bad idea or started with any communistic tinge at all.

Now I just can't speak—I am sorry—for Dr. Tobias' affiliations, because I really don't know all those well enough, exactly what his purpose was, but knowing him, I am sure it was a good purpose.

Mr. KEELE. I think we told you earlier today in our office that it has been charged on very good authority that Dr. Tobias had been identified with or affiliated with or connected with some 48 Communist-front organizations, and the large number of them give rise to apprehension, of course, as to the man's intentions. That is why the matter has been brought to your attention.

Mr. FIELD. Well, I would just be so sure, knowing him, that his intentions were good; I just couldn't believe anything else without very strong proof, frankly.

Mr. KEELE. All right, we will move to a more personal charge now, or at least a question.

With reference to you, Mr. Field, on the letterhead of the American Committee for Yugoslav Relief, dated August 6, 1945, it listed you as a sponsor of that organization. It was later cited by Attorney General Clark as subversive and Communist in letters furnished the Loyalty Review Board and released by the United States Civil Service Commission June 1, 1948, and September 21, 1948.

The American-Slav Congress of April 26, 1950, also was cited by the Congressional Committee on Un-American Activities in its report as a Communist front which was actively supported by the Daily Worker, the official organ of the Communist Party of the United States of America. Is there anything you would like to say about that, any explanation?

Mr. FIELD. I remember at the time it was represented to me and I thought by reliable sources, as a completely bona fide relief organization actually to provide relief to women and children. I think one of the things was they were collecting clothes, as I remember, for Yugoslav relief. Of course at that time that sounded to me like a perfectly all-right purpose, just as pure relief.

Mr. KEELE. And you did have some personal knowledge or acquaintance, did you not, with some of the people who were heading that and in whom you had confidence?

Mr. FIELD. Yes; there were two or three, I think; two or three ladies there in New York that I knew that were pretty active on it and whom I wouldn't have the slightest question about.

Mr. KEELE. All right; now there was another occasion that I would like to ask you about. You were listed as the sponsor of the Chicago council of the National Council of American-Soviet Friendship, as shown by letterhead of the organization dated September 17, 1951.

Mr. FIELD. That was never called to my attention until just about that time. I don't know just where they got that. My secretary pointed it out to me. She found it in some way. Either the letter came to the office at the Sun-Times or something, and I protested it vigorously and had no knowledge that it was on there at all.

Mr. KEELE. That was done, as I understand it then, from what you have told me heretofore, without your knowledge or consent?

Mr. FIELD. That is right.

Mr. FORAND. What kind of a protest did you make?

Did you make a protest to the organization, Mr. Field, to have them remove your name from their letterhead, or what did you do?

Mr. FIELD. As I remember it, I had my secretary call them up to tell them to quit doing it, and Max reminds me that I also wrote a letter at the time.

Mr. KEELE. There was only one other person connected with your foundation about which we wish to question you, Mr. Field, and that is with reference to Justine Wise Polier.

You will recall before we came over here we discussed some of the problems we had there. She was connected with the National Lawyers Guild and with the National Committee of the International Juridical Association, both of which have been cited by the House Un-American Activities Committee. She was also a member of the Lawyers Committee on American Relations with Spain. That, too, has been cited. There are one or two other instances where she has been associated or identified either by her name appearing on the letterhead of organ-

izations or having written articles for those organizations. Would you tell us something of what you know of Judge Polier, why she is on your committee and what you think of her?

Mr. FIELD. Well, Judge Polier has been a judge of the court of domestic relations in New York for over 15 years. I have actually sat in her court and listened to the way she handles children, and I really think that perhaps she is the greatest expert, I would say, not the greatest expert but among the greatest experts on children's courts in the country. I mean she is, I think, a recognized authority. She has written a book on it which is very widely quoted.

I have always found her the most charming person, the most understanding person about children, of anybody I know. Furthermore, I have dined at her house and she has dined at mine, and I would never have had the slightest—I wouldn't have the slightest—hesitation in saying that she has never by any intimation shown any communistic leanings.

As a matter of fact, she sort of inherited from her father, I think it was, the American Jewish Congress, the head of that, and she got into a really tremendous fight there to kick out a couple of organizations that belonged to it that she considered and were considered to have a Red tinge at least.

I am not saying they were or weren't, because I obviously don't know, but I know that she was very much criticized by the left wing for her action there.

Mr. KEELE. Well, she was selected, I gather, from what you have told me heretofore, primarily because of the work of the foundation with children and because of her great knowledge in that field; is that correct?

Mr. FIELD. Absolutely; yes. She has not only knowledge of work in the court, but through the court you see she has so much knowledge of treatment centers, the places that children are sent to, that her advice is really invaluable in that way.

Mr. KEELE. Well, you consider her as a technical expert along with—was it Dr. Senn, from Yale?

Mr. FIELD. Yes; in the children's field. I would say Helen Ross and Jim Brown, all of those people through their experience know a great deal about children and children's institutions.

Mr. KEELE. I have no further questions of Mr. Field.

Mr. SIMPSON. I am interested in this question as to whether you think, Mr. Field, that the growth of foundations should be encouraged?

Mr. FIELD. Well, I should say yes, on everything I know about it.

Mr. SIMPSON. You should know considerable about it. Do you think they are in a field that Government does not and should not go into?

Mr. FIELD. I think that if they do not exist, they would leave an enormous gap. Now I suppose that perhaps there might be some question when they get to a very enormous size.

That might be a question as to whether they might have too much power, but I can't conceive that the way they have been handled so far, the large ones I think perhaps even better than the small ones, I can't conceive they do anything but fill an enormous gap that wouldn't otherwise be filled.

Mr. SIMPSON. Do you think then that they justify the tax advantages they are given?

Mr. FIELD. I would say so; yes, I would.

Mr. SIMPSON. And do you think there should be more of them, particularly the smaller ones?

Mr. FIELD. I would like to see more responsible ones, yes. That depends so much on who runs them and so on, but judging from experience, I would say the more there were, the better.

Mr. SIMPSON. The more there are, the better, to enter these fields where Government does not or should not enter?

Mr. FIELD. That's right. I am no expert at all except as a trustee of a university. I just would wonder what some of these colleges and universities would do for money if it weren't for individuals and foundations.

Individuals, of course, are allowed to deduct a certain amount. I think it is now 20 percent, isn't it, of their taxable income?

Mr. SIMPSON. That's right, up to 20 percent.

Mr. FIELD. Up to 20 percent, and I think that is an enormous encouragement, and I would hesitate to think what might happen to some of these university deficits and college deficits if it didn't exist.

Mr. SIMPSON. Keeping in mind the present tax laws and the high rates we have, do you think we will have to depend upon foundations for our risk areas?

Mr. FIELD. I think you do, rather, because the inheritance taxes are so large that an individual is not going to start with as much base capital as you were able to, as I was able to, for instance, because my grandfather made a lot of money.

From now on, after you get through paying the inheritance taxes, you are just not going to have the money unless you make it, and to make enough to give large sums charitably is a life's work, and everybody is not going to be able to do it.

Mr. SIMPSON. There is no assurance an individual who may be able out of his current income to make a substantial contribution in one year may do the same thing the next year?

Mr. FIELD. That's right.

Mr. SIMPSON. And so that the foundation does within the limits of its interest provide a continuing source of funds.

Mr. FIELD. Well, I stated a little while ago that I thought that the foundation's field was not in the very well-known organizations. Suppose, for instance—which I pray there won't be—there were a recession or depression where individual incomes went down so that some of these well-known organizations were really suffering for lack of gifts. Then I think a foundation might very well consider giving money to those things to keep them going until things turned around again and individuals could resume their giving.

Mr. SIMPSON. Yes; except that the foundations are pretty well spending their money today.

Mr. FIELD. Yes; but they do it on new things, new grants, and maybe it would be better not to take up a new thing. Some day it might be better not to take up a new thing and support something that really needs to be upheld.

Mr. SIMPSON. A little earlier you thought it was best to go on to the experimental field, at least I understood you to say that.

Mr. FIELD. That's right, except in this case. I would hesitate to go into an experiment when an organization that was already established was really suffering for lack of funds.

Mr. SIMPSON. But you continue to think, though, that the great field for the foundation is in the experimental and the so-called risk capital area fields?

Mr. FIELD. I do; yes.

Mr. SIMPSON. Of course, that won't provide money then if that were the principal use of the fund, to take the place of the endowments of our colleges, and so on.

Mr. FIELD. Well, yes, it could, if you stopped giving those grants.

Mr. SIMPSON. Not to the extent that the money that you give to a college is confined to one particular research area, experimental in nature.

I mean if the time comes that the colleges are—and I understand they are in many instances—finding they have insufficient money as a result of their endowments now not being large enough, if we put our money all into research, we won't have the money then for these colleges.

Mr. FIELD. Well, may I explain this. I don't know how other foundations keep their books, but what we do is, if we make a grant for a research project of 2 years, for instance, we appropriate that money immediately, you see; so that any income coming in next year is fresh money.

Now, all that would go to new grants. Therefore, if we could stop giving it to the new grant, if things really got bad, as I say, if there was an organization that really had to be supported and individuals weren't able to do it, I think we would provide a cushion there to help them out. I don't know. I am just envisioning a very unpleasant possibility.

Mr. SIMPSON. You might be able to change your policy and use the foundation?

Mr. FIELD. We could do it within a year; yes.

Mr. SIMPSON. Change your policy and use the moneys that you have for the general upkeep of the colleges, if you wanted to?

Mr. FIELD. If we felt it necessary.

Mr. SIMPSON. On that point, I asked you, do you think the foundations in general provide a good hedge, a good protective factor, for the colleges?

Mr. FIELD. Yes; that is what led to what I said. I think you intimated that, and I think it does.

Mr. SIMPSON. I was told—and I am sure you could give us more authoritative information in a general statement—that the day of large individual contributions, one hundred or one hundred fifty thousand dollars, to colleges and hospitals is rapidly coming to a close.

Have you had experience along that line?

Mr. FIELD. Yes. It is very hard to raise that much money from single sources today.

Mr. SIMPSON. A practical man to make any such contribution would have to take it out of his capital?

Mr. FIELD. He would; yes.

Mr. SIMPSON. I know we want to see the colleges all continue, and so on, and yet I don't see that the foundations are anywhere near

large enough to provide the endowment moneys to continue the colleges, if private contributions fall off.

Mr. FIELD. I think it is a very serious problem. I think hospitals are in a very serious position at this time.

Mr. SIMPSON. That brings me back to the question whether you think Congress should do something to make it still more advantageous to create foundations.

Mr. FIELD. Well, I would think the incentives were there today. I don't think there is any necessity to do anything further.

I mean the experience is that foundations under the present system, under their present incentives, have been formed, and I would think they would continue to be formed. I would not want to discourage them, but I would think that any further encouragement might not be necessary. I wouldn't think it would be necessary because of the experience we have had.

Mr. SIMPSON. Thank you very much.

Mr. FORAND. Mr. Field, once a grant was made by your foundation, is there a follow-up to see that the money is spent for the purpose that you gave it?

Mr. FIELD. Yes, we get reports about half yearly on most of them, and then when Mr. Hahn is traveling around, which he does, to investigate new grants, he goes and sees the people and he himself sees what is being done with the money, by visiting them. I do some of it myself.

Mr. FORAND. Have you found any case where the money was misappropriated, so to speak?

Mr. FIELD. No. I would say that some of it I found was getting a bit ivory tower, and that they might be drifting off into something that was unlikely to lead to any practical result.

Mr. FORAND. But was it being spent for the purpose for which the grant was originally made?

Mr. FIELD. Yes, undoubtedly.

Mr. FORAND. Now if you should find a case where money has been allocated or granted and that it was being misused, say, for subversive purposes, what steps would you take?

Mr. FIELD. Well, we generally pay our grants quarterly, if they are of any size, and we could, if it is a very serious case, if it was a complete misuse, I imagine we could just shut off the grant and cease to pay the next quarter, and let them sue if they liked. That is about all that we could do, I should think.

Mr. FORAND. Even though you had a contract made for a total amount, you would just refuse to make the further installments?

Mr. FIELD. We make the grant citing certain things they are to do. We repeat, when we make the grant, what they asked for and this is the purpose, so we make the grant and we say, "We will pay you quarterly."

Now if they don't use it for that purpose, I would think we would have the right—I have never been into this with counsel—just not to send the next quarterly payment.

Mr. FORAND. Do you have forfeiture clause or something to that effect in your contract?

Mr. FIELD. I beg your pardon?

Mr. FORAND. Do you have a forfeiture clause or something to that effect in your contract?



Mr. FIELD. No. The contract isn't really quite a contract. It is just a letter saying that this is what we understand they are going to do with the grant.

Mr. FORAND. Don't you think it would be wise in making a grant to have a clause in there that would amount to a forfeiture clause as a protection, so that you could shut off the funds without getting into any trouble?

Mr. FIELD. I would be awfully hesitant to take away from their freedom of action. I think maybe you have to define that. I just haven't given it any thought, I am sorry.

I would before answering that like to give it some thought, because you don't want to take away from their freedom. You don't want them to think that you are bossing them, because they probably know much more about the subject than you do. They always do, if they are experts in the subject.

We wouldn't want to tie them too much, but you might have a forfeiture clause, I would think, in certain cases where they could forfeit the money if they did certain outrageous things.

Mr. FORAND. If the funds were going in for subversive propaganda or something like that, that would be grounds to take action?

Mr. FIELD. Obviously, yes.

Mr. FORAND. If I have brought up nothing else, at least I have brought up this thought which I hope your organization and all similar organizations will consider seriously, because I think we ought to have some way, some method, of preventing an organization from misusing funds.

Mr. FIELD. Yes.

Mr. HAHN. We have made a note of it.

Mr. FIELD. Well, we will certainly make a note of it and discuss it at the next board meeting. I think there may be a lot in that. It just hadn't occurred to us.

Mr. KEELE. I have one thought only, if I might present it.

Mr. Field, this is merely a matter of opinion. We are seeking your opinion. In observing the grants of the smaller foundations and particularly the very small foundations, such as those who have not appeared as yet before the committee, we note that there is a great deal of scatteration giving, \$5 to this, \$5 to that, and what you have characterized as palliative giving.

The thought has suggested itself that possibly a central clearing-house where requests for assistance might be processed and to which the smaller foundations might turn for assistance and guidance and suggestions might be a desirable thing, and I mean by that a purely voluntary association for foundations much smaller than yours which cannot have any professional staff and which have little experience.

I wonder what you think about the possibility of such a plan?

Mr. FIELD. There is a national information office in New York which we belong to, and you can find out quite a lot from them. I mean, you can find out whether an organization is just a racket or not a racket.

Mr. KEELE. That is the American Foundation Service?

Mr. HAHN. The National Information Bureau.

Mr. KEELE. Well, now, we tried to get information from them and we found they had very little to give us. I thought you were referring perhaps to the American Foundation Service, which does furnish information from givers and takers, as they say, and I was thinking of some sort of an association to which perhaps there might be voluntary

contributions on a percentage basis, a very small percentage basis, from the smaller foundations, where there could be not only a processing of requests that came in, but investigation as well of the persons seeking it, and whether or not some such service might not prevent this shotgun pattern that the smaller foundations appear to make with their donations of \$5, \$10, \$15, \$20, \$25 for all sorts of heterogeneous projects.

Mr. FIELD. Well, of course, there are an awful lot of these projects that are perfectly good that just live on that kind of giving. I mean, an awful big percentage of the givings. Foundations, I think, give 1½ percent of the money given away in this country in a year.

Mr. HAHN. Three percent.

Mr. FIELD. Three percent. Well, anyway, it is a very small percentage of the money that is given, and so much of that is—so many good organizations are kept on \$25 and \$10 subscriptions from a great many people, and it gives them a sense of participation.

I would think that was pretty healthy, but I do think that an organization would be invaluable who really would do the work if it wasn't too expensive. The only thing is, how expensive would it be? They would have to cover an awfully big water front there.

Mr. KEELE. Well, I was thinking if it were a tenth of 1 percent of the income of the organizations, you would get a tremendous volume for a central office that way.

One other question: We have been told that since the 1915 investigation conducted by Frank Walsh, foundations have had a horror of collaborating or working together. Do you know whether or not that is true?

Mr. FIELD. I think it is absolutely true. It is as much as your life is worth to get a word out of anybody.

Max is trying to find out what some other foundation director is doing. I think it is perfectly absurd, because there could be all kinds of duplications. Of course, the ones that have annual reports you could check pretty well.

Mr. KEELE. There is no Sherman antitrust law, so far as I know, that is applicable to foundations. I don't understand it, but I have been told that. They are afraid to collaborate in any way.

Mr. HAHN. That's right.

Mr. FIELD. Of course, everybody is scared of monopolies or blacklists, or something like that. You might get some of that feeling if they collaborate too closely and some organization would say, "Oh well, we haven't got a chance because the monopoly is against us," and so on.

There might be some trouble, I don't know, but I would think that the more that foundations can talk to each other, the better, myself.

Mr. KEELE. I should think that there would be a greater advantage in pooling their knowledge and their experience and picking each other's brains on occasions.

Mr. HAHN. It would be particularly helpful to the men who are newer in the business.

Mr. KEELE. That's right, because there is a period of the shake-down cruise when they have to experiment themselves.

I have no further questions.

Mr. FORAND. We thank you, gentlemen. The committee will stand in recess until 11 o'clock Monday morning.

(Whereupon, at 3:15 p. m., a recess was taken until Monday, December 8, 1952, at 11 a. m.)

## TAX-EXEMPT FOUNDATIONS

MONDAY, DECEMBER 8, 1952

HOUSE OF REPRESENTATIVES,  
SELECT COMMITTEE TO INVESTIGATE TAX-EXEMPT  
FOUNDATIONS AND COMPARABLE ORGANIZATIONS,  
*Washington, D. C.*

The select committee met, pursuant to recess, at 11:05 a. m., in room 1301, New House Office Building, Hon. Richard M. Simpson presiding.

Present: Representatives Simpson (presiding) and Goodwin.

Also present: Harold M. Keele, counsel to the committee.

Mr. SIMPSON. The committee will come to order, please.

I should like the record to disclose that Mr. Cox, the chairman of the committee, is, as you know, ill, and has asked that I assume the chair in his absence.

Mr. Keele, will you call your first witness?

Mr. KEELE. Mr. Sloan, would you come up here, please?

### STATEMENT OF ALFRED P. SLOAN, JR., PRESIDENT, SLOAN FOUNDATION

Mr. KEELE. Mr. Sloan, would you state for the record your name and address, please, sir?

Mr. SLOAN. My name, Mr. Keele, is Alfred P. Sloan, Jr. My address is 30 Rockefeller Plaza, New York.

Mr. KEELE. Will you tell us what your connection is with the Sloan Foundation?

Mr. SLOAN. I am president.

Mr. KEELE. I think it would be helpful if you would give us something of your background, and your experience, Mr. Sloan.

Mr. SLOAN. By education I am an engineer; by vocation, I guess I can rank as an industrialist, and by association, I am interested in foundations.

I served as an industrialist in General Motors Corp. for something like 35 years, for 25 of which I was the chief executive officer.

I had complete charge of all of its operations, research, engineering, production, expansion, and development, overseas and domestic.

In 1946 I retired as chief executive officer, and passed that responsibility over to Mr. Wilson, as the president. Since then I have been concerned with General Motors from the standpoint of, you might say, high policy and special problems that I am asked to deal with.

A good part of the time since 1946 I have been devoting to the Alfred P. Sloan Foundation, which I organized back in 1934.

I think, Mr. Keele, that gives a general résumé of my life, you might say, up to now.

Mr. KEELE. Mr. Sloan, will you tell us your views, your ideas, your concept of a foundation, and the place it should take in our modern life, the part it should play?

Mr. SLOAN. Let me first say, Mr. Keele, that, as I have already stated, my experience and my life are largely devoted to industry. I cannot qualify as a competent witness, as competent as you have had before you, who have had the background of education in foundation work. So my experience is largely limited, as I said before, to the 4 years—6 years—from 1946 up to now.

My concept of a foundation is that it is a public trust. When I pass money over to the foundation in the shape of gifts, I move from the standpoint of an owner to that of a trustee, and in my operations in the foundation, I have very religiously kept that in mind. I even go so far as to think that when a foundation is organized, of my type, that the trustees should be in number to the extent that the founder of the foundation does not have in any sense of the word a controlling interest. I think that would be contrary to the concept of a public trust.

I believe the trustees should be set up and consist of experienced, successful men, representing business, finance, and a general grouping together of ability that would give confidence that the operations of the foundation, as a public fund, were intelligently and aggressively carried out.

I believe in full publicity. In the case of my foundation, we issue a biannual report in which we give all the details of our operations for the preceding 2 years. We give a balance sheet, we give an income account; we make a complete disclosure of our operations. We even go so far as to outline our concept of why we do what we do, and the results we hope to get from it.

I think the fundamental purpose of a foundation is to invest its funds in what we call venture capital. That is a point that has been made by several of your witnesses before.

By venture capital, I would say it is an investment in a project of very high potentiality for accomplishment, and with an abnormal amount of risk for failure. That is what I would define under the broad terms of venture capital.

At the expense of being, perhaps, technical, I would like to mention that we have in basic economics a formula that reads something like this: Production—and by that we mean, of course, the production of all goods and services—is equivalent to consumption—and consumption means our standard of living—plus our savings.

Now, all that means is that we must not sterilize our savings. We must put our savings back into the economic stream in order to maintain a given level of production and consumption, all other things being equal. But if we invest our savings in the things that promote a better understanding of the American system or promote the advancement of science and technology, technological gain, we greatly accelerate and increase the power of the savings, and we expand production, and we expand consumption; and that I just mention to illustrate what I think is the purpose of venture capital and how it works out in an economic sense.

I would like to mention one illustration of venture capital in which my foundation is involved, something along the following lines: Back in the early 1940's, I became interested in a hospital in New

York, Memorial Hospital at that time, that was dealing exclusively with patients afflicted with cancer.

I found that they were conducting research on a very small scale, yet I felt that they had a high talent to develop their research on a broader scale.

So I organized what came to be known as the Sloan-Kettering Institute for Cancer Research. I provided \$3,000,000 for a laboratory building, with all the essential technical equipment to deal with the problem of cancer.

I provided \$200,000 a year for 10 years as a backlog to maintain the institution on a minimum basis.

Six or seven years have passed since then, and we have succeeded in developing what I think I can say without exaggeration is the outstanding institute, private institution, in the world, engaged exclusively in cancer research.

We are employing 150 or 200 scientists and technicians; we are operating on a budget of \$2½ million a year, and the foundation has been supporting the institute to the extent of, perhaps, five or six hundred thousand dollars a year. The balance has come from other sources, so in making the venture into cancer research, we have not only found a useful purpose for our own funds, but we have accelerated the progress in cancer research by attracting other funds in support of the institution.

Now, anybody who knows anything about research knows, of course, that it is an excursion into the unknown, so to speak. We have our successes and failures.

We do not know whether we will have a success here or whether we will have a failure, but from the progress that we have already made, I am convinced in my own mind that sooner or later we will find ways to alleviate if not to cure cancer.

Probably cancer research is the most involved type of research that exists, because it involves the very processes of life itself, concerning which science knows very little.

I mention that to simply provide an illustration of the functioning of a foundation, as I see it. The chances are that this institution would never have been developed and never reached the point that it has, and never make the contribution that it has already made, and would not be able to make future contributions unless someone like myself had come along with money available to engage in a venture of this kind, because in the case of a research institution, everything is outgo—it has no earned income.

Mr. KEELE. Mr. Sloan, did you not attempt in the Sloan-Kettering Institute to apply some of the things you had learned, research, in the industrial field, that is, the bringing together of considerable bodies of researchers, and making a sustained effort in a certain line? I have heard some mention of it, and I wondered—

Mr. SLOAN. That is very true, Mr. Keele, we did. As a matter of fact, Dr. Kettering's and my concept of research, as you just said, comes out of a broad industrial experience, and we have organized the Sloan-Kettering Institute around the concept that complete freedom should be granted in the investigations in the various areas in which we are operating, but that the objectives should always be directed toward the conquest of cancer; and, let me say, that whatever I may

have accomplished in the world, be it important or otherwise, if I can make through the Sloan-Kettering Institute a contribution even to that limited extent for the control of cancer, it would be the greatest accomplishment that I possibly could imagine, because I say often in my work in cancer, that my point of view is that cancer is the most terrible penalty that nature inflicts on mankind, and I think if anybody has seen it in its naked realities they would agree with what I have just said.

Mr. KEELE. Mr. Sloan, would you tell us something about the contributions, as you view them, that the foundations have made.

Mr. SLOAN. Well, I subscribe, Mr. Keele, to all the previous witnesses' testimony, all that they have said on that account. You have had before you a considerable number of witnesses who have testified from their own experience.

My experience is more looking at it from the outside because, as I pointed out, my contact with foundations has been over a limited number of years, and largely in my own foundation. But I could say to the committee without reservation that the contributions of foundations to economic and social gains over the past years have been enormous. Whatever they have been in the past years, Mr. Keele, they have a greater responsibility, in my judgment, in the future.

The idea that some of these projects that foundations are supporting will be finished and, you might say, that there will be nowhere to go from that is entirely false. You take in my contact with the conquest of cancer, we make a discovery, and you might say that that finishes that particular thing. Not at all. Every scientific discovery, Mr. Keele, be it in any area, immediately opens up new vistas of opportunity. It tremendously expands opportunities in industrial research, getting back particularly to cancer research, we have to keep expanding and developing to keep up with our own discoveries.

It always gets bigger, and no one need feel that there is any possibility in the future of needing less; rather we will need more, and always more money than is available put into venture capital in order that we may learn more of the fundamentals of life, and our social relationships.

Mr. KEELE. That leads me to this question, Mr. Sloan: It has been pointed out here that probably the opportunities for the accumulation of vast fortunes, such as the Rockefeller fortune, the Carnegie fortune, the Ford fortune, perhaps your own fortune, that those opportunities under the existing tax structure are becoming less. Where is the money going to come from for the foundations in the future?

Mr. SLOAN. I think that is a very serious question, Mr. Keele. It is a question that I have given a good deal of thought to. I think that your suggestion, your thought that the creation of large fortunes in the future is going to be very much limited is absolutely true.

We all know that there are a considerable number, a very considerable number, of foundations that have been created in the last 10 or 15 years. I would look for more foundations to be created in that way, perhaps, for the next 10 years. I would feel that in 10 or 15 years, that creation of foundations of the family type would be pretty nearly finished.

I do not see how, with the impact of the high income taxes and with our present standard of living, I do not see the possibilities of creating

these large fortunes which have been the basis of the present foundations.

I think that is a really serious question, and I would like to point this out: that one of the outstanding needs that we have in our economy is the creation of, the development of, basic knowledge, fundamental knowledge. I think that is very true—in fact, I have heard Dr. Compton, Dr. Karl Compton, of MIT, state that up to recent years most of our basic knowledge upon which progress depends has been imported from abroad; in other words, we have been wonderful promoters and capitalizers, but we have not been very strong in creation.

Now, we know that those sources abroad are largely dried up, at least to some extent; they probably will be re-created, but anyway there is a responsibility right here in our own country to develop the ways and means on a broader base than we now have of developing what I call basic knowledge.

You gentlemen probably hear a great deal about research as conducted by our great corporations, of which General Motors and General Electric and others are a type, but practically all the research that is conducted by corporations or private enterprise is what we call applied research, as distinguished from basic research.

Personally, I do not think that we can rely upon corporate research. There may be an incident here or there which is an exception. We cannot rely in a broad sense on corporate enterprise to develop the basic knowledge which we need to keep our system going and expanding.

Let me put it this way: basic knowledge may be likened to the ore in the ground. We must mine that ore or the whole system is deflated.

We must mine the ore, we must refine it, we must pass it on to applied research to production and so forth, and then it becomes effective in maintaining and increasing our standard of living.

It is no different from the ore that we use for steel. If the ore runs out, why, our economic processes, of course, would be greatly reduced.

We must have the basic knowledge. Now, the way to provide the basic knowledge is in the universities, I am quite convinced of that, and I think it is very essential that we should give greater support to our institutions of learning, not only our technical institutions, but our academic institutions, in creating the basic knowledge that we need to continue our economic and social progress.

They have the talent in our universities. That talent in our universities exists in an atmosphere which is conducive to fundamental thinking. Time is not a factor. There is no balance sheet to be considered.

If we assume—and I am quite convinced that we are going to need more and more of this kind of venture capital—I am sure that we are going to come to the time where it is going to be provided, supplementing the foundations' resources by business or by Government, and I feel that there is a very great responsibility on the part of business to step up and take a broader position in supporting the universities in the development of basic knowledge through fundamental research.

It has happened before. You take my own operation, General Motors. We have been very liberal in making grants to projects in which we have a direct interest.

Only the other day we appropriated \$1 million to a hospital in one particular place where we have a large number of employees. But we have not stepped up, as I think we should, to supporting by grants and in other ways, the needs of our educational institutions with a view to developing the basic knowledge which I keep repeating, because it is so important, that commercial enterprise, in my judgment, cannot support.

I hope that the time will come when our large business enterprises will feel justified in organizing foundations related to the corporation, in which they will be prepared to put year by year a certain amount of their profits up to 5 percent, which they are permitted by law as a tax deduction, and distribute those funds through the various universities with a view to supporting and encouraging and giving those universities the equipment, and encouraging the talented young men and women of our country who are interested and want to do that sort of thing to work and spend their lives in the creative side of American industry.

Mr. KEELE. Then you feel that the business foundations, shall we call them, may to a large extent pick up the burden that the private family foundations may not be able to meet in the future?

Mr. SLOAN. I think they will, Mr. Keele, and there is no reason but what they should.

There is, however, a feeling on the part of corporate directors, which I think is a fear without substance, that if they make grants in the way I am urging and believe they should, and it gets too far from the direct interests of their stockholders, that they may be subject to criticism as trustees of the stockholders' interests.

But I made a very careful examination of the last 20 or 25 years of decisions that have been made, and I am quite convinced that that is fear carried over from the past more than substance applied to the present.

Of course, you are familiar with the fact many of the States have in recent years enacted special legislation permitting corporations—permitting directors to make such grants in the public interest, and protecting them in so doing.

I am sure that as time goes on, corporations are going to take up this load, and it is developing quite rapidly at the present time. I myself made a recommendation to General Motors that we do that very thing, and I hope in due course of time it will be done.

Mr. SIMPSON. Mr. Keele, I would like to ask some questions.

Mr. SLOAN. Do you believe if corporation tax rates were low—

Mr. SLOAN. I do not get the question.

Mr. SIMPSON. That they would be likely to make contributions for basic research work?

Mr. KEELE. Mr. Simpson's question is this: Do you believe that if corporation tax rates were low—and I suppose you mean by that comparatively lower—

Mr. SIMPSON. Well, half of what they are now.

Mr. KEELE. Lower than what they are now, that they would be encouraged to make donations to the foundations?

Mr. SLOAN. I do not think that the tax rate—of course, the tax rate is very high now, but I do not think that was an influence—I think it is a matter of education and development.



We now have 5 percent, and we know by the record, of course, that only a fraction of 1 percent is being given by corporations to these kinds of things. Also, that is really misleading because of the fact that many of the grants made by corporations are not in the area that I am talking about, of developing basic knowledge. They are more in the area of projects directly related to the corporation's interest, like hospitals and so forth. I think that this will be done irrespective of the tax rate.

Mr. KEELE. Actually, it is to the interest of the corporations, aside from any eleemosynary considerations, to make these kinds of grants to foundations or for these purposes; don't you think, Mr. Sloan?

Mr. SLOAN. It certainly is, Mr. Keele. It is absolutely essential for progress that we should do that. We can, of course, develop various plans for distributing wealth that we have produced, but the way to increase the wealth and expand the wealth, Mr. Keele, is through a better understanding that comes from basic knowledge in scientific development. That is the only true way of progress, and this thing we are talking about is the foundation of that very thing.

Mr. KEELE. Mr. Sloan, we would like for you to tell us something of the objectives of your own foundation.

Mr. SLOAN. Well, my foundation, Mr. Keele, would be defined, as suggested by a previous witness, as a family type. It was created in 1934.

For a number of years, up to 1946, it operated in a very small way, and perhaps it was used more to discharge the family's responsibility to local charities than in a broad way, such as the areas in which the committee is interested.

The reason for that was that I had hoped to give it a certain amount of direction myself while I could, and to formulate the plans and the pattern that would be carried on in the years when I was no longer around. But, due to the war coming on, and my responsibilities with General Motors—and General Motors, it is hardly necessary to say, is a world in itself—and in the position I have—I was in—I just could not do anything else. So, I was unable to carry out the plan that I had made until 1946, when as I have already said my position somewhat changed.

We are what you would call a grant-making foundation. We do not operate in any way ourselves. Our staff consists of only five people. The cost of operating our foundation is in the neighborhood of \$75,000 a year.

The policy of the foundation and all the grants we make are subject to the approval of our board of trustees. We have, I think, a very outstanding board of trustees, representing science, business, and banking. I think it is a well-balanced board, and it would give anybody confidence that the purposes of the foundation are being carried out.

I have already spoken about my belief that the reports to the public, because it is a public trust, should be most complete.

I noticed some discussion in the record about that sort of thing; and I would say, so far as my foundation is concerned, that we are willing to go just as far as possible from the standpoint of publicity. If there is anything further we should do that we are not doing to make a complete disclosure of our operations, I would be glad to know about it, and I certainly would say that it would be done.

I think foundations of the family type are likely to follow the experience and point of view of the founder. I think that is true of my foundation.

As I have already stated, I spent my entire life in technical industry. Therefore, it is only natural that I should be familiar with those problems; and it is logical, I believe, that the productivity of my foundation should be used, as it has been used, to develop greater knowledge of the American system of competitive enterprise, to promote projects that involved research, in order to develop a more fundamental understanding of how the American system works.

I might offer a couple of illustrations, Mr. Keele, along those lines, just to show the trend of my thinking. I noticed other witnesses here have spoken about other areas, and I think I might say, and I guess I have already said, my objective, as I have laid down the policy of a foundation, is to confine it largely to the business area.

In my experience with technical industry, naturally, I found a great need for the development of executive talent of a high level of competence. In foundations and in business, the success or failure depends upon the people who run it; and, therefore, you must have competence if you are going to do a high-level job.

I also in my 35 years of industrial experience have come to the conclusion that the best training for executive talent in large enterprise, especially and more particularly as applied to technical enterprise but in general applied to all enterprise, is the training that comes from a scientific education.

A scientific and technical education in many ways, leads, I believe, to the expansion of the ability to analyze, to make decisions, and to meet the conditions that an executive has to meet in these large-scale industrial enterprises that now have such an important part in our economy.

I have already stated that I am a graduate of Massachusetts Institute of Technology, and some years ago I went to them and proposed that we establish a school of industrial management. We all know the standards of MIT, so far as its scientific achievements are concerned, its research work, and all that sort of thing, but they have not developed or given their students an opportunity for a very comprehensive education along the lines of your imposing or superimposing upon their scientific education a broader and better understanding of the fundamentals of industrial management. So, we established a school of industrial management.

We gave \$2,500,000 for facilities for the school's operation; we gave \$275,000 for 10 years to support the school in its initial stages of development so that it would not be a burden on the other resources of the institution.

Then we supplemented that with \$1 million for research into the problems of industrial management. We often think of research—usually think of research—as connected with test tubes, or something of that kind; but research is just as significant in all the processes of industry, in distribution, in labor relations, as it is in the more technical or physical side of the business.

There is nothing that stimulates the imagination of young people, and there is nothing that improves their understanding of the processes of industry and management, more than to give them, in collaboration

with their faculty, an opportunity to investigate new and untried opportunities for progress.

I think, perhaps, in the organization of the General Motors Corp. we made a very important degree of progress through an organization plan to correlate current practices of business research.

We bring them together to a common table to discuss the problems, and we do not keep research segregated from operation. In that way, I think, we made very important progress in accelerating our operation technique. I would say the same thing we hope to accomplish in the school of industrial management.

One more illustration I might make that I think will cover the general scope of the foundation's activities, and that is this: Some 5 years ago we made a substantial grant to the Brookings Institution here in Washington. The purpose was to make a very comprehensive investigation of the impact of large-scale enterprise on American society and the American economy.

There has been a good deal said about how big business has affected the opportunities of small business, and how it has affected the American system, but little is known or little has been established on a high scientific level.

This research has been going on for 5 years and results will be announced this coming spring. It is probably the most comprehensive investigation that has ever been made in that particular area. I hope it will contribute importantly to a better understanding of the functioning of large-scale business in our economy.

Now, those two are simple illustrations of my general thinking, so far as my foundation is concerned, of promoting a better understanding through research and development of the processes of the American system of competitive enterprise.

Mr. KEELE. Mr. Sloan, I have been looking at this chart of the distribution of your funds from 1937 to 1950—looking at the 1949-50 report—and I note that, of the almost \$18 million that was distributed in that time, 29.22, or something more than 29 percent, was devoted to industrial management.

Mr. SLOAN. That is right.

Mr. KEELE. Almost 31 percent went into medical research.

Mr. SLOAN. That is the Sloan-Kettering Institute.

Mr. KEELE. That, I assume, is the Sloan-Kettering Institute?

Aside from that, nearly all of the distributed funds from your foundation went into work that was allied with our economic system.

Mr. SLOAN. That is right; that is correct.

Mr. KEELE. I see that, as I say, more than 29 percent went into industrial management; almost 4 percent went into the experimental administration or administrative work.

Mr. SLOAN. That is right.

Mr. KEELE. More than 6 percent went into leadership training, and I assume that is along the same line you have been talking about?

Mr. SLOAN. That is right.

Mr. KEELE. And that some 7 percent, or almost 7 percent, went into economic research.

Mr. SLOAN. That is right.

You might observe there, Mr. Keele, that we have done nothing in the area of the social sciences or what is known as the humanities. I

think that is because of my background in industry. Naturally, I feel that I could do a better job in those things in which I have some understanding myself, because I have never been in the humanities and social sciences; but I wanted to say, as previous witnesses have said before you, I think those areas are very important, and I think one of the advantages of having foundations, such as we have, considerable in number and operated from a different point of view, is that in the aggregate those foundations are bound to cover all the areas needed.

I may be influenced on the business side; some other foundation may be interested in the humanities or the social sciences or something of that kind. But, in the aggregate, when you take it all together, they make a very broad contribution to economic and social progress, because it is a sort of melting pot of a great many different minds.

Mr. KEELE. One of the purposes—and I suppose central to the purposes of this investigation—is the question of whether or not foundation funds have been devoted or were being devoted to causes or purposes or projects which tended to undermine or weaken the capitalistic system. I wonder if you would give us your views, Mr. Sloan, as to whether on balance you feel that the foundations of this country have tended to strengthen or to weaken the capitalistic system.

Mr. SLOAN. I have no reservation at all, Mr. Keele, in saying that they serve to strengthen it. There is no question in my mind at all but what that is a fact.

In dealing with so many different enterprises conducted by so many different people, it might be that there is something of the other kind present; I would not know. I could not say that there had been, and I could not offer any evidence to that effect.

But, by and large, I think it must be so that the purposes of the founders of these various foundations have been to perpetuate and strengthen the system.

Take my purpose, for example. I have taken out of this system certain property because I have been fortunate, Mr. Keele, in being connected with successful enterprises. I put back into the foundation what I have taken out, to strengthen and develop the system. That point of view must prevail in the minds of all individuals who have accumulated property and who create these foundations.

They have enjoyed a great benefit in this system. What they have in the world has come out of the system. It is impossible to assume that knowingly they would do anything to destroy the very system by which they have profited.

I think that is a sound philosophy that would run through all the type of foundations that were created, like mine, through individuals. In my own case, the type of grants we are making is to institutions of unquestioned standing from the point of view you have been asking. Nobody would question the Massachusetts Institute of Technology on that count, and we, in the future, and to almost an entire extent in the past, would confine our grants and our relationships to institutions of unquestionable standing in which the question which you raise would not arise.

However, this is to be said: When we make a grant to an institution, a large institution, and an important grant to do a constructive and, perhaps, quite large piece of work, in turn, they have to provide people to carry out that grant. Now, we do not carry through into

that area. It would be impossible. We only have five people in our entire organization, but we look at the project, we look at the institution, and we judge the point that you make from that standpoint. That is about the only way we can judge it.

I may say, too, along the lines that your question implies, that in practically all the grants that we make we carry through. In the case of the Sloan-Kettering Institute for Cancer Research, I am chairman of the board of trustees, and I give a great deal of my personal time to it from the administration point of view.

To the MIT school I also give considerable time; and, outside of that, our grants are made, like the Brookings grants, to accomplish a certain objective. We make a grant; we get a report, and I again say that the carrying out of those projects, on the part of the institution to which the grant is made, we look upon as the responsibility of the institution.

Now, if we heard anything or learned anything, we would take action; but, generally speaking, that has not happened, Mr. Keele, in our experience.

Mr. KEELE. Mr. Sloan, in going over the grants that your foundation has made, I have noticed that during a certain period of time each year there were grants to universities—the University of Kentucky, the University of Florida, the University of Vermont—for apparently home-economics studies.

Mr. SLOAN. That is right.

Mr. KEELE. Would you tell us a little about that.

Mr. SLOAN. Yes, sir.

Mr. KEELE. I do not believe that I have seen any grants other than yours in that line.

Mr. SLOAN. Well, the purpose of that, Mr. Keele, was through the cooperation of a university, and the University of Florida was one, to educate people of the lowest economic area into how to do better by themselves, by raising vegetables and doing things on their own property. Humble as it might be in a broad sense, that was the purpose of those grants, Mr. Keele.

Mr. KEELE. You have said that you were a grant-making foundation rather than an operating foundation.

Mr. SLOAN. That is right; we do not operate anything, Mr. Keele.

Mr. KEELE. In looking over the grants from the institution up to the present time, it is quite apparent that most of your grants, particularly in the early period, were given to universities or colleges of one kind or another—

Mr. SLOAN. Entirely.

Mr. KEELE. And to the medical research end.

Mr. SLOAN. That is right.

Mr. KEELE. And you have pretty much limited yourself to those fields, and now to the industrial research phase in the sense of management, and so forth.

Mr. SLOAN. Right. That is true, Mr. Keele.

Mr. KEELE. It has been suggested by those who have followed foundations or are interested in them or have given their lives to them in some cases, that in 1915—and the record bears this out—when the Walsh investigation was on, the fear that was expressed everywhere was that the foundations would be the tool of reaction, shall

we say, that they would crush the labor unions, that they would attempt to impose a rigid form of economy on this country, which would maintain the status quo.

Now, 37 years later, the expressed fear, the most articulately expressed fear, has been that the foundations have swung from that position far to the left, and now they are endangering our existing capitalistic structure.

I wonder if you have any ideas as to the reasons for that change or what has brought about that situation.

Mr. SLOAN. I do not think I have, Mr. Keele. I think what you said is correct. I do not know as I had ever given it much thought or investigated reasons for the change in those trends.

Mr. KEELE. Could it be due to the fact that it is due to the lack of knowledge, generally, as to what the activities of the foundations are?

Mr. SLOAN. I think that that is very true. I think that the activities of your committee here are going to put before the American public an understanding of the foundations that the public has never had before. In looking over the transcript, which I have done, in general, and which I am going to study further, it has given me an understanding of the operations of foundations that I could not get anywhere else, and I think it is going to make a very valuable contribution to the whole technique of foundation operations, Mr. Keele.

Mr. KEELE. Well, it has been suggested here by a number of people, and it seems to me Mr. Straight, the other day, emphasized it, that there was a need for the dissemination of information. Nobody has told us how it can be done other than by public accounting that we have talked about, public reporting. Have you any ideas on that?

Mr. SLOAN. No, I haven't; I wish I had, because I think it is very important that it should be.

I rather think that the activity of your committee will, as I said before, in dealing with cancer research, I think it will open the thing up, and I would expect to have a great deal more information developed as to foundations in the future because of the stimulation that you have given to the problem.

Another thing, of course, we all know in every sense of the word foundations in recent years have become a very important part of our economic activity. I think that is going to stimulate interest. But, as I said before, in the case of my own foundation, I would welcome any suggestions that might be made as to how we could explain what we are doing on a broader scale than we are doing.

These annual reports that we make, as I said before, are very comprehensive. We go to the expense of distributing from five to ten thousand of them pretty generally through the country in the hope not so much of explaining what we are doing, but also to explain the whole philosophy of foundations, what they are doing, what they are accomplishing, how they are accomplishing it, and why they are accomplishing it.

I think a broader dissemination of annual reports on the part of the larger foundations would do a good deal to cover the point that you just mentioned, Mr. Keele.

Mr. KEELE. One other question I have, and then the committee members will probably have some questions. Do you feel that the

function or functions that are now discharged by foundations would be satisfactorily and effectively performed by Government?

Mr. SLOAN. Well, now, Mr. Keele, you have asked me a very touchy question, because my personal feeling is that Government can never perform a business or activity of this kind as well as an individual. I do not think it can from the very nature of the thing.

It must necessarily protect itself; it must lay down conditions, and it must do many things in that order that private funds do not have to do. Private funds can exercise more initiative. They can be more aggressive. They are not restricted in any way.

I feel that what I have just said also applies to private enterprise versus Government enterprise. I do not think that there is anything to equal the ability to act freely, to exercise one's imagination, one's talent, and without restriction, and that is what a foundation should do, and that is my point of view as to the purpose of a foundation, especially to exercise that imagination and initiative in areas that are not covered by other available funds.

Mr. KEELE. That is all I have.

Are there some questions?

Mr. SIMPSON. Mr. Goodwin?

Mr. GOODWIN. Mr. Sloan, you have expressed the fear that foundations in the future may be handicapped in their efforts because of the fact that the day of accumulation of large fortunes may be over.

My question is whether or not it is your belief that so far as the foreseeable future is concerned, we are committed to such high cost of Government and such high taxes that in some brackets, at least, taxation will be almost confiscatory.

Mr. SLOAN. I did not get the last part of it, Mr. Keele.

Mr. KEELE. The last part of it was that it was possible that with the high-tax structure and the high cost of operating the Government, and so forth, that taxes may become almost confiscatory, and, then, I assume what is going to be the answer then to this?

Mr. SLOAN. I think they are now from the standpoint of creating large amounts of capital for the future, which is the source from which foundations get their money. I think with the high cost of living, and with the impact of high taxes, there will be less accumulation, and I do not see—looking into the future as long as we have to carry such a heavy load for national defense—any chances of a very large reduction in our taxes. I regret to say that, but I do not see it. I think we can have some, but not get back to where we were, certainly, 20 years ago.

Now, I think the young man of today who has got to make his way, even if he is successful, and he has a high salary and, perhaps, supplementary compensation of one form or another, after he pays the taxes and pays for a standard of living that he must assume, there is not going to be more than enough left to take care of his family if the time comes when he no longer can be productive.

I am quite certain of that, and for that reason I think it is quite logical to believe that the creation of foundations in the long-term future is bound to be limited. I do not think that there is any question about that, and that is the reason why I urged recognizing the tremendous needs of the type of economic and social support that comes from foundations, why we should encourage the participation in such matters of a business enterprise.

I suppose you are familiar with the fact that the universities and colleges of higher learning in this country are very greatly in need of capital. Even my own alma mater, Massachusetts Institute of Technology, which is, perhaps, a favored institution on account of its accomplishments and on account of its close affiliation with technical enterprise, needs money.

You take the needs for expansion and development; you look over the records of our corporations, in the last 10 or 15 years, and you will find an enormous amount of capital that has had to be put back into the business or the enterprise for expansion and development. Our technological institutions and our universities are exactly in the same way. They need money to pay more salaries, and I merely made the point that, looking at the long-term future, we cannot, in my judgment, expect an expansion of foundation funds commensurate with the past, and we cannot expect an expansion of foundation funds to equal the demand for the type of thing that foundations only can provide.

Now, we have either got to look to business or we have got to look to the Government. There are no other sources.

I often refer to myself as sort of a generation that might be likened to "the last of the Mohicans," if you know what I mean, in connection with that type of thing. I do not think it will continue. I think it is impossible with the way our civilization is progressing. Does that answer your question?

Mr. GOODWIN. I think that is quite responsive. I had hoped, however, that you would lend a little encouragement, Mr. Sloan, to the belief that I like to cherish, that is, that some way, somehow, sooner or later, we are going to see this country of ours in a situation where old-fashioned thrift and savings will again be popular.

Mr. SLOAN. I think that is true, but not repeating what I said about the effect of taxes and all that sort of thing on the individual, I think what the individual can save or what the individual can give to philanthropic purposes is largely going to be consumed by his responsibility to the community needs, like the hospital, and things like that.

The demand for hospitalization and things like that, are expanding beyond what anybody can understand, and that is a demand which should not be met, according to my judgment, by foundations. It should be met by the individuals in the community.

I do not mean to convey that individuals in the future cannot save money, even in the face of high taxes. I think thrift and all that sort of thing you mentioned is going to make that possible.

I was referring more to the accumulation of capital that is reflected in the larger foundations, the ones that have been referred to as having funds of \$10,000,000 and over. It is only those large institutions that have the conception, that have the capital, that have the background, to know how to divert their funds into this great need of increasing our basic knowledge, and I again repeat, upon which all economic and social progress depends.

Mr. GOODWIN. That is all, Mr. Chairman.

Mr. SLOAN. Does that answer your question fully?

Mr. GOODWIN. Thank you, Mr. Sloan.

Mr. SIMPSON. Mr. Sloan, at the risk of repetition, you believe that there should be more foundations?



Mr. SLOAN. I certainly do, and I make the point in supplement to that, as I have just stated, that I think the formation of foundations in the future is going to fall off for the reasons I have outlined.

Mr. SIMPSON. Do you recognize that Congress has made the continued growth of foundations from the present sources impossible in the future?

Mr. SLOAN. I did not get that question.

Mr. KEELE. Do you recognize that Congress has made the growth of foundations in the future impossible; is that what you said, Mr. Chairman?

Mr. SIMPSON. Substantially impossible.

Mr. KEELE. Substantially impossible—you mean from the tax structure?

Mr. SLOAN. I think that is true. You see, let us look at it this way: Today the area of income—let me start all over again. Today, with the impact of the taxes on high incomes, it takes away practically all the possibilities of creating large fortunes and supporting foundations. In other words, the very source of foundation funds is in the higher income brackets, which are taxed now 88 or 90 percent.

Now, I give every year 20 percent of my income to the foundation, outside of what I give them from the capital point of view. But I again say that I do not see much opportunity, broad opportunity, for these large accumulations of capital. I think it is impossible, Mr. Simpson. Don't you, yourself?

Mr. SIMPSON. I certainly do. I would like to make that point.

As an alternative to the source of funds from private sources, there are two: One is the corporation as the giver and creator, or the other would be the Government; is that your point?

Mr. SLOAN. That is my point exactly, Mr. Simpson.

Mr. SIMPSON. And you make the further point that the Government would have to restrict its grants in such a way that it would be undesirable in that the donee would not be free to use the money without restraint?

Mr. SLOAN. That is right, Mr. Simpson.

Mr. SIMPSON. Now, this question: Do you believe that corporations' stockholders—do you believe that stockholders of corporations—can be educated in the near future to view the gift of what otherwise would be dividends to themselves for the creation of foundations?

Mr. SLOAN. I did not get the last of that.

Mr. KEELE. Do you think that stockholders can be educated in the future to the extent—

Mr. SLOAN. Oh, yes. On that point I would have no hesitation in saying that the stockholders of any large corporation would be willing to approve a foundation set-up that contemplated the type of thing I am advocating. I am sure they would.

Mr. SIMPSON. The matter would have to be referred to the stockholders in the final analysis, would it not?

Mr. SLOAN. Well, it might better be done that way. I would not want to go so far as to say that was necessary legally. Corporations now take the authority of making a grant that I have referred to. But if you embark on a broad concept, in the form of a foundation, for the purpose that I am talking about, I think my judgment is that it should be approved by the stockholders.

Mr. SIMPSON. Well, in the long run they would certainly have to do that—

Mr. SLOAN. That is right.

Mr. SIMPSON. Otherwise the directors would not remain.

Mr. SLOAN. That is my point.

I know one or two large corporations who have set up foundations who have not gone to the stockholders. Now, they had legal advice, probably, that it was not necessary; but I should prefer to do it that way, and make a complete statement of the purposes, and what we should try to accomplish, and all that.

I am an advocate of complete disclosure of what business is doing, especially big business. I think that that is a great protection to business itself, and to the people who are operating the business.

Mr. SIMPSON. I said earlier that Congress has, in effect, killed the individual as the creator of these foundations in the future, after the present people with accumulations have passed on.

Mr. SLOAN. That is correct.

Mr. SIMPSON. That is correct, is it not?

Mr. SLOAN. That is right.

There is one form of Government support to educational institutions which I think if we must have Government support is, perhaps, constructive, and that is that the Government, as you know, is making important contracts with educational institutions for research.

For instance, practically all of the institutions of higher learning, especially in the technical area, have large contracts for research, connected with defense and other things; and that is, to an important extent, supplementing what the foundations are doing; and, although it might be a difference of a rather narrow area, at the same time those projects are broad enough in their conception to contribute to an important extent to our basic knowledge through scientific research.

Mr. SIMPSON. Yet, at the same time, it does not take the place of the foundation.

Mr. SLOAN. That is right.

Mr. SIMPSON. You said that earlier—

Mr. SLOAN. That is right.

Mr. SIMPSON (continuing). And you mean that.

Well, I said earlier that Congress has killed this primary source of the moneys for the present foundations. I do not know but what they will do the same thing with respect to corporations. I think that a great deal of education will have to be done on the public and on the Members of Congress to emphasize that there is an area in research where Government should not go, and yet where, for the welfare of the Nation, we must go.

Mr. SLOAN. Precisely.

Mr. SIMPSON. From which it follows that there must be a group of individuals, outside of Government, who can exercise a happy discretion, and that that group should be encouraged, and that Congress should change the laws in whatever way is necessary to assure that there is money in the hands of these independent nongovernmental groups.

Congress, having eliminated the private individual as a source of funds for foundations, can make changes in its laws, for it is the tax laws which have killed this area, and can let moneys pass into the

hands of foundations and not through the hands of Government, by changing the tax laws.

It is the only solution that I can see to it, for I disagree with you in believing that the average corporation can be depended upon for creation of foundations out of earnings. I do not believe the average corporation could, in the long run, and through a period of trials, be depended upon for annual large donations to what they would term "charity." I do not think the stockholders should stand for it in the average corporation.

Mr. SLOAN. Well, I would go a long way toward your thinking. It is all a matter of education and development.

I think, if the larger corporations will take the initiative and show the leadership, we could develop important support from corporate sources for foundation work.

After all, it might well be said that what I am talking about, seeking funds for basic knowledge, is really nothing more or less than a grant made by a corporation to further its own interests. It is sort of—

Mr. SIMPSON. Yes; that is right.

Mr. SLOAN. For instance, large corporations have the privilege of doing that within themselves if they want, as an expense to the business. But they feel that they are not competent to do it; and industrial corporations, as I have said before, are not as competent as universities to deal with this seeking of the development of basic knowledge.

Now, they elect to give it to a university, and you might consider it as a department of their own business, in a way; they do it themselves.

In General Motors we are developing now one of the greatest technical centers that the world has ever had, and it is comprehensive from every point of view. But, notwithstanding those enormous facilities and all the talent we have, we will not perhaps get into the development of basic knowledge. That is a different thing.

We will go into applied knowledge; we will go into advanced engineering and all those things, but the seeking of basic knowledge means getting scientists together in an atmosphere where they are not hurried, where they do not have to bother with a budget, where time is not a factor, and where they can work on any problem that occurs to them.

We cannot do that in industry. In industry we work to a specific objective that is related to the business.

Now, I in my own mind, in the operations of General Motors, have often wondered and asked myself whether we should get into basic investigations more than we do. I do not know as I satisfactorily answered that question myself. Some industrials like chemistry do get into basic research because they are dealing with materials which are more fundamental. Mechanical industries like ours are a sort of value-added industry. We take materials and add labor, and make it into some useful form.

Mr. SIMPSON. Where the stockholder sees his money going into the non-basic-research work, he sees the hope of a profit—

Mr. SLOAN. Yes; that is right.

Mr. SIMPSON. If he sees it going into the basic-research work, it is a little visionary, and he may never see it.

Mr. SLOAN. That is right.

Mr. SIMPSON. One other question on this line: What, in your opinion, is the advantage of the present tax laws so far as the creation of foundations is concerned? The concessions which we have made are important; are they not?

Mr. SLOAN. I will have to have you repeat that, Mr. Keele.

Mr. KEELE. Are the concessions that the tax laws now make important to the creation of foundations?

Mr. SLOAN. I think they encourage foundations just as much as is reasonable and desirable. I have no fault to find with the existing tax laws as applied to foundations.

You may recall that a year or so ago there were some changes made in the tax law which required foundations to spend their earned income within a year. I think that is an excellent provision. I do not think foundations are organized for the purposes of accumulating income and building up more capital. That is not their purpose.

I think, if anything, the executive direction should be the other way. If, in the case of my foundation, a project came to me which I felt was constructive, and along the area in which I am interested, I would be willing to draw heavily on my capital. I do not believe in endowments.

I think, in the present circumstances under which we are operating, that endowments are finished. Take my illustration, for instance, of the Sloan-Kettering Institute. I tried to explain to you what we had accomplished as an evidence of the advantages of venture capital. If I had taken the original \$5 million that I put in there, and I had made it in the form of an endowment, and a board of trustees would invest it at 4 percent, why, I could not have accomplished anything. I would not have a fine institution; I would not have all these scientists operating. It would have been impossible.

All I would have would be \$200,000 a year, which would in no sense be significant enough to accomplish the result; and, therefore, I am in favor of spending while we can, provided we have a proper project that justifies whatever the cost may be.

Mr. SIMPSON. The money which the foundation retains today as a result of the tax laws is money which otherwise would be paid to the Government in taxes.

Mr. SLOAN. That is true.

Mr. SIMPSON. If the Government had that money and paid it out for research work, they would have these hampering strings on them. I do not know how to get around the point, how to get more money to the foundations without having it pass through Government, unless Congress sees fit to allow deductions against the tax bill, of money given to foundations.

Mr. SLOAN. That is right. I do not see—

Mr. SIMPSON. The advantages there would be that the money, without passing through Government, would go into creditable foundations and would be expended by directors with no more Government supervision than we have today.

Mr. SLOAN. You mean by direct appropriation to foundations?

Mr. SIMPSON. I would not pass it through Government. I would let the individual who wants to give his money to a foundation take that as a credit against his tax for that year or subsequent years.

Mr. SLOAN. Well, no matter how you arrange it, no matter what the plan may be, I again say that I see no possibility of a substantial

increment in the long-term future in the funds of foundations as long as the tax laws are the way they are now, and I think they will continue even if they are modified, because the sources of foundation capital lie in the excess income of the higher-income brackets, and those are being taken by the Government as such a large percentage—for instance, I pay 88 percent. Now, if I paid much less I would have more money to invest in the foundation. I could create capital, but I cannot do that.

Mr. SIMPSON. But, Mr. Sloan, if there is an area which Government recognizes should be filled—and that is done now by the foundations—if that cannot be done by the money going through Government first, it seems to me if Government is smart it would allow that money or a part of it to remain in the hands of the taxpayer, with the instructions under the law that he put that money into a foundation for use there.

Mr. SLOAN. I see your point.

Mr. SIMPSON. Otherwise, I fear personally that our whole foundation system, which everyone who has testified has said is vital, may break down. Individuals, as creators, are eliminated, and I personally do not think the corporations will take his place. The only alternative would be Government directly. I would prefer to have Government, through the tax laws, let the individual taxpayer give his money, within limits, to a foundation, and thus not have to pay it as taxes.

That is all I have, Mr. Keele.

Mr. KEELE. I just wanted to ask one question that I think stems from what has been said here. Everyone who has appeared here today has praised, I think, or commended the work of foundations. That is not by design on our part. We have not found as yet anyone who was prepared to condemn foundations; that is, to the dishonor of the group or groups known as institutions. There have been some criticisms of their grants.

I was just going to ask if you know of anyone or have you met anyone in your experience who is opposed to the foundation idea?

Mr. SLOAN. No; I have not, Mr. Keele. I do not see how anybody could be opposed to it from principle, from its objectives, its potentiality for progress, and all that sort of thing. I think the criticism would come on contrasting the operations of one foundation as against another; and I often say, in talking to the General Motors organization, that about everything that we have—everybody else has the same thing.

The difference between success and failure is the people and how they work together. I think it is exactly the same way in foundations. I think it is the people in each foundation and how they carry out the responsibilities of the foundation.

I imagine, if we had before us a very detailed analysis of all the foundations, we would find all kinds of differences. Some would be mediocre; some would be successful, but that is the way things work in this country, and I think that is the way they should work.

Mr. KEELE. One other thing: We have observed a tendency, and in some cases we have had the statement made, that the foundations were very reluctant to collaborate—that is, shall we say, to cooperate one with the other—and we have been told that stemmed in part from fears that were engendered from the investigation in 1915.

Now, what is your thinking about whether or not foundations should work together in the sense of pooling their knowledge, possibly joining in the same venture where it requires assistance from more than one or greater funds than one has available? What is your thinking about that, Mr. Sloan?

Mr. SLOAN. I think it would be a desirable thing, Mr. Keele. I think the feeling that you speak of, perhaps, emanates from the fact that most of these foundations have, as boards of trustees, businessmen; and businessmen kind of hate to collaborate too much in connection with these enterprises.

I think, perhaps, they have the fear of the Sherman antitrust law, which has nothing to do with this case whatsoever, but I think that kind of influences their actions. I think a collaboration of the foundations on a cooperative basis would be a very excellent thing. We learn from one another; there is no competition. It is all funds that are used for the public purpose, public interest, and a common thing, and I see no reason why it would not be a desirable idea; and I think particularly it would help the smaller foundations if they could be induced to join, because I am inclined to think the inefficiency in the foundation scheme of things is in the very small foundation. I do not know that, but I assume it.

Mr. KEELE. Well, they cannot afford the staffs—can they?—that the large foundations have. They cannot, therefore, do the field work that is necessary to intelligent or the most intelligent giving. So, they have got to do it more or less as a hit-or-miss thing or as their hearts dictate on local matters.

Mr. SLOAN. That is right.

Mr. KEELE. We have been concerned about whether or not there was some way—not through Government intervention, I should say, but through some voluntary way—by which they might channel their funds into more effective fields.

Mr. SLOAN. You mean, for instance, like a business association?

Mr. KEELE. That is right.

Mr. SLOAN. I will support that. Offhand, I see nothing negative in that at all, and I see a great deal of good that might come out of it. I would like to know what the other foundations have.

My foundation is not a large one, and we have only been in broader operation for 6 years, but we have never had any contact with any other foundation at all. I do not even know the people who run the other foundations, except incidentally. There is no relationship at all. I do not think that is exactly right when we are considering that this is all for the interest of the public. Nobody probably had the idea.

Mr. SIMPSON. I would not be surprised if a foundation to study other foundations would be worthwhile.

Mr. SLOAN. That is right, Mr. Simpson.

Mr. KEELE. I think the Russell Sage Foundation has made some studies, as you know, of foundations; but there seems to be a great reluctance on their part to join hands to any appreciable extent.

Mr. SLOAN. You did not have any difficulty in getting all the information—did you, Mr. Keele?—from the foundation that you needed in connection with this inquiry.

Mr. KEELE. None at all. On the contrary, they have been completely cooperative. I have not made a single request that they have

not fulfilled completely and cheerfully. It is one of the things that has been of considerable interest and gratification, I think, to the committee. We have met no objection; we have met no evidence of resentment; and we have had cooperation far and away beyond any that the committee or the staff had even hoped for.

Mr. SLOAN. I would say myself that certainly is my approach to the problem, and I just want to say to the committee and to yourself, Mr. Keele, that again I think the work of the committee will perform a very necessary function. I feel that the whole concept of foundations will be better understood, will be better supported, and it will have a better place by a development of such facts as you have evolved from the witnesses who have been before you. I think I might say, if you do not mind my making a suggestion, Mr. Keele—

Mr. KEELE. You are welcome to do that.

Mr. SLOAN. In my examination of the record, which is not in any great detail, I have been impressed with the fact that most of the witnesses, up to myself—put it that way—have been what you might call professional educators or professional foundation people, and I am just the other way, I have never had any experience in that, and I would like to see a little more information from people like myself who are businessmen in foundations rather than professional people operating foundations. Do you get my point?

Mr. KEELE. Well, we tried to rectify that somewhat by having examined at considerable length, let us say, the Ford people who have just gone into it.

Mr. SLOAN. Yes, that is fine.

Mr. KEELE. And Paul Hoffman, of course, who has had no experience—

Mr. SLOAN. That is right.

Mr. KEELE. Prior to his going with the Ford Foundation, in philanthropy or at least I know of none, and I believe he made that point.

Mr. SIMPSON. Mr. Keele, we are pleased to have Mr. Sloan with us during his lifetime, a man with vision enough to, during his lifetime, create this foundation.

Mr. SLOAN. I guess that is right.

Mr. SIMPSON. So we are happy to have you with us today, and on behalf of the committee I want to thank you for your valuable contribution.

Mr. SLOAN. There is one little detail that I might mention about foundations which I just had in my notes here, thinking the problem over, and that is this: This probably refers to the past more than it does to the future, as we have already discussed. You take an individual who has been fortunate in life in an economic sense, and created a fortune, a foundation offers a very efficient way of passing his property on for the public use.

If an individual with a large fortune to dispose of is limited to what he can do by will, he puts great rigidity in the distribution of his property, and in a rapidly changing world, what is good today might be quite out of order or even inefficient tomorrow. Through the instrumentality of the foundation he can create an organization which can adjust itself to change, and the efficiency of passing large fortunes of the past into the use of the public, I think, is greatly increased by the concept of the foundation.

I do not know whether you have ever thought of that, Mr. Keele, or not.

Mr. KEELE. It has been pointed out by nearly all of the larger foundations, in answer to their questionnaire, as to whether or not there should be any limitations upon the size or the length of perpetuity, or the direction and extent of the charter provisions, nearly all of them—

Mr. SLOAN. You mean how long the foundation will last?

Mr. KEELE. That is right. We have asked whether in their opinion there ought to be a limit in time. The universal answer, almost, has been that they should be allowed the widest discretionary powers, that is, the welfare of mankind or for the general betterment of mankind rather than for a limited purpose; two, that there ought not to be any limitation of time as to the length of their life, such as Mr. Rosenwald's imposed, as you recall; then, third, that size they do not think as yet offered a threat.

Now, of course, we probably have reached, I should say, on the basis of what you said and what we know generally, the maximum size in probably the Ford Foundation, of any private endowment.

I was going to ask you this, Mr. Sloan: You have had some experience, I am sure, with foreign businessmen; by that I should mean to say businessmen of other countries. Have you ever discussed with them why it is that modern Western Europe has had no foundations such as we have had?

Mr. SLOAN. I do not happen to know that, Mr. Keele. But, of course, my experience in foreign countries has been limited—well, it has been on a broad basis; it has been limited to the operations of General Motors.

I will tell you, Mr. Keele, when you are a chief executive officer of General Motors, you cannot do anything else; it is a world unto itself; but I do know, Mr. Keele, and you probably do, too, that in England we have foundations.

Mr. KEELE. Yes; there is the Nuffield one.

Mr. SLOAN. I do not know what they are, but I happen to know two or three of quite large size, and why we have not got them in Western Europe I do not know.

Mr. KEELE. There is the one by Lord Nuffield, of course.

Mr. SLOAN. I would say this: That my belief in the need of foundations and business support for basic knowledge probably would not apply so much in Western Europe because they operate differently. The universities are more likely to develop this thing without large financial support that our institutions of higher learning need here. We know that.

As I remarked before, there is no doubt that before the war the greater part of our basic knowledge was imported. We have got to change that, and that is why I am so emphasizing that point.

Mr. KEELE. Of course, that basic knowledge came out of the universities of Western Europe.

Mr. SLOAN. That is right; it is not only for the sake of a better balanced economy and to develop the talent inherent in young men and young women of our country, but it is a question of self-defense or security.

Mr. SIMPSON. Mr. Sloan, we thank you kindly for appearing before us this morning and making your valuable contribution.



The committee will be in recess until 2 o'clock this afternoon.

Mr. SLOAN. Thank you. I appreciate the opportunity of appearing before you, Mr. Chairman.

(Whereupon, at 12:35 p. m., a recess was taken until 2 p. m. this day.)

AFTERNOON SESSION

Mr. SIMPSON. The committee will come to order.

Mr. KEELE, will you call your first witness?

Mr. KEELE. Mr. Rusk.

Mr. Rusk, will you state your name and address for the record, please?

**STATEMENT OF DEAN RUSK, PRESIDENT OF THE ROCKEFELLER FOUNDATION AND PRESIDENT OF THE GENERAL EDUCATION BOARD**

Mr. RUSK. My name is Dean Rusk. I live in Scarsdale, N. Y.

Mr. KEELE. What is your connection with the Rockefeller Foundation?

Mr. RUSK. I am president of the Rockefeller Foundation and also president of the General Education Board.

Mr. KEELE. How long have you been president of the Rockefeller Foundation?

Mr. RUSK. I was elected president by the board of trustees in December of last year to undertake that office on July 1 of this present year upon the retirement of my predecessor, Mr. Chester Barnard.

Mr. KEELE. Had you had any connection with the foundation prior to the time you were elected president?

Mr. RUSK. Yes, sir; I was a trustee of the foundation since December 1950.

Mr. KEELE. So that the total span of your connection with the foundation has been just 2 years?

Mr. RUSK. That is correct, sir.

Mr. KEELE. I wonder if, to begin with, you would trace out for us the interrelationship, if there is any, and if not, the identity of the foundation—I am using the word generically—which constitutes that group of organizations that have been endowed with Rockefeller family funds. I mean by that, will you just give us the blueprint, as it were, of the various Rockefeller philanthropies?

Mr. RUSK. Mr. Counsel, I can do that for those organizations which have been directly involved in one way or another with the Rockefeller Foundation and the General Education Board.

The Rockefeller Institute for Medical Research was the first large establishment set up by Mr. Rockefeller for research work in the medical sciences. That was established in 1901. It received a total endowment of approximately \$60 million market value at the time of gift, and continues to exist with its laboratories in New York for the purpose of engaging in research in the medical sciences.

That has never had any organic connection of any sort with either the Rockefeller Foundation or the General Education Board. Located in the buildings of the Rockefeller Institute for Medical Research is a laboratory operated by the Rockefeller Foundation for

special research in viruses. That was a development which came along in connection with our own work in yellow fever.

The General Education Board was established by Mr. Rockefeller in 1902. It still is in existence. It has received endowment and gifts from Mr. Rockefeller to the extent of some \$129 million market value at the time of original gift.

The Rockefeller Sanitary Commission was organized in 1909 to undertake work in the southern part of the United States in combating hookworm. That commission continued in operation until 1913 when it became the International Health Board of the Rockefeller Foundation.

The Rockefeller Foundation itself was incorporated in 1913 by the Legislature of the State of New York with a total of gifts since incorporation from Mr. Rockefeller of \$182,851,480.90 market value at time of gift. The Rockefeller Foundation is, of course, still in existence.

The Laura Spelman Rockefeller Memorial was organized by Mr. Rockefeller in memory of his wife in 1918. That memorial continued operations down to 1929, at which time it was merged with the Rockefeller Foundation. The memorial had received from Mr. Rockefeller a total number of gifts of \$73,985,313.77 market value at time of gift.

The International Education Board was established in 1923 by Mr. Rockefeller in order to engage overseas in certain types of work similar to that being done in the United States by the General Education Board. The General Education Board is restricted in its charter to activities within the United States.

The International Education Board was provided with \$20,050,947.50, and it went out of existence by the expenditure of its funds in 1938.

At the time of the merger of the Laura Spelman Rockefeller Memorial with the Rockefeller Foundation in 1929, a sum of \$10 million was given by the Laura Spelman Rockefeller Memorial to the Spelman Fund of New York which existed from 1928 to 1949, which is now no longer in existence.

In summary, therefore, Mr. Counsel, the two principal organizations now in existence which have come from Mr. Rockefeller's philanthropy are the Rockefeller Foundation with its principal offices in New York, and the General Education Board which, I might say, is coming to the end of its existence through the expenditure of most of its income and capital.

Mr. KEELE. What, today, are the assets of the Rockefeller Foundation in round figures?

Mr. RUSK. The capital value of the Rockefeller Foundation as of December 31, 1951, is approximately \$321 million.

We have made no appropriations out of capital during the present year, and I believe the market situation has remained approximately the same, so that is about our present situation.

Mr. KEELE. And what has been the average income of the Rockefeller Foundation over the past 5 or 6 years?

Mr. RUSK. The average income of the Rockefeller Foundation from 1946 to 1951 was \$11,363,589. Our income for this present year 1952 will be approximately \$16,700,000.

Mr. KEELE. Would you indicate to us the major fields of activity of the Rockefeller Foundation, if that can be done. It may be that they are so widespread that it is hard to do that, but let's pick out the major field of their activities.

Mr. RUSK. In terms of present operations, Mr. Keele, the Rockefeller Foundation has divided its work into four principal divisions.

We have first a division of medicine and public health, which is giving considerable attention to medical education, to research in specific diseases, and in this instance primarily the virus diseases, to questions of medical care and to such special opportunities as might be presented in the field of medicine and public health.

We have a division of natural sciences and agriculture which has in these last years been turning more and more of its attention and interest to the development of new techniques in agriculture and to the basic sciences which give support to the development of new techniques in agriculture. That division operates an agricultural program in Mexico with a staff of its own, just as our public-health division operates a virus laboratory in New York and certain virus research stations overseas.

The basic grants made by the division of natural sciences and agriculture are more and more going into such sciences as genetics, biochemistry, biophysics, and other sciences which have a direct bearing upon the possibility of increasing the agricultural production by mankind.

We have a division of social sciences which is concerned with attempting to develop a stronger framework of science underlying the great human relationships of modern society. Considerable emphasis has been placed there in economic studies, on international relations and in experimental work in human and group relations on a smaller basis.

The division of humanities is interested in the great evaluative processes of mankind, such questions as philosophy and morals, such questions as history and the arts, both creative and esthetic interpretation and appreciation, and in the problems of intellectual communication not only between groups in our own society but between radically different cultures.

All of these divisions pay a considerable amount of attention to a fellowship program, the purpose of which is to seek out men of talent who need a special opportunity to move ahead with their studies in order to advance their professional capacity.

Now these broad fields represent the present so-called program of the Rockefeller Foundation. It should be pointed out, however, that the foundation is always capable of undertaking a task which is not strictly within the program.

I suppose it would be fair to say, for example, that the support given to the California Institute of Technology to assist in the development of the 200-inch telescope on Mount Palomar was not strictly within the program structure of the foundation's work, but nevertheless it appeared to be an opportunity so exciting and so inviting that the foundation did contribute funds in that direction.

Mr. Counsel, I have not in this part of the reply attempted to indicate from the point of view of the long record of the Rockefeller Foundation what some of its major activities have been in the past. I assumed that that was not what you wanted.

Mr. KEELE. I directed the question primarily to its present range of activities. Now you speak of divisions. Will you tell us a little about that from an organizational point of view?

Mr. RUSK. Yes, sir. In the first place there are two broad types of activities in which the Rockefeller Foundation engages. We are in the first instance a fund-granting organization granting funds to other tax-exempt organizations and institutions, and granting fellowships to individual persons either directly or through some other organization.

In two instances we are what has been called in these hearings thus far an operating organization. We have our own virus laboratory in New York; we have a virus laboratory in Poona, India; we have virus work going on in Egypt and in certain other stations in Africa and Latin America. We have therefore our own staff and operations in the field of public health.

Similarly in the field of agriculture, although we make grants to institutions for the development of agricultural studies, we have our own teams of agricultural experts now at work in Mexico and Colombia where we are operating directly, so that when we speak of our divisional organizations it might be well to bear in mind that in two of those divisions we are both operating and grant making.

Each division is headed by a director who himself is considered to be a principal officer of the foundation. The directors have under them a staff running from perhaps 20 to 25 in the operating divisions to only three or four additional officers in the divisions of social sciences and humanities.

The four division directors plus the president and two vice presidents, the secretary, the treasurer, and the comptroller make up the principal officers of the foundation who meet regularly to consider the work and the program of the foundation.

Mr. KEELE. Now are appropriations to these various divisions made by the foundation itself according to specific grants, or is a lump sum allocated to each of these divisions to work within the framework of that for a certain period?

Mr. RUSK. All the grants made by the Rockefeller Foundation above \$10,000 in size are made by the board of trustees or by the executive committee of the board of trustees.

We have an authority for the officers to award fellowships and grants-in-aid, grants-in-aid being grants of up to \$10,000, on the basis of lump-sum appropriations in the annual budget to cover the items of fellowship and grants-in-aid.

In the case of items for more than \$10,000, therefore, the officers prepare proposals for the consideration of the executive committee or for the board or trustees. There, again, if the amount is more than \$500,000, the proposal must go to the full board.

The executive committee has authority to act on items up to the amount of \$500,000. The several division directors in consultation with the officers of their own division will develop a recommendation for the award of a grant-in-aid or a fellowship and prepare the necessary action papers for the approval of the president or vice president.

In addition to specific appropriations made to cover grants-in-aid and fellowships, the president of the foundation indicates to each division director at the beginning of the year the approximate amount of the anticipated income for the coming year which that division

should consider as the range within which it should prepare its proposals for the board of trustees.

Now that is an estimate and is a judgment made by the president for the general guidance of the division directors to help them in their planning, but both the board of trustees and the president emphasize to the directors that that does not bind them in any way in the event some special project of great value and interest comes along which would merit either an amendment in the estimate or even merit an appropriation from capital.

In addition to the grants-in-aid and fellowships which I mentioned, there is also a very small amount of money set aside each year by which the division director himself may make small allocations of less than \$500 for an occasional piece of laboratory equipment or for some purpose of that sort which he would make on his own authority.

All of these grants, whether directors' grants or grants-in-aid or fellowships which are not made by the board of trustees or the executive committee, are reported immediately to the next meeting of the executive committee in order that the board of trustees might be informed at all times of the action taken by the officers under the authority given them.

Mr. KEELE. Do you know how many grants, approximately, have been made by the Rockefeller Foundation during its existence?

Mr. RUSK. We had at the end of our questionnaire, Mr. Counsel, a little summary fact sheet prepared which the committee might find convenient to have.

On that summary fact sheet it shows that the total number of grants made by the Rockefeller Foundation as of December 31, 1951, was 28,753. That includes, of course, the fellowships and grants-in-aid.

Mr. KEELE. And at what approximate rate at the present time—and I am talking about the last 2, 3, or 4 years—are grants being made by the foundation now?

Mr. RUSK. We are making grants, again including grants-in-aid and fellowships, at the rate of about 967 a year.

Mr. KEELE. Right at a thousand a year?

Mr. RUSK. Yes, sir.

Mr. KEELE. And what percentage of those are passed upon by your full board, roughly?

Mr. RUSK. I would think about 25 percent, since many of them are small grants.

Mr. KEELE. How many members do you have on your board of directors?

Mr. RUSK. We have provision in the charter for 21, that is provision in the bylaws for 21 trustees. At the present time we have two vacancies which will be filled in our next April meeting of the full board.

Mr. KEELE. Now what are the qualifications which you seek in your trustees?

Mr. RUSK. The election of trustees is handled by the board itself operating primarily through a nominating committee. The nominating committee is expected to find men of broad experience, of great capacity, men who are well educated and familiar with the world of affairs, men who have time enough to give to the business of the organization itself and to carry out their responsibility as trustees, and men who have demonstrated in their public record

that they have a genuine concern for the well-being of mankind, which is the basic charter purpose of the organization.

Mr. KEELE. In the computation I made of your board, all but four of your trustees come from the Atlantic seaboard, and you could almost say New England, New York, and Philadelphia area, is that not true?

Mr. RUSK. That is correct, sir.

Mr. KEELE. With the exception of Swift, Sproul, and Douglas. Is Freeman now a member or is he retired?

Mr. RUSK. He is not. He is retired. Mr. Swift is no longer a member. He is retired.

Mr. KEELE. Why the great density in the New England-New York-Philadelphia district?

Mr. RUSK. I think primarily because, Mr. Counsel, the natural center of gravity of the Rockefeller Foundation is in the New York area. There is its place of business, there is where its main work is done.

We have two annual meetings of the full board. We have meetings seven times a year of the executive committee in addition to the full meetings of the board, and we have a number of meetings of the finance committee of the board of trustees through the year. Since I have undertaken my present responsibilities, I believe I have met with the finance committee, for example, three times.

Now it is important to us that we have full attendance at our meetings, and we have called upon men of affairs and men who are very busy, to give their time to us in helping us with the work of the foundation. Now that, I think, suggests why it happens to be that at the present time there is a considerable concentration out of the eastern area.

My guess is that the board would wish to continue in broad lines that type of concentration, but on the other hand I feel that the board does consider that some geographical distribution is desirable, and it is entirely possible that at the new elections in April that the board may reflect that desire. We have not considered geographical representation as in itself either a qualification or disqualification for a particular board member, but there is some advantage in having some spread throughout the country.

Mr. KEELE. Do you know what the experience has been with reference to those directors like Sproul of California, Douglas of Arizona, Swift of Chicago, with reference to the attendance at meetings?

Mr. RUSK. Mr. Sproul has been a regular member from the time he first joined the board and has been very regular indeed in his attendance.

Mr. Douglas was away as Ambassador in London for a period and was off the board, and only recently in the last several months has he been able to take up regular attendance again, but he is now coming back into full attendance at our board meetings.

We have had most extraordinary success in getting the attention, interest, and attendance of our board members throughout our history. In our recent meeting at Williamsburg, for example, we had only four absences, and in each case the absence was due to a pressing and overriding consideration which clearly took precedence over the demands of the board.

Mr. KEELE. Would you say, then, that geographical considerations do not prevent attendance?

Mr. RUSK. Geographical considerations apparently do not on the basis of our own experience prevent attendance at a reasonable number of meetings through the year.

I think it would become very burdensome on a board member if he lived, say, in California and were made a member of the executive committee or finance committee with several meetings throughout the year.

Mr. KEELE. Are your directors compensated?

Mr. RUSK. They are not, sir. That question has never arisen. However, we do pay the out-of-pocket expenses of the trustees when they come to meetings of the board or of the committees.

Mr. KEELE. How much time on an average is required of your trustees over a period of a year?

Mr. RUSK. In terms of formal meetings of the board, the entire board, four full days at the meeting are required plus whatever additional time is necessary for travel, which usually adds something to that.

The executive committee meets for a full afternoon for each month during the spring and fall, except in those months when we have a full meeting of the board, so it runs about six or seven executive committee meetings a year. This requires, as I say, a full half day from those members, and where travel is involved, it requires more.

Mr. SIMPSON. Are they the group that made the awards, individual awards, less than \$10,000?

Mr. RUSK. No; that is the group that is authorized to appropriate up to \$500,000, Mr. Chairman.

Mr. SIMPSON. But not the group that make the awards up to \$10,000?

Mr. RUSK. The grants-in-aid up to \$10,000 are made by the officers of the foundation under an annual appropriation made to them by the board of trustees.

Mr. SIMPSON. A little bit earlier you gave the percentage. You said 75 percent were made by which group?

Mr. RUSK. Seventy-five percent, that would include the grants-in-aid, travel grants, fellowships, would be made by the officers of the foundation under over-all appropriations made by the board of trustees. The grants that are beyond \$10,000 would be about 25 percent made by the executive committee or by the full board.

Mr. SIMPSON. And what is the division there?

Mr. RUSK. There is only one formal division as to amount, the executive committee cannot appropriate more than \$500,000, and the executive committee is not authorized to appropriate a total of greater than \$5 million in between any two meetings of the board of trustees, but both the board and executive committee are authorized to appropriate out of either income or capital.

Mr. SIMPSON. And how many members of the executive board?

Mr. RUSK. The executive board has the president and chairman, and there are usually about six or seven in attendance. The executive committee is made up of seven members and two alternate members.

Mr. SIMPSON. That's all, Mr. Keele.

Mr. KEELE. Those percentage figures are based on number of grants, not on amounts involved?

Mr. RUSK. Yes, sir.

Mr. KEELE. I assume that by far the greater proportion of the grants on the basis of dollar value are made by the full board?

Mr. RUSK. That is correct, sir.

Now you were asking, Mr. Counsel, about the amount of time spent by the trustees. There are chores in between meetings of the board when the trustees are called upon to give us assistance.

Since I have taken office, for example, I have visited almost each member of the board, almost every member of the board, in his own office or in his own home and spent up to a day with him talking over the work of the foundation.

We send our trustees a considerable amount of written material to which they give attention, so that I would think that on the whole a trustee would spend anywhere from 6 to 10 or 12 days a year on the work of the foundation, depending upon whether he were on the executive committee and finance committee as well.

Mr. KEELE. Well, I would assume that before your meetings you have presented each of the trustees an agenda and a very considerable amount of printed or typed material for their consideration?

Mr. RUSK. Yes, sir; we circulate in connection with each meeting what is called a docket, which contains in it the agenda and a description of each of the items which will be coming up for the board consideration.

Another fairly important way which we find very useful in keeping the board in touch is by sending to them a confidential monthly report from the officers for the information of the trustees.

That report is confidential, not because it has in it a lot of secrets, but because it gives us a chance to discuss policy matters with the board and because, also we can discuss the tentative developments of various scientific or scholarly projects before the scientists or scholars engaged in that work are prepared for public report on their findings.

I brought along some copies of that confidential monthly report in the event any member of the committee would wish to have a look at it, but that is another way in which the board can keep in touch with what is going on.

Mr. SIMPSON. What is the title of the group that make the gifts up to \$10,000?

Mr. RUSK. The officers of the foundation, that is the president and the directors, are authorized to award grants in aid up to \$10,000 in amount.

Mr. SIMPSON. And numerically, did you say that about 75 percent of the grants are made by that group?

Mr. RUSK. Yes, sir. The smaller grants make up, of course, the larger number of the total actions taken but a small fraction of the total amount spent.

Mr. SIMPSON. What is the procedure when such a grant is made? When are the trustees advised specifically about it?

Mr. RUSK. The grants-in-aid and the fellowship would be reported at the next meeting of the executive committee or the full board.

Mr. SIMPSON. The fact that it was made or in detail as to what it was for?

Mr. RUSK. The fact it was made, and the amount and purpose, in order that the executive committee or the full board might raise any



questions of the officers which they might wish to raise, and on occasion they have raised such questions.

Mr. SIMPSON. That is all at the present.

Mr. GOODWIN. Well, then regularly, presumably once a year, a certain sum is appropriated by one body to be used in the discretion of the officers, is that right?

Mr. RUSK. That is correct, sir.

Mr. GOODWIN. What is the body that appropriates that amount?

Mr. RUSK. The full board of trustees appropriates in its annual budget a sum for grants-in-aid and fellowships.

Mr. GOODWIN. To be used in the absolute discretion of the officers?

Mr. RUSK. Well, to be used by the officers in pursuance of policy already discussed and laid down by the board, and in connection with the program which the board has approved under the divisions which I have already discussed. We use the grant-in-aid and fellowships in support of the main program of the foundation.

Mr. GOODWIN. But it is in the discretion of the board within an established policy?

Mr. RUSK. It is within the discretion of the officers to make that award.

Mr. GOODWIN. I should say in the discretion of the officers.

Mr. RUSK. In the discretion of the officers to make that award, and the exercise of that discretion, the way in which that discretion is exercised, is reported immediately to the board or to the board's executive committee at its next meeting.

Mr. SIMPSON. It is a pretty considerable grant of power to the officers, is it not?

Mr. RUSK. It is a substantial responsibility, Mr. Simpson. I think that the officers feel that it is a heavy one, but on the other hand in an organization with as wide ranging activities as the Rockefeller Foundation, I think it is the type of responsibility which the officers can reasonably be expected to bear.

I don't think that it is any heavier than the responsibility which rests upon the officers to recommend projects and to investigate projects of greater amounts for the later consideration of the board.

Mr. SIMPSON. The procedure followed by other foundations, as I recall their testimony, indicated that the research work was done by way of preparation, and then the recommendation was made by the officers to the trustees, and they made the specific grant.

Mr. RUSK. That is the normal course for grants by the Rockefeller Foundation of more than \$10,000. My understanding is that some of the other foundations do have authority in the officers to make grants on general authority which they then report to the board.

Mr. SIMPSON. I don't recall. There may have been such testimony.

Mr. KEELE. Isn't there a considerable difference, Mr. Rusk, in the scope of the activities, let's say by way of comparison, of Rockefeller Foundation and Carnegie Corp? By that, I mean, as I recall it, the Carnegie Corp. does not make individual grants except in rare cases. In other words, they are institutional grants for the most part.

Therefore, much less in number than those made by Rockefeller, and they do not have any operating projects and so forth; isn't that true?

Mr. RUSK. That is my understanding, sir.

Mr. KEELE. In other words, the Rockefeller Foundation operates on a much more diversified and, if I may use the term, personalized scale than Carnegie, for instance. Isn't that correct?

Mr. RUSK. We are certainly in touch with more individuals and make grants of fellowships directly and grants-in-aid for specific individual work on a larger scale than does Carnegie Corp., I believe.

Mr. KEELE. And that might account in part—might it not?—for the fact that in Carnegie, I think, nearly all grants are passed upon by the full board, whereas in your case the officers pass upon the grants of less than \$10,000.

Mr. RUSK. That is correct.

Mr. KEELE. With whom do the proposals for grants originate?

Mr. RUSK. Proposals for foundation grants originate from many different sources. The President of Mexico some 10 years ago asked the Rockefeller Foundation to undertake work in agriculture in that country. A president of a college or university might feel that he has an important need for support for a particular department or for experiment in a particular direction, and he would address a letter to the Rockefeller Foundation or call in person to present that idea to one or another officer of the foundation.

The officers of the foundation themselves are out in the field all the time visiting around the country and in foreign countries, looking into some of the work which is already going on on foundation grants, and are keeping their eyes and ears open for good opportunities for effective and strategic foundation assistance for grants not yet made. And, on the basis of that sort of visiting, the officers themselves might be the origin of a particular idea.

So that the proposals can stem from many different sources; but, when they come to the point of prospective action, the officers are responsible for shaping them up in such form as will give the board of trustees the best possible opportunity to consider them on their merits, backing them up with such investigations as may be required, documenting particular aspects which may need documentation, and preparing not only a written report but preparing themselves for a full oral examination on a particular item.

Mr. KEELE. In the questionnaire after question B-4, "Who determines what gifts, grants, loans, contributions, or expenditures are to be made by your organization," the question was asked as 5-B on what are the determinations specified in question 4 based?

I would like to repeat that question to you, and I suggest to you the possibility of reading what you have there said in the answer to the questionnaire. You need not do so.

I simply thought it was well stated, and I suggest that the two pages or so to which you addressed yourself and the answers might well be read here as a statement of policy, unless you feel you can do it more artistically.

Mr. RUSK. I shall be glad to read that into the record, Mr. Counsel, and to interpolate any point that might need further elaboration. [Reading:]

Early in the foundation's history, the trustees recognized that, with limited funds and vast possibilities for their expenditure, choices among various kinds of projects contributing to human welfare were inevitable. They were faced with a choice between two lines of policy.

One was to engage in projects which were remedial and alleviatory. The other was to search for projects which lie at the root of human difficulties and

which require for their solution or for any approach to a solution patience, tenacity, research, careful planning, leadership, and adequate and continuing funds.

The difference between these two courses has always seemed to the trustees of the foundation to be the difference between the less important and the fundamental, between a policy of scattered activities and a policy of relative concentration.

As early as 1917 the trustees expressed their belief in the importance of concentration of effort and at the same time adopted certain policies regarding things that the foundation should not do. These policies are briefly expressed in the two sentences that still appear in the Purpose and Program leaflet of the foundation.

"Routine and palliative types of philanthropy are not within the scope of the foundation." It must on principle decline requests to give or lend money for personal aid to individuals; to invest in securities on a philanthropic rather than a business basis; to appraise or subsidize cures or inventions; to finance altruistic movements involving private profit; to support propaganda; to contribute to the establishment or to the building and operating funds of local hospitals, churches, schools, libraries, or welfare agencies.

This last statement is but the negative side of a policy that has focused steadily on finding and supporting the determining forces of human well-being. Public health and medical education were the first areas of concentration selected by the trustees.

In 1929 the program was enlarged to include the support of advanced research in the field of the medical sciences, the natural sciences, the social sciences, and the humanities, as well as continuing work in public health. Before long this concern with the advance of knowledge was broadened to include study of and experimentation with means for the effective application of knowledge to human interests.

In all this work no individual project has been considered an end in itself. Rather the effort has been to choose for assistance only those projects or persons that give promise of becoming, in the words of one of the early trustees, "the seed corn for the future."

The idea is to prime the pump, to look for germinal ideas, and to help establish standards that will lead to continuous improvement in the quality of research and scholarship. We do not claim that this effort has always succeeded or that this idea has always been realized. Cherished expectations have been disappointed. Mistakes undoubtedly have been made, but even the disappointments and mistakes have had their value and lessons, and the Rockefeller Foundation is continually engaged in a process of self-education in the means and methods by which it can best promote the well-being of mankind.

The trustees have kept continuously in mind the importance of adapting a program to changing conditions. From time to time within each field of foundation program the emphasis has shifted after appraisal of past program and study of new opportunities by trustees and officers. At the same time, the trustees have recognized the importance of a certain stability of program, believing that anxiety about quick results can undermine the patience necessary in maturing long-range plans and ideas.

Specific grants are made in the light of (1) recommendations and information submitted by the officers to the trustees well in advance of a board or executive-committee meeting in the form of a written docket prepared by the officers after careful examination of the project and the qualifications of the proposed recipient; (2) oral presentation at the meeting by the officers of supplementary information on the various proposals under consideration. These presentations are followed by discussions that are by no means perfunctory.

More often than not, there are trustees present who are experts in the field of the project under discussion, or in closely related fields, and always the officers must be prepared to answer searching questions on every aspect of the proposal recommended for support. These discussions at meetings of the trustees, both about specific proposals and about the general work of the foundation, furnish over the years an important background of policy guidance for the officers and assist them in formulating their recommendations.

Any allocation of funds by the officers is made within the purposes and limits defined by the trustees when making the appropriation, and is similarly based upon careful investigation of all relevant facts in regard to both the grant and the recipient.

Mr. KEELE. Now, let us turn to page 97 in connection with considerations or the problem of considerations entering into the making of the grant. At the bottom of page 97 there is a statement which I think might be read with profit. Let me read it and then let's have your comments on it. [Reading:]

Subjects of a controversial nature cannot be avoided if the program is to concern itself with the more important aspects of modern social life. In fact, successful treatment of issues of a controversial sort would be so important a contribution to the fundamental objectives of the program that the existence of militant differences of opinion cannot be thought to preclude the promotion of inquiry under appropriate auspices.

I wonder if you would expand on that. It is taken out of context somewhat in reading it this way, but I think it might be elaborated in connection with the considerations that enter into the making of grants.

Mr. RUSK. When the foundation was first organized, the trustees then felt that the major threat to the well-being of mankind probably lay in the threat of disease, and a very large effort was undertaken in the early days of the foundation to meet that threat and to try to extend the frontiers of human knowledge in dealing with the problem of health.

Now there came a period—and I should say, by the way, that in that period we should not assume that even the attack on disease was a noncontroversial matter. When the General Education Board and the Rockefeller Foundation took steps to put considerable resources behind the implications of the Flexner report in medical education, there was controversy.

When the Rockefeller Sanitary Commission went into the South to try to eliminate hookworm, again there was controversy; and when the General Education Board went into the South at a little later stage in Negro education, again controversy. So, controversy is not a recent development in some of these activities in which foundations are engaged.

Well, after a time it appeared that the foundation had made a major contribution in medicine; that the medical schools were well launched; that the frontiers of knowledge were being pushed back; other great resources far larger than those of the Rockefeller Foundation were coming into the picture, and it would be well for the foundation to consider where other great threats to the well-being of mankind might lie.

Well at that stage, I think the foundation was impressed with the fact that war might easily be the greatest additional threat; and when you look back across the years since the organization of the Rockefeller Foundation you can see that, with World War I and post-World War I depression, and the great period of inflation in the twenties, and depression in the thirties, the rise of totalitarianism in the late thirties and World War II, and the great recovery effort after World War II, that the great surging events of human relationships and human organization must have impressed themselves upon any board of trustees concerned about the well-being of mankind.

Now, to determine that human relationships and war were the proper subject of foundation interest was in a sense to determine that controversy itself was a proper subject of foundation interest. Controversy itself tended to identify the location of the problem

which might need solution, whether in the domestic field or in the oversea field.

Now, the Rockefeller Foundation could not attempt to produce answers and to back those answers with large funds. It was not equipped to find answers in that sense, and it did not consider that it was its business to find nostrums and to sell them to the public.

But what it thought that it might do was to extend the frontiers of human knowledge even slightly in these complicated and pressing problems of human relationships; and that, if we could find the beginnings of a scientific approach and a basis of surer knowledge in these great problems of social organization and international life, we might somehow be on the way toward groping our way toward peace.

And so about 1928 and 1929 the trustees did consider very fully whether they should not move into fields which were at that point fairly strange to them, fields of social science and the humanities, and it was agreed that they should do so, but on the basis of scholarship and investigation and fact finding, and not on the basis of propaganda or persuasion from any particular point of view.

Mr. KEELE. Well, that represented really a departure—did it not?—from the policy that had been followed up until that time.

Mr. RUSK. I think that represented a departure from the actual operations and the actual practices of the foundation up to that time.

I do not believe, Mr. Counsel, that that represented a departure in any sense from the basic purpose of the organization as outlined in its charter, because in the history of the development of its charter it was pretty clear that Mr. Rockefeller was thinking in the broadest possible terms, and that he was willing to leave in the hands of an experienced and competent board of trustees the selection of those particular fields where Rockefeller Foundation funds might be put to most strategic advantage for the well-being of mankind.

Mr. KEELE. Well, perhaps it would be fairer to say that it was a change in direction taken after reexamination of the situation at that time.

Mr. RUSK. It was clearly an entry into new fields and a change in direction.

Mr. KEELE. And that has been followed to a considerable extent by a number of the major foundations; has it not?—that same shift into controversial fields?

Mr. RUSK. Yes, sir; I think that is clearly the case. I think any of us who have read that moving report which launched the Ford Foundation on its program would realize that in this basic field of human relationships the foundations hope to find something on which they can make a constructive contribution.

Mr. KEELE. Well, from the answers in your report and in the reports the other foundations have given, I gather that, while the foundations do not delight in entering controversial fields and do not enter them merely because they are controversial, they feel, at the risk of some criticism and so forth, the awards are great enough to warrant their entering those fields and exploring them. Is that a correct statement of it?

Mr. RUSK. Mr. Counsel, I would put it just a little differently because I really do not believe we can yet point to large, tangible, and historical rewards in the investigation of such fields as the social sciences.

Mr. KEELE. Well, should I say the hope of rewards?

Mr. RUSK. The hope of rewards is of course the basic factor. Here it is a truism to say that man has developed, perhaps, a hydrogen bomb—certainly an atom bomb—out of a little formula,  $E=mc^2$ , but we haven't the slightest assurance that he has developed such knowledge of his relationships with his own fellow men as to prevent his self-destruction with that very weapon.

Now, that is the challenge, and if the foundations can find some way to move along even by inches, if not with the grand idea that produces a yellow-fever campaign or something of that sort, if they can find ways to move along inch by inch toward a resolution of that vast complex of problems, it would be one of the greatest contributions foundations could make to the well-being of mankind.

Mr. KEELE. Now you have pointed out Mr. Rockefeller conceived his benefactions and philanthropies to be of wide scope. I think it has been mentioned "world-wide in scope," that he made his money, I believe he said, at one point all over the world and he would like the benefits of his wealth to be spread all over the entire world.

How do you determine what percentage, if a percentage is determined, of your expenditures which should be made abroad?

Mr. RUSK. We do not attempt to determine a percentage in our expenditures as between the United States and opportunities abroad. We have considered from the very beginning that the Rockefeller Foundation itself is devoted to the well-being of mankind throughout the world; that the State of New York incorporated us for that purpose, and that national frontiers were not the measure of foundation activity.

It happens that in the course of Rockefeller Foundation grants we have made approximately two-thirds of our grants in this country and about one-third of them abroad.

The General Education Board by its charter is restricted to the United States, so that if you took the two foundations, something less than one-fifth of the resources of both boards would have been spent abroad. Now that does not arise from the selection of any proportion, but more from the effects of adopting a program in the several fields in which we have operated.

It was a fight against yellow fever which led us first into South America, then into Africa, and into a considerable expenditure for laboratory research in our own country. That got us into some foreign spending.

It is the attempt to develop a better base of agriculture in Latin America with initial concentration in Mexico and Colombia which determines a considerable amount of money going into expenditures there in that country. We have spent a considerable amount on fellows drawn from abroad to study in this country by way of an early technical assistance program, from the very beginning of the foundation's history.

Now, that has arisen out of, I think, more fundamental considerations than the question of what is a fair share between this country and countries abroad. In the first place, the great stream of western thought is international in character.

If one were to look at the list of the winners of Nobel prizes, for example, one would see that almost every country in the Western World

has made a contribution to that Nobel list. If one were to look at the Smyth report on the development of the atomic bomb, which was published after the war, one would see that nuclear physics, which produced the bomb, was a field in which many from many countries were associated, people like Niels Bohr. After all, it was a German, Einstein, who perhaps started the whole business in some respects. The French were working on it and the British as well as Americans.

Now, we felt that America should not only share freely in that great integrated stream of western thought, but that we should contribute to it not only by contributing our own training and experience, but also by assisting those in other countries to develop their own professional capacity to contribute to that stream of thought out of which we all draw so much.

And so we feel that although there are good public reasons for giving assistance abroad, in a very realistic sense it is important for us that the best minds of the Western World be fitted to make their contribution to problems in which we ourselves are groping for answers.

Then I think it is fair to say that just in a more narrow sense of special interests, we dare not restrict our activity to this country. The yellow-fever fight was in a sense a fight for the protection of the United States against yellow fever.

In the early 1930's when a certain mosquito, the gambiae mosquito, found its way into Brazil from Africa, it threatened this entire hemisphere with a type of malaria which was of special virulence, accompanied often with blackwater fever, and it required the mobilization of special resources over the period of the next decade eventually to bring that mosquito to a stop and finally to push it back off this hemisphere. If we were to restrict our activities to this country, we would do ourselves a very great disservice.

And then I think we need not apologize for taking the even broader point of view that it is in the great historical tradition of the American people to be interested in and to give assistance to people in other parts of the world.

That has been from the earliest days of our country one of the expressions of our great public policy, not just by the actions and operations of Government itself, but more particularly by the countless expressions of interested private persons, whether missionary interest, or trade, or philanthropy, or anything else, to establish a vast network of friendly relationship between ourselves and other peoples.

Now it is factors such as those that go into the selection of opportunities abroad. The percentage I might say turns out to be coincidental and accidental, Mr. Counsel.

Mr. KEELE. And doesn't it vary from time to time?

Mr. RUSK. It could readily vary from year to year. I haven't run a check on those figures, but I feel quite certain, for example, that when, say, \$5,000,000 was given to the university school, the University College Hospital Medical School in London for endowment of a medical school, that probably, through that grant, the givings of that year are out of normal balance, but that might easily vary from year to year.

I think by and large our expenditures in this country, the percentage of expenditures in this country, has tended to rise somewhat in the last decade or so, partly because opportunities abroad were being severely restricted by unsettled conditions.

Mr. KEELE. Do I understand that you, viewing the situation generally, find a certain problem or an area, and in pursuing that you may find that it leads you into foreign expenditures, the object being to solve a certain problem or to work in a certain area or field without regard to whether that carries your expenditure across the boundary; is that correct?

Mr. RUSK. That is correct, sir. And, of course, when a foundation sets out, as we have tried to do in the past, not only to create opportunities for people of talent, but to build on existing strength, then the foundation is likely to be attracted to opportunities in such places as Sweden or Denmark or England where there are men of great capacity in science who could use to great effect, for the benefit of all the rest of us, some additional support of the sort that the Rockefeller Foundation could give.

Mr. KEELE. Let's return for a moment to one of the central themes of this investigation, and that is the place of the foundation in modern society. Would you give us your view of what the function or functions of the modern foundations is or are?

Mr. RUSK. I believe that there was testimony at a very early stage of the hearings to the very large number of foundations ranging from perhaps 1,000 to perhaps 30,000, depending upon the definition of "foundations."

Perhaps I might comment at the beginning that it seems to me that there is room in the foundation world for activities of the greatest diversity, and that foundations might properly interest themselves in almost every aspect of human need, including such matters as local consumer and alleviatory needs which would not be of interest to the Rockefeller Foundation, all the way to the strictly research foundations interested in the extension of human knowledge.

So I think it would be impossible to catalog the proper opportunities for philanthropic work in a society as vast as ours, where there is so much need for a maximum amount of free enterprise in the philanthropic work as well as in business and in the management of one's local governmental affairs.

As far as an agency such as the Rockefeller Foundation is concerned, with perhaps considerable—

Mr. KEELE. May I interrupt you there a moment?

Mr. RUSK. Yes, sir.

Mr. KEELE. I would take it from your answer you feel that you would go far beyond the pivotal point of venture capital when we were talking then of foundations; that there are many fields beyond that into which foundations might venture?

Mr. RUSK. Yes, Mr. Counsel, I would myself have no objections if a man who had available funds wished to establish a foundation to nurture local charitable activities, even though they may not promise to be nationally important, even though they may be local in their impact, and even though they may be impermanent in their results.

Mr. KEELE. In other words, there is a proper field for alleviatory or palliative measures?

Mr. RUSK. Yes, sir.

Mr. KEELE. I think Mr. Marshall Field pointed out here the other day when we were discussing the fact that the reports of the foundations—and I am talking now about one far below the size of a million—



showed a good deal of scatteration giving, \$5 here, \$10 there, \$25, \$50, \$100, and it was suggested that those gifts might be channeled into more effective fields.

He made the point that there were many worth-while organizations that lived on such gifts as that, and I assume that is the general idea that you are talking of.

Mr. RUSK. Yes. That would not be the type of program that would commend itself to the Rockefeller Foundation, but I would be the last to say that that might not be an excellent program for those who wished to engage in that particular type of activity.

Mr. KEELE. Now let's return to the large foundations, such as the one you have, and Carnegie, Ford, and so forth. What is pivotal about their functions in our society?

Mr. RUSK. It seems to me, Mr. Counsel, that there are a number of important roles which a foundation like ours might play.

I might say that that is itself a question which we have constantly under examination, and as a new officer of the foundation, one which concerns me greatly at the present time, on which I have not completed my own thinking.

It seems to me, in the first place, however, that private foundations can engage in an eternal hunt for young men of talent who might be given an opportunity to develop their professional capacity and assume a leading role in the intellectual life of the country.

Now, that is not as easy as it sounds, because to identify talent at an early age in a man's life is a very, very complex problem, and it means that an organization has got to be willing to take very considerable risks, and to play for a fairly modest batting average, if it is in effect going to be able to produce or help produce men of substantial capacity.

Now I would not presume to comment as to what the batting average is among the some 5,000 fellows who have been assisted directly by the Rockefeller Foundation over the years, but I am sure that there have been disappointments in that list, considerable numbers of disappointments, but, on the other hand, there have been many people who have moved on into positions of responsibility and influence and great accomplishment who got a chance at a critical point in their development to move on to getting training and opportunity which they might not otherwise have had.

I myself, though not a Rockefeller Foundation fellow, was a fellow of another foundation, and found that that was a most important thing to me in my own development as a student.

A second thing which foundations might do, properly do, is to assist those who are working out at the utmost limits of the horizons of human knowledge, to provide them with a chance to gamble on things which may or may not pan out, which may have something of value in them, but are purely exploratory and look-see. It is that kind of effort which has, in fact, moved the horizons of human knowledge on from one range to the next.

It is also that sort of effort, I am afraid, that shows that the more we extend the horizons of human knowledge, the more we extend the horizons of our ignorance, because we find more problems that need explanation. But that is the nature of man, and we can't help but press in that direction.

Now the foundations can play a role in that sort of an experience which the established funds of universities ought not to be called upon to play, which I think Government can play to a considerable extent; but even if Government plays that role, it needs to be paced and criticized, if you like, and tested by the work of private enterprise in this field of scientific research and development.

Now it may be that the committee would be interested in one minor, almost facetious, example of the possibilities of a foundation activity at the boundary of human knowledge.

Here is a little book by a man in Munich on the Language of the Bees. He investigated the bees and came to the conclusion that they do communicate with each other about where the pollen is, in which direction, how far, and he worked out a considerable study on that.

Now we read that with interest and surprise. Then he came along with the idea that not only does he think they have a language, but they communicate in what might be called dialects, that there are variations in that language, and he wanted some assistance to investigate in effect the dialects of the language of the bees.

Well, now, in my experience with the Appropriations Committees, if I may be permitted to say so, I would hesitate to try to defend that grant as an object of taxpayers' money, but I am not at all sure that it isn't an excellent small use of a small amount of private venture capital.

You ask what is that for? I don't know, but why ask? Why do we need to ask? Maybe at this stage it is just fun, but it may be that at some other point in the development of somebody else's work in the field of communications, this particular study might prove to offer a clue of the utmost importance.

How does an entire school of fish wheel and change direction with what appears to be instantaneous communication among the members of that school? How does a flock of birds do the same thing with all of their maneuvers through the air that you see happen so often? There may be something there of very considerable importance at some stage, and this may make a contribution to it.

It may sound like sheer poetry at this time to talk about trying to understand a honeybee with a southern accent, but in fact it may prove to be a useful thing to do. But even if it proves to be a waste, wastes of that sort are constructive failures, because they help to explore the realm where people may get clues that indicate that that realm can't be profitably explored until new knowledge of another sort or new techniques are developed.

Now there is a range of activity in that sort of thing for foundation work. Then there may be other types of work of a strictly experimental type.

I doubt very much that the Mexican Government could have developed anything like the extensive new methods of agricultural production that are now being developed in that country, on a strictly governmental basis, had they not had some outside private disinterested experience, willing to commit the results of experimentation and the possible waste of some funds in planting experimental seeds, in giving Mexicans opportunities for advanced study abroad, until a program was developed to the point where it could commend itself to the Government of Mexico as a proper expenditure of public funds.

Now that again is something that foundation effort can do in this modern scene. And then it may be that someone just comes in with just an idea, an idea that he himself wants to go out and think about for a while. Perhaps it doesn't involve too much experimentation or equipment or any formal studies of any sort, but he would just like to think it over.

Maybe he has, as some of the earlier great German physicists had, simply a slide rule and a logarithmic table, but he just wants a chance to get away from the overriding necessity of earning a daily living, to get away to think and compare and study and philosophize.

There is almost no one who can do that other than either a foundation or someone willing to provide private philanthropy for that kind of an opportunity. As a matter of fact, throughout history you will remember that many of our philosophers were men who themselves were given a chance to think by the leading people of their day, who did make it possible for them to have a place to live and to eat, on a philanthropic basis.

There are many other types of activities which could be mentioned; the development of new techniques of public health which Government itself might wish to take over; the development of criticism of existing practices either by Government or by other public institutions or by private industry, can very often be accomplished by means of studies prepared under the sort of support that foundations can give.

Perhaps there is one illustration in the field of public health at the present time, in the field of medical care. There is a great mass of activity going on around the country in the field of medical care.

I understand there are something like 81,000,000 people now within some form of hospital insurance, and that business organizations and unions and local government agencies and all sorts of social groups are trying to find ways and means of bringing more medical care to their members.

Now in that situation a foundation might find it possible at least to let people know what is already going on. Here is a vast amount of raw action that is occurring. How can we translate that raw action into conscious experience so that what one man or one group or one element is doing in one part of the country can be made available for the study and examination of a group or element in some other part of the country.

It may be that sort of a thing is something the foundations can do which other institutions or which Government might find it difficult to do.

I could go on at considerable length, Mr. Counsel, but I think those are samples of foundation activity. I come back, if I might conclude, to the statement that by and large the Rockefeller Foundation considers that its great task is to do what it can to extend the frontiers of human knowledge and to find ways and means of applying that knowledge more effectively for the welfare of mankind.

Mr. SIMPSON. Are most of the activities of your foundation activities which Government cannot do?

Mr. RUSK. I suppose that Government can do a number of them. Government could conduct a virus laboratory. Government could, I suppose, provide support for medical education or assist laboratories in investigations of specific diseases, but I am inclined to think that—

Mr. SIMPSON. I would like to know what objection you would have to Government doing it.

Mr. RUSK. I am not at all sure that Government, although working in the same field and doing something that carries the same title, would in fact be doing quite the same work.

Mr. SIMPSON. I would like to know what disadvantages there are, sir.

Mr. RUSK. Well, we indicate in our answer that one of the problems is that Government is already pretty busy; that it has undertaken a very large number of activities. It has a large budget. It has a large organization, and we believe that there are opportunities for private activity which are perhaps beyond the administrative capacity of Government to do as well as could be done in the private field.

Having spent some time in what is called a bureaucracy, I think myself that the board of trustees of the Rockefeller Foundation can make better decisions in the field in which we are operating than the bureaucrats that I was proud to associate with.

Mr. SIMPSON. Well, I should think that if Congress were giving some money to a group of officers to spend, they would hem them in more than you officers are hemmed in by your trustees.

Mr. RUSK. Well, that is entirely possible, sir.

Mr. SIMPSON. And I think the answer as you have given it means, as I interpret it, that Government would be apt to regulate and hamstring the use of the funds.

Mr. RUSK. We feel very strongly that voluntary action in as many fields as possible creates a better atmosphere in which our free institutions can operate.

Mr. SIMPSON. What I would like to see developed a bit is if you have any recommendations as to what we can do to expand foundations or, putting it another way, what we can do to speed up the work in these areas where you recognize there is work to be done for the good of mankind.

What can Government do to make foundations more effective and more of them better able to do the job that you are undertaking?

Mr. RUSK. Mr. Simpson, I am not sure that I would be able to answer that question in terms of how to attract more funds into the foundation field by governmental action.

I can imagine that it would require a very close examination and decision in deciding in which direction the income-tax rate ought to move in order to assist foundations. If you lower the rate, more money becomes available for philanthropic activity. If you raise the rate, it might give some encouragement to those who make gifts on that basis.

Mr. SIMPSON. The so-called 18-cent dollar is more apt to go for charity?

Mr. RUSK. But it seems to me that the effectiveness of foundations at the present time will be determined more by the ability of foundations to find the imagination and the critical point of expenditure than by any particular administrative action by Government in this field.

Of course, any action which would tend to discourage giving as such, to discourage risk taking, any action that would tend to interfere with a great stream of scientific and scholarly knowledge that flows across national frontiers, action of that sort would be quite dis-

couraging to foundation activity; but I must say in our own relationships with Government over the past several years it has been—Government itself has been—eager to encourage and stimulate the work of foundations, both at home and abroad. If we needed assistance from representatives abroad or in any other way, that, by and large, Government has been willing to help us.

Mr. SIMPSON. Yes; that is true, on the one hand; but, on the other hand, before the Ways and Means Committee we have had legislation which I think was designed to break down the foundation idea.

I don't care to go into that now, and I know you don't want to comment on it, but the Government is so big and ponderous that very often one hand doesn't know what the other hand does. That is all, Mr. Keele, at the moment.

Mr. KEELE. I think it is obvious from what you have said what your views are going to be on this; but for the purpose of the record I would like to ask you what you feel to be the comparative need for foundations and the work they are doing at the present time as against the time when the Rockefeller and Carnegie Foundations were set up, for instance.

Mr. RUSK. At the time the Rockefeller and Carnegie Foundations were established, they had a pretty clear field to themselves and so they had vast opportunities when they were first established, and one would think that with the growth in the number of foundations in the intervening period, that the field is getting crowded, and that there is in fact less need.

I think that would be a misunderstanding of the situation. Certainly the Rockefeller Foundation would like to have more rather than fewer associates and colleagues in this field than we have at the present time, even though important new funds are coming into the field, because as our officers go around this country and visit foreign countries, it is clear that the frontiers of human knowledge have been pushed out so far that there are vast new frontiers still ahead in fields where we have been working all of our lives, which need further exploration—all the way from the nearly billion light-years of the Palomar telescope down to the electronic microscope in the other direction, there are vast questions which need further exploration.

One advance, one discovery, one answer, a solution, simply opens the way for hundreds of new questions which need resolution. In the field of medical education, for example, where it is supposed that the Rockefeller Foundation and General Education Board have come in more or less to finish the job, nothing could be more misleading than any such statement.

We are somewhat embarrassed because we feel that people think that we have finished the job somehow, but the Commission on the Financing of Higher Education, headed by Dr. Henry Wriston, who was with the committee earlier, pointed out in its report the other day that medical education in the United States at the present times needs an additional \$40 million a year to keep going in approximately the same standards of competent performance which we have already attained from a technical and scientific point of view.

Now with the impact of inflation on endowed funds and also with the frightening increase in the rate of scientific advance, even our medical schools, which perhaps are at the top of the heap, as far as the

world as a whole is concerned, are faced with very difficult problems in the techniques of organizing medical instruction in a field as vast and as complex as the medical sciences at the present time.

It may be that in terms of the techniques of instruction, we have to try to find some way in which that instruction can be given at somewhat less cost. But there is a vast opportunity even in the oldest field in which the foundations have been operating in this country for much additional work.

In the field of agriculture, whatever happens to birth rates, whatever people decide themselves consciously to do about birth rates, if they make such decisions, it is pretty clear that in the second half of this century there is going to be a considerable shortage of food for people living on the earth, and that we will be faced with a major problem of supplying the essential foodstuffs for our growing populations.

We have made considerable advance in this country in the techniques of agricultural production. I noticed in the paper this morning that an Englishman has produced wheat at a far higher rate than anything we have known here, perhaps through special conditions in the eastern part of England, but he is coming over here to see if he has some technique that can be exported to us. But we need to explore fully our capacity for agricultural production within the present cycle of fertilizer and soil usage and improved seeds and factors of that sort.

If we are to furnish the food resources for the human race that we are likely to need, it may be necessary to look considerably beyond traditional agriculture, for example, to the resources of the sea, which we perhaps have not yet begun to touch.

We have mined out a few particular aspects of it, but we are not harvesting the resources of the sea perhaps to the fullest extent that would be possible with further exploration.

And if we become more and more knowledgeable about that and governments become more and more interested in the development of the marine resources of the world, then there will open up a vast set of problems of an economic sort, political sort, security sort.

Already governments are beginning to extend their territorial waters 200 miles at sea, and when we were negotiating the Japanese peace settlement, there were people in Australia who thought that the Japanese ought to stay north of the Equator, and some people here who thought they ought to stay west of the international date line in their fishing.

We may have a struggle for the control of ocean areas in the second half of this century which is roughly comparable to the struggle for the control of land areas in the last century and a half.

Now all of those are problems that need the most careful examination and investigation, and we can go on at considerable length in trying to indicate where these spokes, as one of your witnesses has already said, continue to fan out into vaster and vaster fields of human knowledge and of human ignorance.

Mr. KEELE. The need then is an increasing need rather than a diminishing need?

Mr. RUSK. Yes, sir.

Mr. KEELE. Now a number of witnesses, including Alfred Sloan this morning, have pointed out the difference between applied re-

search and pure research, or basic research, and he has said, you have said, and Van Bush has said, that we have been weak on basic research in the past.

Basic research has been imported, in other words, largely from Western Europe. We know the foundations are the ones who are doing much to supply research in this country. Yet we have been weak in basic research. So far as we can ascertain, there are no comparable organizations in Europe; that is, organizations comparable to our foundations.

How have they done it, if they have outstripped us in basic research without foundations? How have they accomplished that?

Mr. Rusk. I think one might say in the first place, Mr. Counsel, that to a considerable extent research is an exploration into ideas, and sometimes the most important ideas can be developed and are developed without elaborate investment in buildings and equipment.

I think some of the more important contributions of European basic research have come in that field of imagination where heavy equipment, elaborate equipment, has not been the predominating factor.

Of course, cyclotrons and electron microscopes are now becoming very important to certain kinds of research. But again your physicists who were laying the foundations for even nuclear physics were working with very limited and very inexpensive types of equipment.

But also, our scientific and scholarly friends in Europe are prepared to work with enormous sacrifices for research. I think we have felt in this country we ought not to require our scholars and scientists to sacrifice quite as much as the Pasteurs did in their attics, without resources and equipment, developing the basic ideas which they contributed to western civilization.

So up to this point I think it might be true to say that western European scientists have advanced substantially without the mighty investment of economic resources which we have lately been making available over here.

But, on the other hand, it is true that there are in Europe some important philanthropic foundations which make a substantial contribution.

There is to be published, I understand very shortly, in London a book called Trusts and Foundations, which will, I think, bring together the information about European foundations. But you have heard about the Carnegie Trust in England, with £3 million, Pilgrim Trust with £2 million, established in 1930, the Nuffield Foundation, with £10 million, devoted to medical research and improving education.

In Norway you have such organizations as the Christian Michelsen Foundation, in Sweden the Wellenberg Foundation, supporting basic research, and we find ourselves at times contributing to the same laboratory with the Wellenberg Foundation.

The Wenner-Gren Foundation, which has recently been active here in New York, has been very active in Sweden in its history.

In Denmark, the Carlsberg Foundation, founded on a fortune from an important brewing family there, has been doing important work in the sciences and humanities.

In Belgium and France similarly you do have some foundations of modest means, but of means that are important in comparison with the needs and the going scale of investment in this sort of thing in Europe.

Further than that, in Europe the governments themselves have taken an increasingly active part in direct support to scholarship and research.

I think we have all heard of the University Grants Committee in England which is responsible for making available to the colleges and universities of that country very substantial sums of money based upon the judgment of the scholars and scientists themselves, as to what is important and where the promising prospects are likely to lie.

You have committees of that sort in France, in Sweden, that are roughly committed to the same function.

In Norway you have support for education and research there from the proceeds of the State tax on betting and sports; and, of course, we are familiar with the Irish sweepstakes in connection with the support of hospitals and medical investigation in Ireland.

I might also say that Europe has, of course, benefited to some extent from the work in Europe of American foundations, so that to some extent their work over the last 40 years—for example, Mr. Niels Bohr, in Denmark—has had modest encouragement from this side of the Atlantic.

Mr. KEELE. What I am trying to get at is this: If we say that the work of foundations cannot be done by government, and there have been practically no foundations in western Europe, then the funds for this research must have come from somewhere, and they must have come primarily from the governments; have they not?

Mr. RUSK. They have come from endowed universities and colleges, where some of them have, of course, existed for hundreds of years. They have come from private grants and sources, but to a considerable extent have in fact come from government.

They have tried, I think, in most cases to establish some insulation between the fund-granting aspect of government and the fund-allocation function of these scientific and scholarly committees.

Now, to maintain that insulation in such a way that the impact of government itself on the colleges and universities might not have disadvantages is itself rather difficult.

I believe that a number of observers from this country have felt that the University Grants Committee in England has succeeded in doing a rather remarkable job in channeling to the colleges and universities substantial amounts of public money without having an upsetting effect upon the nature of scholarship and scientific research.

Part of that is probably based upon the mutual knowledge and confidence and respect which the members of the University Grants Committee have in relation to the scholars and the scientists around the country.

Whether over a longer period that same personal relationship and respect could be maintained as one generation succeeds another would be, I think, an open question; but I don't think that the fact that the Europeans have made great advances in scientific and scholarly investigation without great foundations necessarily means that the role of the American foundation should be performed by the American Government.

Mr. KEELE. Well, they operate in a different climate, too; don't they? I mean, by that, the attitude of government there toward learning and toward endowing universities—that is what it might



be called—is considerably different, as I understand it, from the relationship that exists in this country. Isn't that correct?

Mr. Rusk. I think that is correct, sir. This is only a personal impression which might be quite wrong, but I have the impression that the professor or the scholar or the scientist is let alone somewhat more in the European scene than he is likely to be over here—let alone to do his work.

Mr. Keele. I am told that a certain foundation official in this country, in questioning the Premier of the Netherlands, asked him what would happen if he had failed to appoint a certain well-known scientist to a post in one of the State-supported universities, and the man said, "If I had made a mistake on that, my government would have fallen."

In other words, the people themselves recognize the merits of the man, and a mistake of that kind would have had that sort of repercussions upon the government, which can hardly be said to work that effectively in this country.

Tell us something about this, Mr. Rusk. We have heard from officials of foundations that there is great reluctance on the part of foundations to collaborate—or perhaps we should use the word "co-operate"—that is, that each pretty much keeps to its own field, keeps to its own counsel; that to no great extent at least is there a pooling of information and interchange of information. Is that correct, in your opinion?

Mr. Rusk. I think that has been a tendency for the last 30 years or so. I think it is a tendency which is rapidly disappearing under the necessity of the foundations to find their proper role in the strategic use of their funds in relation to each other.

For example, I recall as a member of the board of trustees receiving one week end a little note from the New York office of the foundation that two or three of our officers were leaving that week end to go to India to have a look at the agricultural situation there, to see where we might make some strategic moves.

In the newspapers in the same week end was an announcement that the Ford Foundation had allocated several million dollars for agriculture in India, and that the Government of the United States had allocated some tens of millions to the same purpose.

Now, in that situation where Government itself is coming into the technical-assistance field, and the Rockefeller Foundation has been in the technical-assistance field for 40 years, where Government itself is in the technical-assistance field in a major way, with almost billions of dollars, certainly hundreds of millions of dollars, and where other foundations are coming into the picture with imagination and alertness and substantial funds, it is becoming increasingly important that the foundations give somewhat more attention to what others might be doing, in order to make the most effective use of their own funds.

Now, that is likely to result, in my judgment, in not a regular organized procedure or clearinghouse or move toward a unification of administrative practices or anything of that sort, but I think it is likely to develop still further some of the informal consultation which does go on rather frequently, so that certainly the foundations that are likely to be operating in the same fields have some knowledge of what the others are doing.

We may find ourselves contributing to the Commission on the Financing of Higher Education, and we find that Carnegie Corp. makes a contribution in the same direction. We may find that we make a grant to a college in Allahabad in India for laboratory equipment in the building which was built by the Ford Foundation.

That kind of collaboration is useful. Usually it is not on the basis of a single plan evolved cooperatively by the two from the beginning. We tend to find our way in our relation to each other's activities.

But, apart from that present necessity—which is growing, I think—it is true that the foundations have been somewhat reluctant to get together and work out a screening and a joint decision on policy.

Part of that is due to the reluctance to surrender freedom of action, because you find yourself taking on commitments when you agree to take on certain fields, and you may want to change fields, and you may have opportunities that are particularly appealing to you that might be outside of the field that you agreed that you might undertake.

Part of it, I think, is due to a feeling that there will be some objection around the country and some resistance to the idea that the foundations would get together and gang up on the possible recipients of foundation grants, and that their influence would be so strong that there would be some public concern as to whether that was a proper activity in the public interest.

Mr. KEELE. The remark that Mr. Sloan made this morning leads me to make a personal observation, which I think good taste would not have permitted had he not made the remark. He said that he did not know many of the people in foundation work.

At that luncheon in New York in September, I observed with some amusement that there was more introducing of the members of the various foundations to one another than there was of introducing me to the members of the foundations. It was quite obvious to me that there was a lack of acquaintanceship among the philanthropoids, if we may say so.

Mr. RUSK. I am glad counsel found that to be the case as we approach this investigation, sir.

Mr. KEELE. Well, it has been suggested here that that was due in part possibly to the impact of the Walsh investigation in 1915; that the foundations felt that, after that investigation and the general atmosphere in which it was conducted, there might be a charge of their joining hands to accomplish certain purposes which in those days were expressed as fears.

Do you think that is probably possible?

Mr. RUSK. I think it is possible that in the late teens and during the twenties there might have been some feeling that particularly the larger foundations might be accused of something on the order of monopolistic practices or something if they were working too closely together.

I myself believe that that disappeared fairly early, and that that would not really explain the attitude of the foundations on this point through the thirties and forties.

Mr. KEELE. Along that line we have now been pursuing an idea here as to whether or not there might not be some virtue in a voluntary association, and I now want to say that I'm not speaking of Government legislation of any kind or of a governmental agency, but

a voluntary association of the smaller foundations which might permit them to take advantage of the work of a central staff in assisting them in determining what projects deserve attention.

How many people have you on the staff of the Rockefeller Foundation?

Mr. RUSK. Well, in our home office we have 37 officers in the several divisions and in central administration.

Mr. KEELE. And how many employees?

Mr. RUSK. We have all over the world, including these operating programs we discussed and including clerical staff and all the rest, a total of 270 employees.

Mr. KEELE. That gives you, of course, opportunities for field investigations. In fact, those are all professional employees? It is a professional group; is it not?

Mr. RUSK. This gives us a chance to have a number of field officers at strategic points around the world who can help us keep in touch with what is going on and make local investigations for us, spot people of talent and to be available, in the case of our public-health people, in the event that a sudden new threat develops against which we might need to take some action. That gives us a very considerable flexibility in the handling of staff problems.

Mr. KEELE. Mr. Rusk, the Rockefeller Foundation publishes rather exhaustive reports; does it not?

Mr. RUSK. Yes, sir.

Mr. KEELE. What do you think about the desirability of foundations making a public accounting or a public reporting of their activities?

Mr. RUSK. It is the view of our foundation, Mr. Counsel, that a foundation should be expected to operate in the fullest light of publicity.

We have substantial resources. We feel we are vested with a clear public interest. Although our funds are private funds, they are committed to a public purpose. We enjoy a favored legislative status.

We believe that it would be contrary to our own obligations and contrary to good public policy if the work of the foundation were not made fully public as we go along.

You may recall that during the course of the Walsh investigation Mr. John D. Rockefeller, Jr., made it very clear that he felt that it was important that the work of the foundations be public in order that, if abuses should develop, appropriate action could be taken by appropriate authorities to remove those abuses.

We have a considerable publication program in the Rockefeller Foundation. We publish, for example, an annual report. The 1951 annual report is this fairly substantial document here [indicating].

It contains in it, as an introductory section, what is called the President's Review, which is also published separately for the convenience of those interested primarily in the President's Review.

The President's Review tries to set forth the comments and observations which the President might have on new developments in the fields of science and scholarship during the year, to review somewhat the rationale underlying the work of the foundation, and to try to explain the program of the foundation itself in its broader aspects, rather than in terms of detailed grants.

We have found that there is a very considerable demand every year for that President's Review. As a matter of fact, we have been publishing 100,000 copies of that review in English, with 1,800 in French, 3,500 in Spanish, 1,500 in Portuguese, and the publication of that President's Review has been costing us between \$20,000 and \$25,000 a year.

The annual report is published at the rate of about 10,000 copies a year, 10,500 this year, and 8,500 the year before; somewhat less earlier. That costs us \$12,000 or \$13,000 to do that.

In addition to that, the international-health division published reports on the scale of about 6,000 copies. We put out a little purpose and program folder which we use to give people who want to know generally what the foundation is trying to do and what its program is.

We make quarterly reports in addition to the annual report, reporting the appropriations and grants made during that quarter. This has been a fairly recent development since 1950, because we felt that it would be better to get our major appropriations out before the public early rather than wait until maybe 15 months might have passed when they would appear in our annual report.

In addition to that, the foundation published in 1952 its fellowship directory, at a cost of \$36,000; and we publish reports on special items, such as the Mexican agricultural program, yellow fever, and, of course, Mr. Barnard's recent history on the Rockefeller Foundation itself.

There is a drawing together of the collected papers of the international health division which is also given considerable distribution.

Now, those reports go to Members of the Congress—that is, the annual report and the President's review—they go to libraries around the country and to a mailing list which we built up over the years among those who have a special interest in foundation work. So we feel that we have a very substantial publication program. We feel also, however, that our program goes considerably beyond anything that ought to be required of us by legislation; that such a requirement could be itself burdensome from a number of points of view.

I am thinking now not just of our own foundation but of other foundations. To the extent that we try to state annually our philosophy, it might be difficult to philosophize on order. It would be difficult to write out a rationale of your program because you are required to do so.

It may be better at times to pass that over and wait another year and talk about it more fully, or to wait until what you have in mind to say has really been developed and you have thought it through.

We are perfectly prepared to accept an obligation—to report fully on all of our transactions, grants, grants-in-aid, fellowships, directors' grants, all of our investment transactions which we think are important to be made available, and to indicate why most of these important grants have been made.

But to go beyond that and be required each year to describe in detail what your purposes and plans and programs are would create considerable difficulty, because those things don't come on an annual basis. Those ripen at different times and different stages.

There is also a problem of cost. We feel that our cost here is substantial, but that this is a cost that we ought to bear.

But it may be that we might want to reduce that cost at some point, because here are some fifty or sixty thousand dollars which might be used in a better way unless the public interest demanded that you give all of this publication material on the work of the foundation.

I think in the case particularly of the smaller foundations considerable attention might be paid to the element of cost in the requirements for publicity on the work of those foundations, because it is taking money away from the primary purpose for which they were established.

I think it would be unfortunate—I don't think this would be necessarily the result of any such requirement—but I think it would be somewhat unfortunate if the foundations were encouraged to undertake too wide and too active, what might be called a public relations program. It might lead to some distortion of understanding as to what the nature of foundation contribution is.

I think I indicated in our answer to the questionnaire, Mr. Counsel, that we were a little fearful that a need to justify our existence and to explain the basis on which we act might lead to that misunderstanding, because what we can contribute is an opportunity.

The people that make the real contribution are the people who do the work. It is the fellows, the scholars and the scientists. We can help to build the telescope at Mount Palomar but we can't look through it and get much out of it.

And so if the foundation should feel an obligation to build up the role of the foundations in the public eye beyond the point of propriety, I believe the spirit of the foundations' approach to philanthropy and I believe the response of our great educational institutions to philanthropy and the general public tone in which this activity goes on might suffer by losing something that is a valuable part of it at the present time. But in direct response to your original question about publications, we do believe that the public is entitled to know what the foundations are doing. It helps us because it helps other people understand our program.

I am sure it reduces a number of applications coming to us in fields in which they know we have no interest. It helps stimulate interest among those who are working in fields where we do have an interest, and so we gain from it. We think the public interest is protected by it, and I suspect from the point of view of Government it might be considered an essential safeguard with respect to the tax exemption procedure.

We have ourselves a very substantial interest in the elimination of abuses in the foundation field because, of course, where abuses crop up, we will try to avoid them ourselves, but where they crop up in other quarters they do damage to the work that we are trying to do as well. And publicity might help in that respect.

Mr. KEELE. If reporting were required only to the extent of giving, let us say, assets, income, expenditures, a breakdown to show administrative expense, grants, officers and trustees, that would not impose an undue burden, would it, even on a small foundation?

Mr. RUSK. I think that type of reporting would be very wholesome.

Mr. Counsel, there is one element in the reporting that hasn't been mentioned in the hearings yet, so far as I know, that I think could be important, and that is the disadvantage of asking us to report

what are called declinations; that is, those proposals which are put before us which we are forced to decline.

Now just because the funds we have available are just a fraction of what would be required to meet all those proposals, we have to make selections, and an adverse decision on the part of an important foundation too readily becomes interpreted as an adverse judgment on the merits of the proposal, when that might not be the case at all.

And so we would view with considerable concern a suggestion that we publicize the declinations, partly to protect the people who are applying and who are not successful in their applications.

Mr. KEELE. In other words, unfair inferences might be drawn?

Mr. RUSK. Yes, sir; and administratively it would be very difficult because if you had such a requirement, of course people would work themselves into a position where you never would decline. They wouldn't apply until you had pretty good assurance they were going to be successful; so it might defeat itself.

But, in any event, the work of the foundations ought to be judged, it seems to me, not so much as between the grants which they make contrasted with the grants which they turn down, but as the work of the foundation measured against the broad field of opportunities for foundation action.

Mr. KEELE. I have a great deal more than I want to go into with Mr. Rusk, but I suggest that unless the committee has some questions, this might be a good point to break.

Mr. SIMPSON. I have one question, Mr. Rusk. Keeping in mind the purpose for which this committee was organized, what are the factors which might lead you to decline making a grant to an applicant?

Mr. RUSK. There are several factors that would have an important bearing there, Mr. Simpson. It is easy to decline a grant which is totally outside of our program.

We occasionally go out of program where we have an overwhelmingly challenging opportunity which is almost unique in its character.

We sometimes decline grants simply because, even though we think it might be a good idea to proceed, we just don't have the funds. Our funds just don't go around. That requires us to make some selections.

We decline others because we are not convinced that the idea itself has a fair chance of panning out.

One of the most difficult things to do, particularly in the social studies and in humanities, is to define a target for a study with precision enough so there is a fair chance of hitting the target when your study is finished.

And there are times when what appear to be perfectly good ideas and certainly fine motives, don't seem to be focused and directed toward a target which one has a fair chance to hit, so we might decline it on the basis that the chances aren't good enough that it will pan out.

Once in a while, of course, applications are declined because we do not believe that the individual concerned is of sufficiently high quality to make good on the proposed effort.

Mr. SIMPSON. I wish you would address yourself to that point, keeping in mind the purpose of the committee, which is to trace the end

use of the funds to the end that they are not used for un-American activities.

Mr. RUSK. If on a purely scientific or scholarly basis it might appear to members of our staff, a staff which includes experts in a considerable number of these fields, that a person was not up to the standards of capacity required for the job that he is trying to undertake, we would likely not back that particular proposal.

If, of course, we had any doubt about the ability of that individual to use basic data with integrity to work with scholarly objectivity, we would not make such a grant.

And of course, if we had any idea that he was himself engaged in subversive activities or working directly counter to the interests of the United States, we would again not make such a grant.

Mr. SIMPSON. You mean the applicant as an individual or the organization to which he belongs?

Mr. RUSK. Both, if we had clear indication that either the organization or the individual were in that category.

Mr. SIMPSON. Would the fact that the organization or the individual appears on one of the so-called Attorney General's lists or the lists of the Committee on Un-American Activities have bearing on your decision?

Mr. RUSK. That would have a very significant bearing on our decision, Mr. Simpson.

Mr. SIMPSON. Would it be conclusive?

Mr. RUSK. We have a policy that we will not make a grant to an organization that is listed by the Attorney General, and we have never done so either before or after the organization has been listed by the Attorney General.

Mr. SIMPSON. Thank you. That is what I hoped you would say.

Mr. KEELE. I think it is well stated and I think before we quit for this evening, because you are prepared to resume in the morning, aren't you—?

Mr. RUSK. Yes, sir.

Mr. KEELE. We will meet all day tomorrow. I do think we ought to have this statement in at this point, if I may read it. Page 46 of the answer of the Rockefeller Foundation to certain questions said this:

The foundation has always been concerned to assure itself that these individuals are persons of integrity and of high regard as responsible scholars.

In recent years we have also felt it essential to be concerned explicitly with the attitude of the individual or group toward communism. Quite apart from the national security implications of any such affiliation, the foundation could not recommend assistance for any scholar or scientist unless convinced that the man in question would employ sound, scholarly, and scientific procedure, would interpret his results with objectivity, and would without restriction—except where classified material is involved—communicate his results to the world of free scholarship. It has become all too clear that scholars and scientists who give their loyalty to communism cannot be trusted to conform to these basic requirements.

And I assume that is a very articulate statement of the position of the foundation.

Mr. RUSK. Yes, sir.

Mr. KEELE. May we adjourn until 10 o'clock tomorrow morning?

Mr. SIMPSON. The committee will resume at 10 o'clock tomorrow morning.

(Whereupon, at 4 p. m. the committee recessed until Tuesday, December 9, 1952, at 10 a. m.)

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## TAX-EXEMPT FOUNDATIONS

TUESDAY, DECEMBER 9, 1952

HOUSE OF REPRESENTATIVES,  
SELECT COMMITTEE TO INVESTIGATE TAX-EXEMPT  
FOUNDATIONS AND COMPARABLE ORGANIZATIONS,  
*Washington, D. C.*

The select committee met, pursuant to recess, at 10:05 a. m., in room 1301, New House Office Building, Hon. Richard M. Simpson presiding.

Present: Representatives Simpson and Goodwin.

Also present: Harold M. Keele, counsel to the committee.

Mr. SIMPSON. The committee will come to order, please.

Mr. Keele, will you call your first witness?

Mr. KEELE. Mr. Rusk, will you resume the chair please? Mr. Rusk, considerable criticism has been leveled at the foundations, those foundations which have supported the Russian area studies. The Rockefeller Foundation has supported a number of the area studies, have they not?

### STATEMENT OF DEAN RUSK, PRESIDENT, ROCKEFELLER FOUNDATION, AND PRESIDENT, GENERAL EDUCATION BOARD, SCARSDALE, N. Y.—Resumed

Mr. RUSK. They have, sir:

Mr. KEELE. Which ones?

Mr. RUSK. We have supported Russian studies through five or six separate agencies. Two small grants in 1934 to the Institute of Pacific Relations for work on a Russian-language school and for the development of instruction in Russian language. Five grants to Cornell University ranging from 1939 to 1943 toward a program of Slavic studies at that university.

Five grants to the American Council of Learned Societies from 1943 through 1950 to 1952 for such purposes as the translation of materials for Slavic studies, the procurement, reproduction, and distribution of materials on Slavic subjects, and the purchase of current Soviet publications for American libraries.

There are six grants to the Library of Congress extending from 1943 to 1950 for such purposes as a collection of Slavic materials, the cataloging and organizing of Slavic materials in the library, the preparation for issuance by the library of a monthly list of Russian accessions, a survey of Russian materials to be microfilmed in the United States, and the distribution of surplus Russian newspapers and periodicals.

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We have also made substantial grants to Columbia University totaling over \$700,000 from 1945 through 1950 for general support of the Russian Institute at Columbia University.

We have made two grants to the American Council of Learned Societies and the Social Science Research Council in 1950 and 1951 in support of the Current Digest of the Soviet Press. We have also made two grants to Harvard University for material for instruction in the Russian language.

Mr. KEELE. Will you tell us with reference to the Russian Institute at Columbia what the purposes of that study were as revealed to you and as revealed to your foundation at the time the grants were made or before they were made?

Mr. RUSK. I believe the purposes of the Russian Institute at Columbia University, which were outlined to us over the course of the years through which the grants were made, are very well stated by the president of the university, General Eisenhower, in his inaugural address October 13, 1948.

We have, of course, contemporary materials in the files in the same direction, but this is stated briefly and succinctly and I would hope that the committee would permit me to read a few statements from General Eisenhower's inaugural address on the subject. He said:

There will be no administrative suppression or distortion of any subject that merits a place in this university's curriculum. The facts of communism, for example, shall be taught here—its ideological development, its political methods, its economic effects, its probable course in the future.

The truth about communism is today an indispensable requirement if the true values of our democratic system are to be properly assessed. Ignorance of communism, fascism, or any other police-state philosophy is far more dangerous than ignorance of the most virulent disease.

Who among us can doubt the choice of future Americans as between statism and freedom if the truth concerning each be constantly held before their eyes? But if we, as adults, attempt to hide from the young the facts in this world struggle, not only will we be making a futile attempt to establish an intellectual iron curtain but we will arouse the lively suspicion that statism possesses virtues whose persuasive effect we fear. The truth is what we need—the full truth.

Except for those few who may be using the doctrine of communism as a vehicle to personal power, the people who in our country accept communism as propaganda for truth are those most ignorant of its aims and practices. Enlightenment is not only a defender of our institutions; it is an aggressive force for the defeat of false ideologies.

That concludes that excerpt from General Eisenhower's statement.

The Rockefeller Foundation, beginning at least in the early 1930's, felt that it was of the utmost importance for the American people to take a greater interest in and to become better acquainted with large segments of world cultures which had up to that time been comparatively neglected.

Most of our educational structure on foreign cultures and foreign languages had been concentrated quite naturally in Western Europe and Latin America, but there were other vast areas of the world which were of increasing importance to the people of the United States, about which we as a Nation knew very little—cultures like the Islamic culture, the Indian culture, China, Japan, and of course the Slavic cultures of Eastern Europe.

It was felt that it was of the greatest importance to widen the familiarity of American scholarship with those areas in order that, as we ourselves were expanding our world interests and coming into

contacts with peoples in all parts of the world, we would have some basis here for a greater understanding of the problems involved.

Now, as we came to the period of the war, it seemed to be of particular importance to concentrate on those areas of the world in which we were directly involved with the war itself, whether of German studies in connection with filling in our gaps in the knowledge of Germany, or Japanese studies to fill in our gaps there, or of Russian studies, because it was important not only that we would know as much as possible about our enemies but we would know as much as possible about those with whom we were engaged in the last war.

There was a great desert of information about Eastern Europe and about China and Japan, and it was felt that it was of the greatest importance to sustain a systematic program of investigation and scholarship in that area.

I might, if I could, inject an individual, a personal comment, on the basis of my own experience in this field. In 1941 and 1942, when I was in the Military Intelligence, and there came a point where it was of the greatest importance for us to encourage concentrated attention on what was then called the weird languages, such languages as Indonesian, Burmese, some of the Indian dialects, some of the languages of Indochina. That happened to be the part of the world in which I was working in Military Intelligence.

Well, now, the American Council of Learned Societies and other people familiar with the language situation were trying to work out new techniques for quick instruction in languages as an emergency measure for use during that period.

We were confronted with the necessity for finding a native-speaking Burmese. The Bureau of Census told us that we had only six people in the entire United States who had been born in Burma. When we looked into them, we found that their names were such names as Murphy and McDougal, children of British soldiers born in Burma. There was one actual Burman in this country at that time in this entire Nation, and we were able to get hold of him to help with the Burmese language study.

In the postwar period we were desperately short of people who had any real conception of many of the countries which were of great importance to us.

I doubt, for example, that up until a year or so ago there were more than a half dozen Americans in the entire country who knew very much about Indochina, and there were perhaps not more than a dozen who had much of a knowledge of a country like Indonesia, except businessmen who might have been established in plantations rather isolated and remote from the great stream of Indonesian life. So, we have attached considerable importance to these area studies.

With specific reference to Russia, we feel it is of special necessity because we are in a vast world-wide struggle with that nation. They are aggressive; they are able in their propaganda; they are attacking the free-world structure continuously and with every means at their disposal.

If we are to have a reasonable chance to survive, and if we are to put ourselves in position to meet their propaganda among the peoples of the world, it is of the utmost importance that we understand not

only what they are saying to the rest of the world but what their institutions are like and what they are saying to themselves back in Russia, because it gives us important leads and important factual information about that nation and about our principal opponent in the present scene.

We feel that the investments that we have made in these Russian studies, as in other area studies, are a considerable and important public service, and that it is a development which is likely to grow rather than to shrink, and that the results of it might easily be the development of a body of scholarship here which will put the United States in a much better position to exercise the role of world leadership into which it has been cast.

Mr. KEELE. I direct your attention to General Eisenhower's use of the word "taught." Do you suppose he meant "study" instead of "taught"?

Mr. RUSK. I have no doubt whatever, Mr. Counsel, that when General Eisenhower used that expression he meant that we should study about communism and that we should not teach communism.

Mr. KEELE. I think Mr. Leffingwell and possibly Mr. Dollard touched on this, too. In answer to questions here, I think Mr. Leffingwell said that he thought there was a calculated risk of some of those persons who studied communism embracing it as a doctrine. Will you comment on that?

Mr. RUSK. I think it is true, Mr. Chairman, that there would be a risk of some degree. It would be hard to measure it; but over the course of the years you might lose a few individuals to a Communist ideology by bringing them into some contact with that system, but it seems to me that that could be minimized in two ways.

One is to establish the highest possible standards of instruction about Russia. Because, if students come into contact with the full facts in Russia, with the actual way in which the system operates, and learn that there is a great stream of Russians trying to leave the country, and in fact a stream actually leaving the country, that there is no great stream of people migrating into Russia, that the Soviet Constitution on paper does not represent the practices of the Soviet Government in the administration of the police state, those students will be protected by knowledge from embracing a system which now has to some people apparently some original emotional appeal.

I think also that as we expand the society of American scholars in such matters, as we get more Americans familiar with Russia, we are likely to be able then to rely upon fully loyal Americans for instruction and to dispense with the assistance of some of those who had to be turned to during the emergency of the war, who proved not to be entirely satisfactory on an ideological basis.

But I think we are committed, as a Nation and as a people inheriting a great democratic tradition, to the general proposition that, where free institutions and where ideas about freedom come into contact with totalitarian regimes, the ideas and institutions of freedom will survive in that context.

It seems to me that this increase of knowledge about what this totalitarian regime means will be one of the great elements of strength in our democratic system.

Mr. KEELE. What about the support given by the Rockefeller Foundation on the Army specialized-training program at Cornell during World War II?

Mr. RUSK. In the years 1939 to 1943 the Rockefeller Foundation made, I think, a total of five grants to Cornell University for Russian studies. Those grants fell into two categories.

Four of them had to do with the long-range area studies on Russia which were a general part of the major effort that I have been talking about, with which we were involved with the Library of Congress and Columbia University and others.

In 1943, according to a report to his trustees made by President Day of Cornell, the Army asked Cornell to undertake the training of certain persons in the military services in Russian, and it was important that that be an intensive course in order that those graduates might be available to the armed services as quickly as possible.

That was taken up with the Rockefeller Foundation in the spring of 1943, and the foundation agreed to make available \$10,000 toward the costs of that special Army training program in Slavic studies. That course was in operation from the summer of 1943 through December of 1943, at which time that particular course was abandoned by Cornell.

As I have examined the record in some detail, it seems to me that that is the course which has, as counsel has indicated, attracted adverse criticism, because they had on their faculty individuals whom I think no university over a longer period would welcome on its faculty for purposes of that sort, but they were faced with a war situation, and it seemed necessary at the time, not only because of the shortage of scholars, as was then felt, but because of the need for learning something about contemporary Russia, to draw into that instructional program persons who had had fairly recent experience in Russia.

Now that, I think, led them to employ individuals who had been in Soviet Russia in the postrevolution period, and individuals who might indeed have been sympathetic to the Russian Union.

There was even some discussion at one point at Cornell of asking the Soviet Government itself to lend a person to assist in actual language instruction. Remember, this was during the war.

Now, Mr. Day has made a full statement on that to his own board of trustees, and transmitted to us a copy of that report, which, of course, I will be happy to make available to the committee if the committee wishes it.

Mr. KEELE. You mean that is the report to the Cornell alumni from President Edmund Ezra Day in 1943-44?

Mr. RUSK. No, sir; that is a report dated January 7, 1944, addressed to the members of the board of trustees.

I should make one further comment about that particular program, because it illustrates one of the continuing problems confronting an organization like the Rockefeller Foundation.

In May the foundation received an inquiry from Cornell asking if we could make any suggestions about how the curriculum might be organized and how staff might be selected—any suggestions that we might have along that line. In the letter which went back to the professor of Slavic languages at Cornell, the following two paragraphs appear [reading]:

As for comment on the curriculum and the choice of staff, it would be distinctly improper for me to offer any. When we make a grant to a university like

Cornell, it implies full reliance on the responsibility the university will take in such matters. As a matter of fact, I really haven't any comment to offer.

Now, that paragraph reminds us of the problem which the foundation faces with respect to bringing influence to bear upon appointments to the faculties of colleges and universities.

We feel that it would raise very serious questions not only of foundation policy but of university policy and possibly even public policy if the foundations should themselves enter into the administration of our great educational institutions to that extent.

Mr. SIMPSON. But, if they make a wrong guess, you would discontinue payments? You wouldn't make another grant?

Mr. RUSK. If they make a wrong guess and it was clear that the program is not the kind of program that we had in mind to support, of course we would not renew our grants. That is correct, sir.

And then the second point in the second paragraph [reading]:

As for a mention of the foundation—  
in connection with this program—

it is our distinct preference that grants be reported only in routine fashion; that is, in the university financial reports or in such other announcements as the university sees fit to make. The foundation records all its grants in its annual report so that information about them is open to anyone who cares to seek it, but the feeling is here—

that is, in the foundation—

that it is distinctly preferable for a project of this kind to proceed under its own steam. In fact, there is a strong preference against associating the name of the foundation with the projects it finances.

That again has to do with the question of the association of the responsibilities of the foundation with the receiving institution, and we have tried over our historical past not to interfere in the real responsibilities of the receiving institution.

Now, as I indicated a moment ago, that particular Army training program, as I understand the situation, was wound up in December 1943 and was not resumed. In any event, the Rockefeller Foundation made no further grants to the Army training program.

We had a grant in 1943 of \$25,000 for the long-range development of the Slavic-studies program of the university, which apparently was quite a different activity.

Mr. KEELE. Why was it abandoned at the end of 1943, if you know, Mr. Rusk.

Mr. RUSK. My impression is—and, of course, I cannot testify directly to this except on the basis of the record—that there were misgivings about the success of the course itself; that there was discussion between Cornell and other institutions about whether this was the way to do it and about whether in fact some of the men on the staffs were those who were best qualified to carry on that kind of work.

And I think a combination of factors, including misgivings, resulted in abandonment of the course and its nonrenewal.

Mr. KEELE. Well, there was considerable criticism, wasn't there, of that course at the time it was going on? Didn't Woltman, in one of the New York newspapers, the World-Telegram, make quite a campaign against that school at that time?

Mr. RUSK. Yes, there was public criticism.

Mr. KEELE. They did have on their faculty Corliss Lamont, did they not?

Mr. RUSK. I believe that is correct, sir.

Mr. KEELE. And they did have Vladimir Kazakevich?

Mr. RUSK. That is correct, sir.

Mr. KEELE. And Kazakevich did go back to Russia, didn't he?

Mr. RUSK. Yes. Apparently he was a fairly volatile individual. He was at one time reported to have fought in the White Russian Army and then he went over on the other side.

As I understand the picture now, there was considerable discussion at Cornell among the faculty and among the students as to his objectivity. He, I understand, did go back to Russia, but where he is now of course I don't know.

Mr. KEELE. And Nicholas Slonimsky was on that faculty, was he not?

Mr. RUSK. I am unfamiliar with that name.

Mr. KEELE. The man from Boston, Slonimsky.

Mr. RUSK. That doesn't appear in my record.

Mr. KEELE. I believe it appears in this. I have a photostatic copy of the Cornell brochure on it.

Were there not other alleged Communist sympathizers on that faculty?

Mr. RUSK. The principal individuals who were named in the report of President Day to the trustees were Mr. Kazakevich and the person who succeed him, Mr. Joshua Kunitz. I am afraid that I do not have a list which would include the name that you last mentioned. I am not now of course denying that he might have been there.

Mr. KEELE. Well, he is listed here in this publication, Cornell University Intensive Study of Contemporary Russian Civilization, bearing the imprint of Cornell University on it.

Listed under the "Weekly Workshop Seminars No. 3, Soviet Music," Nicholas Slonimsky; development of Soviet music with emphasis on its ideas, forms, materials, and so forth. Slonimsky has been cited numerous times.

Has there been any criticism in informed sources so far as you know of the Russian Institute of Columbia with reference to whether or not the teaching is objective or slanted, or has any investigation been made by informed persons on that point?

Mr. RUSK. My impression is that there has been some press criticism of the Columbia program from some quarters. The very fact that anyone is teaching Russian and Russian studies tends to invite that kind of comment.

Our own officers have kept closely in touch with the Columbia program. We have known Mr. Philip Moseley for a very long time, and we believe that that institute is making a substantial and objective and important contribution to our understanding of the Soviet Union.

As you know, sir, the Columbia Institute is being used as a training center for officers of the armed services and for persons in the State Department, and it would appear to me that particularly in these last few years that that activity would not be going on were there any serious security problems in the minds of the authorities in Washington, who must be thoroughly alive to this problem.

Mr. KEELE. Let me put it this way. Would the Rockefeller Foundation contribute any support had it been its understanding that there was going to be any teaching of communism?

Mr. RUSK. The answer to that is flatly, "No". We would not under any circumstances support a program for the teaching of communism, in the sense in which you used it.

Mr. KEELE. Considerable criticism has also been leveled at the support given by the foundation to the civil-liberties study at Cornell. Will you tell us something about that?

Mr. RUSK. Yes, sir.

Mr. KEELE. I think you might bring those microphones a little closer to you, Mr. Rusk.

Mr. RUSK. Certainly it has been a problem which has infused most of our Anglo-American constitutional history, and has been with us since the beginning of our own Republic.

During the tensions of World War II and this postwar period, the fact that there is a security problem has clearly emerged. The world situation represents in a basic sense a vast contest between the Soviet Union and the United States as the respective leaders of the totalitarian world and the free world respectively.

In that situation we can expect to be a constant and primary target of Soviet penetration.

They will try to infiltrate our basic institutions, they will try to penetrate our institutions of government, they will try to bring disrepute upon all regular institutions in our democratic society. And so I think no one in his right mind would deny that there is a major problem of security.

On the other hand, there is a major problem of freedom. It is not merely the preservation, as a matter of conservative policy, of our great American tradition in freedom, not merely a matter of conforming our conduct to the principles set forth in the Bill of Rights in the Constitution, but it is in a more immediate sense a problem of maintaining our basic strength in this vast conflict in which we are engaged.

If America is to be strong, its citizens must have basic confidence in each other and must work out the tolerances which make our system work, because our system works on the basis literally of billions of minor decisions made by free citizens, rather than from any central authority and central source. Therefore, the atmosphere of relationships among those citizens is of vital importance to the successful operation of the system.

Further than that, if we are to exercise our world leadership effectively, we must rely heavily upon the free nature of our institutions. I say that because in this contest in which we are engaged, the material odds are stacked very heavily against our democratic system.

We can build a bridge in Greece at a cost of \$1,000,000, and the Communists can knock it down with a \$25 bomb. We can spend 4 months of great effort to take grain out of the farms of the Midwest to France, but the Communists can organize a strike in the ports of Northwest France and cripple a third of that year's Marshall plan by that action.

Now democracies are committed to the process of building, and the Communists, at least outside those areas under their control, are committed to the process of tearing down, and the building process is much more difficult than is the tearing-down process.



Now to balance that difficulty of the material odds, we have got to rely heavily upon the political and moral strength of the ideas which are inherent in our democratic way of life.

I happen to believe that those basic ideas are generally shared by men and women over broad areas of the earth, not because it is useful for us to think so or because we would like to think so, but because in literally thousands of international meetings over the years, you have the spokesmen for those areas talking about their aspirations and their purposes, and you realize that basically they are talking about the same sort of broad humane purposes and interests which are familiar to us here in this country. So that to find the proper balance between the needs of security and freedom is what Mr. Justice Douglas called the other day the paramount issue of our day.

It was suggested to the Rockefeller Foundation back some years ago, in '47 I believe, that it would be important for someone to initiate a study of the relation between the security program of the Government and civil liberties, in order to throw some light on this overriding and paramount problem.

The matter was discussed with Professor Cushman at Cornell, who had had considerable experience in that field and who was well thought of among his colleagues in the American bar. Professor Cushman made it clear that he thought it would be disastrous for anyone to undertake that program who is not fully alive to the fact that there was a security problem, as well as to the fact that there was a problem of freedom.

He seemed to be, with that realistic understanding of the nature of the problem, the person to head it up, and on that basis the Rockefeller Foundation undertook to support a study of civil liberties in relation to the security program.

We had no prior judgments on the matter. We did not know exactly what the entire study would produce. But we thought that, since that was an issue which was almost certain to be a matter of major importance to the Congress, perhaps even to the Supreme Court, certainly to the jurisdictions of the 48 States and to public discussion, the issues involved ought to be laid bare.

Now one of the important results of that study has been a series of books, books which we know are likely to be controversial in character because they are dealing with controversial subjects in a controversial period of our history.

One of those books, the first book by Mr. Gellhorn, has been widely heralded as a useful and objective contribution to the very difficult problems raised, particularly in the field of science in its relationship between freedom and security.

Incidentally, that is a subject on which my distinguished predecessor, Mr. Chester Barnard, commented on at some length in his last review for the Rockefeller Foundation, and you may wish to get his views on that when the opportunity arises. But it is not easy to know where the line ought to be drawn between security and freedom, and how much of a price you ought to pay purely in terms of your own strength, in the relationship between security and, say, free science.

As I indicated yesterday, American scientific and scholarly thought is a part of the great stream of western thought, mutually interdependent, one man contributing to the next man's advance, and one of the

issues here of course is to what extent we interfere with that stream for the essential security which we have to have. And so it is issues of that sort that we felt needed to be explored, and on that basis we made a grant to Cornell University.

Mr. KEELE. Did you know the men that were going to work with Dr. Cushman?

Mr. RUSK. We knew at the time that the grant was made that it was his plan to use among others Mr. Walter Gellhorn; I believe we also knew that he was to use Miss Eleanor Bontecou. Whether we had contemporary knowledge of any of the others—I think we also knew he was to use Professor Carr, of Dartmouth.

Mr. KEELE. Gellhorn has been alined or identified with a number of organizations which have been cited by the House Un-American Activities Committee as subversive, has he not?

Mr. RUSK. We listed his name in our answer to D-15 on that basis.

Mr. KEELE. And if he were a man of Communist sympathies, I take it from other statements you have made in your report you would hardly expect of him the objectivity which the Rockefeller Foundation says it requires of those working on its projects.

Mr. RUSK. If we had thought he was a man of Communist sympathies or a member of the Communist Party or committed to sympathy with the Soviet Union, we would not have made a grant which would have supported his work in this field.

Mr. KEELE. Well, motivation is a hard thing to weigh, isn't it? We have only such methods as common sense indicates in determining what a man's sympathies are; isn't that correct?

Mr. SIMPSON. What are the years, the ones we are talking about?

Mr. KEELE. '48 to 1951, 136,000.

One of the suspicious circumstances, I take it, as to Communist sympathy is the belonging to numerous organizations which have been found to be by responsible Government agencies Communist, or Communist-front or Communist-dominated, is it not?

Mr. RUSK. That would be a matter that would need investigation; yes, sir.

Mr. KEELE. Well, Mr. Gellhorn has belonged or been identified with a number of those organizations, has he not?

Mr. RUSK. It has been so charged; yes, sir.

Mr. KEELE. But of course we don't have personal knowledge of many things in life, do we?

Mr. RUSK. That is correct.

Mr. KEELE. You have been testifying to a great many things which occurred many years before you took over the presidency.

Mr. RUSK. That is right.

Mr. KEELE. But you feel certain of the facts, do you not?

Mr. RUSK. That is correct.

Mr. KEELE. Now, with the same line of reasoning, if citations appear with reference to Gellhorn in the House Un-American Activities Committee, are you prepared to accept those as citations without passing upon the judgment as to whether he is a Communist?

Mr. RUSK. Well, without passing upon the judgment as to whether he was a Communist or to the point as to what conclusions the House itself would expect one to draw from those citations, it is clear, as I understand the situation, that he has been listed in various House reports under this heading.

Mr. KEELE. And doesn't that at least arouse in your mind an apprehension concerning his sympathies?

Mr. RUSK. I think it naturally should raise a question on which one would need assurance, and I think at this point I might say that as the foundation saw it at that time, and sees it now, Mr. Gellhorn was a well-known and distinguished professor in one of our leading law schools, whose colleagues on the faculty hold him in high repute, who consider that his lifelong interest in civil liberties necessarily involved him in many so-called protest organizations and necessarily enlisted his interest in individuals who themselves were subject to serious question because they are the ones who often get involved in these civil-liberty problems.

He had served with the Department of Justice from time to time, and he appeared to be a man who could be relied upon to do an objective study in this field.

I think that assurance is borne out to some extent by the reception which his original book received, and I shall be glad to submit for the information of the committee a considerable number of book reviews and impressions which were received from many sources as to the objective and imaginative quality of that study.

I think the committee might be interested that very recently the Association of the Bar of the City of New York received a grant to make a study of the administration of family law, and they appointed a committee of distinguished lawyers, including a former law partner of Mr. Henry Stimson, to investigate the field carefully and to come up with a suggestion for a person to supervise that study. The committee looked over the field, concluded that from the professional point of view Mr. Gellhorn was an admirable person for that, made a full study of these charges which were before them, and concluded that they should proceed to name him to the study.

And I think it might be worth saying that the Association of the Bar of the City of New York is not in any sense an ultraliberal or in any sense a subversive organization.

We know from conversation with Mr. Gellhorn that some of the allegations he would undoubtedly deny flatly, and that others he would put back into a time context which would throw some additional light on them. But since I cannot speak, of course, with direct knowledge of all the details, and since I do not know Mr. Gellhorn myself, it may be that the committee would wish to get other information either from him or from other sources available to it on this subject.

Mr. KEELE. You feel, however, that in viewing the situation now that there was nothing in Gellhorn's record which would militate against the making of grant under comparable circumstances today?

Mr. RUSK. Well, we would, of course, make the same careful examination with his colleagues and with his associates and examine his work as we attempted to do at the time the original grant was made.

If no new materials are developed, newer than those which were presented at the time that the grant was made, I suppose that we would presumably come to the same conclusion.

But that is a matter which is not before us, which has not been brought up since I have come into the foundation, on which we have not received any late or different or new information, and so I could not give you of course a flat answer to that question, which has not really been raised for the foundation in any other way.

Mr. SIMPSON. What does that add up to, the fact of citation by one of the congressional committees? Does it not necessarily limit the scope of your grant? I misunderstood you yesterday then.

Mr. RUSK. I believe that yesterday you asked me if we made a grant to an organization cited by the Attorney General, and I stated then that—

Mr. SIMPSON. I said, to any one of the congressional committees or the Attorney General. You distinguished between the two.

Mr. RUSK. I think there is some distinction between the two based upon the way in which these individuals are listed by the respective committees.

Mr. SIMPSON. I want that explained.

Mr. RUSK. Yes, sir. In the case of the Attorney General's list, the listing is as a subversive organization or Communist or Fascist or whatever it is.

The policy of the foundation has been to make no grants to organizations on that list, and in fact no grant has been made to any organization appearing subsequently on that list, so that our attitude on that one is entirely clear, Mr. Simpson.

Secondly, we have a general policy to make grants only to organizations who themselves have earned a tax-exempt status from the Federal authorities. Now that itself provides us with a considerable check on the nature of the organizations to whom we are making grants.

Mr. SIMPSON. That finding though as to whether or not it is tax-exempt is made by the executive department.

Mr. RUSK. That is correct, and so is the listing on the Attorney General's list.

Mr. SIMPSON. That's right. I am referring to the legislative side, congressional committees. I would like to know the policy there.

Mr. RUSK. Clearly, if we find information in a congressional report or find an individual organization listed in a congressional report, that at least suggests to us the necessity for very careful examination.

As we read the introduction to index 4, the House committee is saying that the mere appearance of a name in this index does not itself indicate that the person involved is subversive, and in fact if one looks through that list, one finds some of the most eminent and distinguished Americans in American public life.

We have been unable to find any list which lists individuals who are cited by a congressional committee as subversive. We have been unable to find that the committees themselves consider their reports on those matters as conclusive; and so I believe a Federal court here in the District of Columbia has recently ruled that the mere membership in an organization, even which is listed by the Attorney General, is not itself conclusive as to the question of subversion.

And when the Joint Anti-Fascist Refugee Committee case against McGrath came up to the Supreme Court in 1951, there was a very considerable discussion by the Court as to the problem of identifying and listing subversives.

The Court was split 5 to 3, with, I believe, Mr. Clark disqualifying himself, but on the majority side there were five separate opinions, and I believe three dissenting opinions, but in that decision the Supreme Court sent the case back down and refused to answer precisely the question as to whether the listing by the Attorney General

was conclusive or must be based upon hearings. And I believe that case is now pending in the District court perhaps for trial.

Mr. KEELE. Well, the point was that they had not had their day in court; wasn't that the basis?

Mr. RUSK. I think that was involved.

Mr. KEELE. So you are relying, then, in the Attorney General's case on situations where admittedly they have not had their day in court?

Mr. RUSK. Well, that is a matter for the courts to determine. We feel that as a matter of foundation policy and public policy, that we should take the listing by the Attorney General with the utmost seriousness, assuming that the Attorney General himself not only has made a full investigation but expects at least other departments of Government to act on the basis that that finally is what it purports to be.

Now we do not find that the House committees have reported their lists exactly on the same basis. In the introduction to index 4 the House committee states:

The fact that a name appears in this index is not per se an indication of a record of subversive activities. It simply indicates that said name has been mentioned in connection with testimony or a report submitted.

Mr. SIMPSON. The answer, then, is—I am not criticizing you—that the fact that the man's name appears in a so-called citation by a legislative committee is not conclusive against your foundation possibly making a grant to that man?

Mr. RUSK. That is correct, sir; and we do not understand that the Congress itself intends it to be so used.

Mr. KEELE. Now what is the situation with reference to a report such as that one made by the McCarran subcommittee with reference to IPR?

Mr. RUSK. That report is of course a very serious matter. It is itself based upon a very long record, some 14 or 15 volumes of published hearings, which I myself have not yet had an opportunity to examine in full.

But there is no question but that such questions as were raised in a report of that sort should be taken with great seriousness by organizations in the foundation field, and that we should be fully on notice that relationships with institutions or individuals dealt with in that report would have to be on the basis of complete assurance after full investigation of all possible circumstances involved.

Mr. KEELE. Well, now, actually the foundation itself became suspicious of IPR back in 1946, did it not?

Mr. RUSK. That is correct, sir. We developed some very important misgivings about the situation back in 1944 and 1945.

Mr. KEELE. And how long did you support IPR?

Mr. RUSK. We have made grants over the entire period from 1925 to 1950.

Mr. Counsel and Mr. Chairman, the relationship between the Rockefeller Foundation and the Institute of Pacific Relations has been a very long continuing one from 1925 down to 1950. It has been reported regularly in our annual reports, but in the most recent years it has elicited a good deal of public interest as well as some sharp public criticism.

Although this represents only one-half of 1 percent of the funds appropriated by the Rockefeller Foundation for grants during the period involved, it is a matter of considerable importance to the foundation, and I believe also of considerable interest to the committee. I wonder if the committee would permit me to make a rather considerable statement on our record of relationship with the IPR?

Mr. KEELE. I don't think there is any limitation.

Mr. SIMPSON. The subject is of great importance, and I feel that you should be given such time to make your presentation.

Mr. RUSK. Thank you very much, Mr. Chairman.

The purpose of the Rockefeller Foundation's grant to the Institute of Pacific Relations was to promote the well-being of mankind by contributing to international understanding in the Pacific through a program of scholarly research, publications, and international conferences about that area. When World War II came, there was a strong additional reason for the foundation to continue its financial support to the IPR, as an agency upon which the United States Government was relying as one of the few sources of information in regard to the Pacific theater of operations, a service for which the IPR was commended in 1945 by the United States Navy. When hostilities ceased, the foundation gave additional terminating aid, on a diminishing scale, in order to preserve the potentialities of the IPR in helping to contribute scholarly research and publication toward the pressing postwar problems of the Pacific.

These objectives seemed to the foundation to be entirely consistent with the aims of United States Government policy. In giving support to the IPR as an agency for the promotion of these objectives, the foundation relied upon the information available to it, which for many years following the founding of the IPR in 1925 justified confidence in the organization as a scholarly and unbiased research agency. When this confidence was shaken by rumors and information coming to the foundation's attention, the foundation made every effort, within the limits of its powers and without assuming the responsibilities of direct control, which properly belonged to the governing body of the IPR, to ascertain the facts. Its conclusion, on the basis of the evidence available to it, was that while there had been ground to question the judgment and probably the objectivity of certain of the IPR staff leaders, these individuals appeared to be out or on their way out, and that the public interest would be served by helping the responsible IPR officers and trustees to salvage and restore the organization's public credit and usefulness.

If there is any issue here as to support of communism, Mr. Chairman, there can be no doubt as to the Rockefeller Foundation's attitude on that issue: The foundation did not provide funds to the IPR or to anyone else to be used to promote communism. In the foundation's view, the well-being of mankind, to which its funds are dedicated, is unattainable without freedom—especially freedom of thought—and communism means the suppression and destruction of freedom. The foundation not only abominates communism in all its manifestations, but it equally rejects the methods of communism, no matter who employs those methods or what pretexts are urged to justify them.

Throughout the period of nearly 40 years since its organization in 1913, the Rockefeller Foundation has been alive to its responsibilities as the administrator of a large fund for the benefit of mankind, be-

cause the foundation has accepted that as one of the basic responsibilities laid upon it by its founder and by the founder's family.

It has tried to conduct its affairs publicly and in a manner to deserve public confidence. There is nothing in the record of the foundation's grants to the Institute of Pacific Relations which should impair such confidence.

I am trying to set forth an account of the financial support provided by the foundation to the American Council of the Institute of Pacific Relations, and to the Pacific Council Institute of Pacific Relations, which is the international body; the foundation's purpose in providing such financial assistance; and the considerations which determined the attitude of the foundation toward the two organizations during the controversies of the mid-1940's, which have been so widely commented upon.

During the period 1926-50, the Rockefeller Foundation contributed \$1,267,559 to the Pacific Council, Institute of Pacific Relations; during the period 1931-50, it contributed \$617,800 to the American Council, Institute of Pacific Relations. Of the totals to the two organizations, \$742,500 was provided for support of their general administrative budgets and \$941,100 for research on problems affecting the Pacific area; \$201,759 was contributed toward a number of activities such as experiments in teaching Chinese language to English-speaking students, translations of Chinese historical source materials into English, and conferences under IPR auspices.

The sums provided by the Rockefeller Foundation amounted to 37 percent of the receipts of the two councils of the Institute of Pacific Relations, the remainder coming from a wide variety of sources, business corporations, private individuals and otherwise. But these sums were only one-half of 1 percent of the more than \$368 million in grants made by the Rockefeller Foundation for all purposes during the same period.

In requesting these grants, the IPR at all times represented that it was carrying out the purpose of its founders to promote peace and better understanding among the countries bordering on the Pacific by means of a program of research, conferences, and publications dealing with the problems of that area.

It maintained that its extensive research and publications program was wholly unbiased and objective, and it disclaimed any party or policy line, and it stressed the benefits to be gained from permitting free expression of the most diverse shades of opinion.

That these representations failed to reflect the true purpose and character of the IPR at least for a number of years, and that the net effect of IPR activities on United States public opinion has served Communist interests, is charged in a report issued on July 2, 1952, by the Internal Security Subcommittee of the Senate Committee on the Judiciary, Senator McCarran, chairman.

These charges have been vigorously denied by the IPR itself, and the report has produced a wide diversity of editorial comment ranging from praise to excoriation. When a controversy has become so heated, the question of where the exact truth lies may never be settled beyond dispute. It is noted, however, that the great bulk of research and publications work of the two IPR organizations has not been seriously called into question. The criticism has apparently centered upon cer-

tain persons who served for a time in positions of staff leadership or who contributed to IPR publications.

The McCarran committee concludes that the majority of the foundations and corporations which contributed to the support of the IPR "were not familiar with the inner workings of the organization," and that "The effective leadership of the IPR often sought to deceive the IPR contributors and supporters as to the true character and activities of the organization."

Now it is true that no one in the Rockefeller Foundation had knowledge of confidential memoranda or other material which the McCarran committee, with investigative powers not possessed by or appropriate to private organizations, such as a foundation, found in the files of the IPR and cited in support of its charges against the organization.

The foundation has no subpoena power or other means of gaining access to such evidence, except on a voluntary basis. It had to make its judgments on the basis of information available to it through the exercise of due care and a reasonable effort to obtain relevant data.

Obviously the foundation could not then know that certain persons closely associated with the IPR would several years later refuse to answer questions as to Communist affiliations. Had the foundation had contemporary knowledge of some of the information made available by later investigation, there is little doubt but that the foundation would have raised grave questions, which, if not satisfactorily answered, would have led it to withhold further support.

As a matter of carefully considered policy, the foundation refrains from any attempt to supervise or control the activities of recipients of its grants or to intrude into their inner workings. Any attempt to exercise its financial power for purposes of control would, in our view, represent such an interference with our great educational and research institutions as to raise the gravest questions of public policy.

This, however, does not preclude the possibility of such action as is available to the foundation where, after a grant is made, it develops that the funds are being used for purposes other than those for which the funds were provided.

While the foundation's annual reports issued year by year disclosed all of its major grants to the IPR as they were made, there has been no occasion until now for an over-all single account of this assistance.

This account begins with the promising start of the IPR, followed by years of growth and substantial achievement. It continues into a period of perplexity marked by efforts by the foundation to obtain satisfactory answers to some troublesome questions, and it leads finally to the attempt by the trustees and officers of the IPR to salvage and restore rather than destroy an organization which appeared to be able to overcome its weaknesses and to preserve its unique potentialities for developing international understanding.

The story as seen from the point of view of the Rockefeller Foundation falls naturally into four periods:

The origin and establishment of the IPR and its period of growth and achievement from 1926 to 1943. During that period Rockefeller Foundation grants amounted to \$1,429,878.

Then there was a period of perplexity and inquiry in 1944 and 1945, during which Rockefeller Foundation grants amounted to \$36,000.



There came a time of important decision in 1946, and during that year the Rockefeller Foundation made a decision, which I shall come to in a moment, and appropriated \$258,000.

Mr. KEELE. May I interrupt you?

Mr. RUSK. Yes, sir.

Mr. KEELE. Would the witness like a recess at this time?

Mr. RUSK. That would be very considerate, if I could have a moment.

Mr. SIMPSON. Let's get the fourth period.

Mr. RUSK. The fourth period was a period of attempted salvage, 1947 to 1950, during which the Rockefeller Foundation made grants of \$161,481.

Mr. SIMPSON. The committee will now be in recess for 5 minutes. (Short recess.)

Mr. SIMPSON. The committee will come to order, please.

Mr. RUSK, you may proceed.

Mr. RUSK. Mr. Chairman, I have reached the period of growth, of what is called the Period of Growth and Achievement on page 6.

The Institute of Pacific Relations had its origin in a conference held in Honolulu in 1925, under the auspices of a distinguished committee whose chairman was Dr. Ray Lyman Wilbur, president of Stanford University, a trustee at that time of the Rockefeller Foundation, and later Secretary of the Interior under President Hoover.

The purposes of its founders—to promote peace in the Pacific by conducting a program of research, conferences, and publications relating to the problems of that area—made a strong appeal to the Rockefeller boards. War, quite as much as disease, was a prime threat to the well-being of mankind. Already the clouds were beginning to gather over the Pacific, where there was no organized effort to preserve the peace. The interest of the League of Nations seemed to be focused mainly on Europe; in any event, the United States was not a member. The IPR seemed to be a pioneer in an unoccupied field, with every prospect in its favor. Soviet Russia, which was still politically unrecognized by the United States, was establishing important trade and business relationships with United States industry; Russia did not, however, join the IPR until 10 years later, and then remained for a brief period only.

To assist the new agency in getting its program under way, the Laura Spelman Rockefeller Memorial between 1926 and 1928 made grants totaling \$165,000, and after the memorial was consolidated with the Rockefeller Foundation in 1929 the foundation gave continued support in the form of grants totaling an additional \$1,264,878 by the end of 1943.

With the aid of these funds and contributions from a wide variety of other sources, the IPR during this period made a notable public record and gave every evidence of substantial achievement. Under the IPR sponsorship a series of successful international conferences brought together distinguished groups of statesmen, scholars, and men of affairs for discussion of major problems of the Pacific. The research program resulted in a series of books which were valuable contributions toward knowledge in this important area.

Frederick Vanderbilt Field, whose presence as secretary of the American Council of IPR for part of this period caused some misgiving, resigned this office in 1940, and it was not until later that

he became a contributor to and editor of the *New Masses*. He himself had pointed out to the Rockefeller Foundation in 1938, in connection with an IPR request for foundation support, that the IPR's character and long-term purpose inhibit it from political propaganda. The foundation had no reason at the time to question the good faith of this statement or of similar statements from other representatives of the IPR, oftentimes repeated.

Coming to the Period of Perplexity and Inquiry, 1944-45, it is hard to fix an exact date when foundation officers first became aware of rumors questioning the objectivity of certain IPR staff members and their work. In the beginning these rumors made little headway against the general respect for the IPR's achievement and confidence in its trustees and executives which continued well into the war years. The information materials relating to the Pacific theater of operations which the IPR had developed over the years, and had encouraged others to develop, were an important contribution to the war effort. In 1945 the IPR was awarded, in recognition of such services, the Navy Certificate of Achievement. Evidently, there were no serious doubts held at that time by the Navy Department, or, so far as the record shows, by any other Government agency, in regard to the reliability of the IPR.

The foundation, however, was growing concerned about the situation, long in advance of any expression of anxiety by Government. The foundation's concern grew out of a number of different elements: Talks which foundation officers had had with IPR staff members or former staff members, controversies about articles in IPR publications, and discussions and remarks dropped at IPR conferences which foundation officers attended as observers.

An article by an IPR staff member on the situation in China, which appeared in a 1943 issue of the IPR's *Far Eastern Survey*, was severely criticized for alleged bias by the Chinese representatives at the IPR interim-planning conference at Atlantic City in January 1944. A foundation officer who attended this conference as an observer brought back the impression that it was the feeling on the part of some participants that both the Pacific council and the American council were served by some staff members inclined more toward reform and promotional interests than toward hard, thorough, objective research.

In 1944 Alfred Kohlberg sent the foundation copies of his charges of pro-Communist bias in the IPR. The director of the social-sciences division of the foundation suggested that the charges be referred to an independent body of competent persons for hearing and determination. This proposal was accepted by Mr. Kohlberg, but rejected by the IPR. Instead, a special committee of IPR trustees reported to its board that the executive committee and responsible officers of the American council had "investigated Mr. Kohlberg's charges and found them inaccurate and irresponsible." The foundation officers would have preferred an independent appraisal of the organization's activities, I might say, not because of any views which they then held on the merits of the problem but because in their view at the time that was the proper procedure by which you could get rid of this kind of issue one way or the other.

An important conference of the IPR was held at Hot Springs, Va., in January 1945. At this conference a foundation officer, present as an

observer, gained the impression, specifically confirmed later, that the members of the British delegation were aroused and determined to bring about personnel and administrative changes that would make for more objectivity in the organization's work.

Finally, Raymond Dennett, executive secretary of the American Council of the IPR during part of this period, whose testimony is extensively cited in the McCarran report, disclosed to foundation officers during interviews in 1945 his dissatisfaction with the internal situation in the IPR. Nevertheless, even when he reported that he had submitted his resignation because of these conditions, he urged the foundation to continue its support of the IPR, saying that any other course would destroy the organization, which he would hate to see happen.

Such incidents created growing concern and doubt in the minds of foundation officers. However, no reliable evidence was before the foundation that members of the IPR staff were engaged in subversive activities, as charged several years later by the McCarran committee, or that the IPR itself was, as alleged by the McCarran committee, "considered by the American Communist Party and by Soviet officials as an instrument of Communist policy, propaganda, and military intelligence." The Rockefeller Foundation at that time knew that Owen Lattimore—to use one name that figured widely in the McCarran investigation—had been appointed during the early 1940's on the nomination of the President, as personal political adviser to Generalissimo Chiang Kai-shek. This seemed to be reasonably good evidence that he enjoyed the confidence of the United State Government. The foundation also knew that the intelligence agencies of the Government had leaned heavily on the IPR for help in supplying information about the Pacific, and had given every evidence of satisfaction with the materials supplied.

If I may interpolate briefly there, I was on duty, as I indicated before, as an officer in Military Intelligence, with some responsibility for amassing information about the Pacific islands, Australia, New Zealand, Malaya, Burma, as a ground work for further military operations in that area.

There was literally a desert of information about most of those areas insofar as information in our possession was concerned, and I can recall that the publication materials developed since 1925 by the IPR were, in fact, a considerable contribution to the understanding of the Government in the early days of the war about that vast area.

Furthermore, it would be unfair to those confronted with such problems in 1944 and 1945 not to recall that the general atmosphere was considerably different in those years from the atmosphere now prevailing. While there was little responsible opinion that the Soviet Union of World War II was democratic or cordial to the United States, there was a widely held respect for the wartime effort of the Russian people against the Nazis and there was a hope that the common interests which brought the Russian and American peoples together in the war effort could be maintained sufficiently in peacetime to allow the United Nations to work effectively, despite wide ideological differences. The bitter disillusionment of the free world in the years since World War II arose through no lack of effort on the part of the free nations to find a basis for establishing peace but because of a

series of provocative and aggressive acts taken by the Soviet Union in violation of its most fundamental international obligations.

We then come to the time of important decision as far as the foundation was concerned in 1946.

Among these perplexities in which the foundation found itself, the officers of the foundation, with the approaching expiration of the current grants in 1946, decided to seek the advice of four former trustees of the American Council of IPR who were understood to have resigned from its board because of dissatisfaction with conditions in the organization. In varying terms these former trustees expressed concern with the attitudes of some members of the American-council staff, and with the involvement of the editorial and research workers with a leftist union [later expelled from the CIO]. None expressed belief that any American-council staff workers were Communist Party members, but there was concern lest the staff might include a few "fellow travelers." All were troubled that many American-council board members were not in close touch with the actual work, and that too much authority was left in the staff. But the over-all feeling among this group of former trustees was that the Kohlberg charges had been exaggerated, and that the most important service the Rockefeller Foundation could render was not to destroy the American council by abruptly ending its support but, rather, to renew its grants and thereby reinforce the efforts of the group who were working to strengthen the organization in line with its original objectives.

Before the time came for action by its own trustees, the foundation officers had received word that the Pacific Council of IPR had retired Edward C. Carter as secretary general, and had replaced him by William L. Holland. Mr. Carter continued in a close executive relationship with the American council, but he was obviously on the way out, and it was believed that a new point of view, with more emphasis upon seasoned scholarship, would be helpful to the situation.

Under the circumstances, the officers decided to recommend that general support—that means general administrative support—for the IPR should be terminated, but that the organization should be given a chance to adjust itself to a diminishing level of foundation aid over a period of 5 years. Support for other nonuniversity centers of international studies—for example, Mr. Chairman, such as the Council on Foreign Relations in New York, and the Foreign Policy Association—was being similarly reduced. The foundation's board, after considerable discussion, approved this proposal with the understanding that this was to be the terminal grant for support of the IPR. The total amount appropriated at that time was \$233,000, of which only \$25,000 was to be available in the fifth and final year of the grant.

Coming then to the last period, the period of attempted salvage, it was the hope of the foundation that, with the help of these funds and the active interest of the IPR's able and distinguished group of trustees, the IPR would regain full public usefulness and confidence. Important steps were taken in that direction. The influence of the staff workers' union was eliminated. Frederick Vanderbilt Field, who had resigned as secretary of the American council in 1940, resigned from both the board and the executive committee in 1947. E. C. Carter left the executive vice-chairmanship of the American council in March 1948. Dr. Ray Lyman Wilbur, one of the chief organizers of the IPR,

took the chairmanship of the American council. Dr. Wilbur commanded general confidence. He told the foundation officers that he had accepted this office in order "to restore the momentum and the health of the organization," and expressed the hope "that [foundation] interest may not die."

With the sponsorship of Dr. Wilbur, Mr. Clayton Lane, an experienced senior officer of the Foreign Service, took office as executive secretary of the American council in October 1948, upon the understanding that E. C. Carter would be off the executive committee by the end of the year. Mr. Lane gave the foundation his assurance that the reorganized staff of the IPR was competent, objective, and without any Communist bias. Following Dr. Wilbur's death in 1949, he was succeeded as chairman of the American council by Mr. Gerard Swope, former president of the General Electric Co.

The effort at salvage was making definite progress, but the unfavorable publicity continued, largely directed against the situation which had existed before these changes in personnel and organization. In May 1949, in order to meet the pressing needs of the Pacific council and to permit it to proceed with research related to the prospective 1950 conference, the foundation made a special appropriation of \$25,000 to its general budget. Early in 1950 the IPR gave notice that in spite of the utmost effort it had not been able to make the necessary adjustments to the diminishing scale of foundation support. Contributions from other sources were not coming forward on the necessary scale. The salvage effort would collapse unless the foundation came to the rescue.

The officers were reluctant to recommend further support to the foundation trustees, but in June 1950 the officers met to consider the matter with leading IPR personnel, including the following:

Gerard Swope, chairman, American Council of IPR; honorary president, General Electric Co.

Arthur H. Dean, vice chairman, Pacific Council; partner, Sullivan & Cromwell

William G. Brady, chairman, National City Bank

Dr. Hugh Borton, associate director, center of Far East studies, Columbia University

Joseph P. Chamberlain, Columbia University

C. B. Marshall, vice president, Standard Vacuum Oil Co.

J. Morden Murphy, assistant vice president, Bankers Trust Co.

Gen. William H. Draper, Jr., vice president, Dillon, Read & Co.

W. L. Holland, secretary general, IPR

Clayton Lane, executive secretary, American Council, IPR

I think that list reflects a considerable amount of responsible and conservative public interest and public service.

Three questions were put to this group:

Is it important to save the IPR?

Can it be saved?

If the Rockefeller Foundation makes a grant, will you put your shoulders to the task of saving the IPR?

The foundation officers were given assurance on these points by those present. Moved by these assurances and by the progress which undoubtedly had been made under the 1946 grants, the officers recommended to the executive committee of the foundation at its June 1950 meeting that additional grants of \$60,000 and \$25,000 be voted to the American Council and to the Pacific Council of the IPR, respectively,

the first for use over a 2-year period, and the second for 1 year, but with the understanding that a recommendation for an additional year's grant of the same amount might be expected.

After prolonged consideration the executive committee of the board of trustees of the Rockefeller Foundation, expressing deep concern over the charges against the IPR, declined to approve this recommendation. Instead, it asked the officers to make further investigation and specifically to inquire of the State Department whether or not, in the Department's judgment, a further grant would be in the public interest. Accordingly, a letter was addressed to the Under Secretary of State making this inquiry. This letter said that the foundation "is not interested to support those who do not handle evidence with integrity," and that questions had been raised concerning certain members of the IPR staff. The foundation was told informally that such matters were handled not by the State Department but by the FBI and that the State Department could not advise on the matter.

As a matter of fact, the Under Secretary of State, to whom the letter was addressed, knew that I had been recently elected to the board of trustees of the Rockefeller Foundation, and called me in to explain to me when he received this letter, not through me at all but directly from New York, that it was contrary to the policy of the State Department to give advice to private citizens and organizations in this field, and that the Department would put itself in a most difficult position if it attempted to do so, and asked me to convey to the Rockefeller Foundation informally that situation which was responsible for the failure to receive a reply.

Thereupon, on the basis of that response from the State Department, a letter was addressed to Mr. J. Edgar Hoover of the FBI, making the same inquiry, stating the foundation's understanding that five or six FBI agents had spent several weeks going through the files of the IPR, and asking for confidential advice as to the facts. Again the foundation's efforts were unsuccessful. A reply from Mr. Hoover indicated that the FBI made such reports only to Government departments.

In September 1950 the executive committee and officers of the foundation were confronted with the strongest recommendations for a further grant and with every indication that the then officers and trustees of the IPR were determined to restore the IPR to its former great usefulness; there was no contrary advice from agencies of Government responsible for security problems. The Institute of Pacific Relations has never appeared on the Attorney General's list of subversive organizations. The executive committee thereupon approved the grants upon which it had postponed action in the preceding June. No further appropriation since that time has been made by the foundation in support of the IPR.

Mr. Chairman, I deeply appreciate your courtesy in allowing me to make such an extensive statement. I believe the foregoing account indicates why the Rockefeller Foundation believes, as stated above, that there is nothing in the record of the foundation's grants to the Institute of Pacific Relations which should impair public confidence in the foundation's work.

Mr. SIMPSON. What is the policy of the foundation now with reference to IPR?

Mr. RUSK. In the first place, the foundation decided back in 1946 to reduce its support for nonuniversity centers of research and international organizations so, quite apart from any question of uncertainty, from the point of view of the policy of the foundation in making grants, I have indicated that our policy has been shifting away from grants for the types of organizations involved.

I have also indicated that had the foundation known at the time the grants were made of some of the information made available by later investigation, grave questions would have been raised which, if not satisfactorily answered, would have precluded any further support to the IPR.

Now those grave questions are on the record, and there is a vast record which requires examination. I myself do not believe that those grave questions have been at this time satisfactorily answered, and of course the Rockefeller Foundation would pay attention to any listings of Government in this field or any comments made by congressional committees. But we do not have before us any application from the IPR, and we do not have any information that they even intend putting one in.

I would think under the circumstances the chances that the trustees of the Rockefeller Foundation would take up this matter again at this point are very remote.

Mr. KEELE. In response to certain questions contained in the questionnaire, you cited the American Council of the Institute of Pacific Relations, and I think you have discussed that. Have you anything further to add to that, Mr. Rusk?

Mr. RUSK. I think not, sir.

Mr. KEELE. Then you were asked to cite other recipients of grants from the Rockefeller Foundation which had been criticized or cited by the House Un-American Activities Committee or other agencies. Among those that you named were the following, page 69 of your report: Hans Eisler, according to the statement you made there, received a grant through the New School for Social Research, toward experimental demonstrations of music and film production, of \$8,250 out of a total grant of \$20,160. That was in 1940. Will you tell us about that?

Mr. RUSK. Yes, sir, I would be glad to, and I will not ask for as much patience from the committee as I asked for in regard to the IPR.

On January 19, 1940, the Rockefeller Foundation made a grant of \$20,160 to the New School for Social Research toward a research project in the use of music in film production, under the direction of Hans Eisler, the Austrian composer.

At the time the foundation made its grant to the New School in support of Eisler's research project, its officers did not have knowledge of the facts brought to light in 1947 in hearings before the House Un-American Activities Committee.

But it seems also to be true that such facts were not generally known or available in 1940, since no critics of the foundation's grant came forward until the House Un-American Activities Committee had publicized its findings concerning Eisler's Communist affiliations—despite the fact that the foundation's grant received wide publicity in 1940 in the newspapers and was reported in the foundation's annual report for that year. This in itself suggests that the foundation is

now being judged through hindsight rather than on the basis of facts and circumstances existing at the time the grant was made.

Because of the confusion and misunderstanding which have arisen with respect to this grant, it may be helpful to recount the story. The Rockefeller Foundation did not make a grant to Hans Eisler for his personal support, although it knew that some of the funds granted would be used for his basic salary.

It made a grant to an institution for the purpose of supporting a research activity which would contribute to the world's knowledge in a particular field of experimentation in the arts. The institution, moreover, was one with which the foundation had had frequent association in connection with other grants.

For example, after the rise of Hitler to power in Germany, the Rockefeller Foundation spent considerable sums in a program for refugee scholars fleeing the rise of Hitlerism and its move across the face of Europe, and we were at that time sympathetic to the needs of these scholars who were being driven from their homes by the rise of totalitarianism.

In October 1939, officers of the foundation received an inquiry from Dr. Alvin Johnson, director of the New School for Social Research, concerning the possibility of a foundation grant for a research project in film music which had been proposed by Hans Eisler. In connection with this inquiry, Dr. Johnson submitted a 9-page memorandum prepared by Eisler which set forth the purpose and scope of the proposed project. The project was to be directed toward four problems: (1) the possibilities of utilizing new types of musical material in film production; (2) problems of instrumentation; (3) problems of blending music and sound effects; and (4) problems concerning the relation of music to the content of film.

The initial reaction of officers of the foundation was favorable. The foundation had recently made a grant of \$30,000 to the Stevens Institute of Technology for a research project in the use of sound effects in theatrical production, and it was felt that the project proposed by the New School might provide similar data regarding film production.

Before proceeding further, however, officers of the foundation asked Dr. Johnson to arrange a conference between officers of the foundation and Eisler for the purpose of discussing the proposed project in more specific detail. At the same time, officers of the foundation questioned Dr. Johnson regarding Eisler's political affiliations, since rumors had come to their attention that Eisler's music was being utilized for songs for left-wing movements. In response to this inquiry, foundation officers were assured by Dr. Johnson that Eisler had no political affiliations and was wholly preoccupied with musical research.

And I might interpolate there, the record seems now to be that we were completely wrong, in assuming that that was the fact.

Following the conference with Eisler, officers of the foundation advised Dr. Johnson that they would consider the possibility of making a small grant to some agency such as the New School in support of Eisler's research, provided most of the grant were used to pay the actual expenses of the project, and not to provide a substantial stipend for Eisler personally.

That was a condition made at the time.



When Dr. Johnson indicated that the New School would be willing to administer a foundation grant on such terms, officers of the foundation requested Dr. Johnson to submit a detailed statement outlining the research procedures to be followed, administrative arrangements, budgets, and similar details. Upon receiving such a statement, officers of the foundation made several investigations, both as to the substantive merits of the project and as to Eisler's technical competence to direct the project. One inquiry was directed to the film library of the Museum of Modern Art. Another was directed to the office of radio research at Columbia University. Replies to these inquiries confirmed what the foundation had already learned from Dr. Johnson regarding Eisler's achievements in the field of music—that Eisler had had a distinguished career as a composer of music for films in Europe and that his recent compositions for the petroleum exhibit at the World's Fair had been well received in the United States, and were commented upon favorably by the press representing all shades of opinion.

All agreed that the proposed research project would make a significant contribution to existing knowledge of the use of music in film production. Foundation officers were also advised that the Oxford Press had agreed to publish the book which Eisler proposed to write, which was published in 1947 under the title "Composing for the Films."

Officers of the foundation then had a further conference with Eisler and Dr. Johnson regarding such administrative details as estimated expenses of demonstrations, arrangements for a custodian of film materials, and so forth.

Finally, after more than 3 months of investigation and study, officers of the foundation advised Dr. Johnson that they were ready to recommend a grant to the New School in the amount of \$20,160, and that was approved by the executive committee of the foundation on January 19, 1940.

As a new officer coming into the Rockefeller Foundation, being confronted with a problem of this sort, and having had sufficient experience with the types of inquiry in which we are now engaged to be able to predict at least some of the things that might be of interest, I tried my best to find any scrap of evidence, either oral or written, either in our files or in the recollections of our officers, that officers of the Rockefeller Foundation had at any time anything whatever to do with the deportation problems into which Mr. Eisler himself fell. I have been able to find no scrap of evidence that, prior to the approval of the grant, or during the months that followed, officers of the foundation had knowledge of any deportation proceedings pending against Eisler.

At no time did any person connected with the Rockefeller Foundation intervene in Eisler's behalf with regard to his immigration status, in a deportation proceeding or otherwise.

It may be helpful, however, to clarify several facts regarding Eisler's immigration status at that time, as disclosed in the 1947 hearings before the House Un-American Activities Committee. No deportation proceedings against Eisler were pending at the time the foundation's grant was approved in January 1940, but on the contrary Eisler was then lawfully in the United States on a visitor's visa. While Eisler subsequently overstayed his visitor's visa and was or-

dered to leave the United States on this ground—and not on the ground that he was a Communist—the order was canceled when Eisler received a nonquota immigrant's visa in September 1940, permitting him to remain in this country. The final installment under the foundation's grant to the New School was paid in July 1941, and the work covered by the grant was completed before the end of 1942. The House Un-American Activities Committee hearings in regard to Eisler were not held until 1947, and it was not until 1948 that Eisler left the United States in the face of deportation proceedings.

One fact remains clear, Mr. Chairman. If the foundation had had any reason to believe that Eisler entertained subversive intentions toward the United States or that, because of political affiliations, he was incapable of objective experimentation in the use of music with films, the foundation would not have made its grant to the New School in support of Eisler's film-music project. And, of course, with the benefit of hindsight we should be very glad at this point not to have made that grant.

Mr. KEELE. Well, wasn't Dr. Johnson well known to you and to the foundation at that time?

Mr. RUSK. We had had considerable relations with Dr. Johnson, particularly because of his work in the rescue of scholars from Europe.

Mr. KEELE. And hadn't he been openly taking the position at that time that he didn't care whether a man was a Communist if his work was good?

Mr. RUSK. I am not familiar with the open position that he was taking on such a broad subject.

We precisely asked Dr. Johnson to ascertain the position on that point with Mr. Eisler, and our understanding is that Dr. Johnson asked Eisler himself and made his, Dr. Johnson's, own judgment that Eisler was fully engaged and interested in his music, and was not engaged in any political activity.

Mr. KEELE. It is a rather naive question to ask a man suspected of being a Communist.

Mr. RUSK. It is, sir. I suppose it is more naive in 1952 than it might have appeared in 1940.

Mr. KEELE. Well, you are familiar with those hearings, I take it, held in 1947. On page 81 of that report they brought out a letter on June 20, 1938. Johnson, who had then been in contact with various Government officials and had been advised that Eisler's visa was being held up, wrote Eisler this letter:

I understand that your visa is being held up because you have been boosted by the Daily Worker as a Communist. I personally have no prejudice against Communists and can see no earthly reason why a good Communist should not be a good musician.

Wasn't Johnson's attitude pretty well known at that time—that he had no objection to having Communists on his staff? Hasn't he made the same statement with reference to the work of the Encyclopedia of Social Sciences?

Mr. RUSK. I regret, Mr. Counsel, that I have not sufficiently reviewed the public statements of Mr. Johnson to be able to respond directly to that.

I think it is true that there was a period during our relations with the Soviet Union when there was a view held by some that commu-

nism does not necessarily invade all aspects of scholarship and learning; that there were politically neutral branches of science and learning which were not susceptible to Communist pressure.

We ourselves, I think, now have clearly learned that that is not now the case, and that the totalitarian pressures of the Soviet regime have by gradual stages brought them into domination of all of these fields of the arts, sciences, education, and everything else, even in the field of medicine. But I could not, I am afraid, testify. I would be glad to look into that further and submit a statement, if counsel wishes.

Mr. KEELE. Well, actually the employment of Eisler by the New School for Social Research was the factor which permitted his visa to be extended, was it not?

Mr. RUSK. That may, in fact, have been the case in terms of his ability to find employment in this country; but that, at the time, we did not know and were not connected with it.

Mr. Counsel, on page 82 of the same hearings there is a statement by Dr. Johnson quoting from Eisler's letter to him on this question of Communist sympathies.

I realize that a statement by Eisler to this point would not be considered very probative, but you would note that at the top of page 82 Eisler had told Dr. Johnson:

You know my sympathies are anti-fascistic, but I assure you I am not a member of any political party, neither the Communist Party. I am a composer. All my aims are musical ones, and I see everything from a musical point of view.

That we could comment on very sharply now, but that was a part of the same record.

Mr. KEELE. I think it must be admitted that there were a number of prominent persons, including Mrs. Roosevelt, who were then interceding in behalf of Eisler; isn't that well established now?

Mr. RUSK. I have not myself examined the record. I have heard that said.

Mr. KEELE. Well, wasn't that brought out in those same hearings?

Mr. RUSK. Yes; but I have not made a personal examination of the full hearings. That is my problem.

Mr. KEELE. Well, what is the view of the foundation now? Does it affect the artistic work of the man if he is a Communist sympathizer, in the opinion of the foundation?

Mr. RUSK. I think there are two answers to that, Mr. Counsel. Both can be quite emphatic.

I think the Communists themselves have clearly demonstrated by their public acts, not only in the Soviet Union but elsewhere, that they themselves have moved politically into these fields of the arts and sciences, and so that question is entirely clear from the Communist point of view.

From our point of view, we would not make a grant to a Communist even if someone could demonstrate that somehow music and science are outside the interests of communism. We do not, and do not intend to, make any grants to Communists under any circumstances whatever, if we can possibly avoid it.

Mr. KEELE. And I think you have already said you would not have made this grant had you known then what is known now.

Mr. RUSK. I have no doubt about it, sir.

Mr. KEELE. Another man whom you listed in your report was J. B. S. Haldane. I think he was criticised in House Report No. 209.

You cited, that on April 1, 1947, 12 grants of \$53,572 were made over a period 1935-47 to the University College, London, England, for research in genetics, under the direction of Haldane. What are the facts with reference to those grants?

Mr. RUSK. As I have indicated, Mr. Counsel, the Rockefeller Foundation made grants totaling \$53,572 during the period 1935-47 in support of the work of Prof. J. B. S. Haldane, a distinguished British geneticist. All grants were made to the University College of London, to provide research equipment, supplies, and technical assistants for research in the field of genetics under Haldane's direction.

Haldane has long been regarded as one of the world's leading geneticists, with an unusual competence in biochemistry, physiology, and mathematics, as well as genetics.

While Professor Haldane's association with the British Communist Party became known to the officers of the Rockefeller Foundation in 1942, further support of his work was recommended until 1947, based primarily upon his established reputation as an outstanding scientist, upon the absence in his published research of any indication that the objectivity of his scientific research was being affected by politics, upon his record of confidential work for the British Government during World War II, and upon the advice of his scientific colleagues in Britain.

After the Lysenko dispute in the Soviet Union, Haldane announced himself as a Darwinian, that is, he lined himself up with the main body of western science in genetics. In 1952 he was awarded the Darwin medal by the Royal Society of England, which is certainly a well-established and well-known organization. Professor Haldane's present relation to communism is, I suppose, therefore open to at least some qualification, because of his break with communism on this important scientific view, but the foundation ceased its grants in 1947, although it did give grants for about 5 years during which it was known that he was associated with the Communist Party.

Mr. KEELE. Now I am unable to reconcile that with the statement which you had previously made, unless it is explainable on the grounds that the policy of the foundation has changed.

Mr. RUSK. I think the policy of the foundation has changed to some extent under the pressure of world events, but also I think the actions of the Communists themselves, both in the international field and in the scientific field, have brought about a change in policy, because if there is reason to believe that a scholar or scientist is not prepared to act on the basis of objective data, then the answer for the foundation solves itself.

In these fields where communism is entering everywhere, purely on scholarly grounds, in addition to the security and national grounds involved, we would not make grants to Communists under present circumstances.

There was a view among British scientists during the period 1942-47—and this was discussed with them during that period—that Haldane's contributions to western science, particularly in the field of genetics, were important enough for continued support despite the fact that he appeared to be playing around with Communist politics, outside of his genetics.

I think that we would have the gravest difficulty in entertaining any application from a person in Haldane's position at the present

time, but there has been some moderation or modification of policy based upon the build-up of the security problem on the one side, which has become increasingly clear, and the increasing invasion of totalitarianism into the fields of scholarship and science by the Communists themselves.

Mr. KEELE. All right. The next item or person whom you have listed on page 69 was Curie. Will you tell us about that, the grants and so forth, and the circumstances surrounding it, and your explanation of it.

Mr. RUSK. Yes, sir, I would be glad to. Grants to a total of \$15,684.42 were made to the Radium Institute and to the laboratories of nuclear chemistry and atomic synthesis of the College of France during the years 1935-39. These grants were made for training personnel associated with Joliot-Curie and for equipment and supplies used in the laboratories.

The Rockefeller Foundation's interest in this work grew out of the foundation's major interest in developments in the field of physics relating to radioactivity which had occurred during the early 1930's. Scientists all over the world were concerned with the newly developed uses of controlled radioactive substances as indicators to show the diffusion, permeability, and storage properties of tissues for given elements and chemical compounds.

Another important use was the possible treatment of disease with these controlled radioactive substances. In order to carry out research in these fields, close cooperation among several branches of science was required—physics, chemistry, biology, medicine.

And an important part of that research in the thirties was then being conducted under Joliot-Curie, who had received the Nobel prize in 1934 for his work in the field of radioactivity. The French Government itself was already supporting this research with substantial appropriations.

The nature of the Rockefeller Foundation's interest in this work in those years is well brought out in a rather ironic way in a statement that appeared in the President's Review for 1940. This was after our grants to Joliot-Curie had been made. Mr. Fosdicks, in that President's Review in 1940, said:

With so much creative human talent employed in devising increasingly powerful engines of destruction, it is at least some comfort to know that today in the United States work is proceeding on two of the mightiest instruments the world has seen for the peaceful exploration of the universe. One is the 200-inch telescope nearing completion on Mt. Palomar, Calif.; the other is the giant cyclotron under construction at Berkeley, Calif.

That was looked upon as a great instrument for the peaceful exploration of the universe by our President in 1940. And he referred in that same report to the "insatiable intellectual curiosity which is the mark of civilized man."

Now our interest during the thirties was not in the security aspect or the explosive aspects of atomic energy, but in the medical aspects and in the effort to push out the horizons of human knowledge in this infinitesimal direction in much the same way in which we were trying to help push them out into the high heavens through the Mount Palomar instrument. But by 1942 the importance of the new development was brought to us in a very dramatic way.

It became necessary after Pearl Harbor for the University of California to step up its construction of the giant magnet for the cyclotron. They needed an additional grant, which was not then available from Government, in order to pay their workers to go on a 24-hour shift, rather than on the normal rate at which the magnet was being built.

They asked the Rockefeller Foundation for the \$60,000 required, offering to have one of our officers taken down to Washington to be put under special security classification for the purpose of receiving information on why it was important.

The foundation preferred to place its faith in the University of California, and the board of trustees, without any knowledge of the purpose—perhaps one or two of our scientific staff members had some knowledge as a matter purely of scientific speculation—but the board of trustees without asking the University of California for the purpose, appropriated \$60,000, and we were told after the war that that made a substantial difference in the timing in which the atomic bomb was eventually produced.

Now I mention that story because somewhere between 1940 and 1942 the importance, the difference in the nature of interest in this field, of course, impressed itself upon the Rockefeller Foundation.

As far as Joliot-Curie is concerned, he has gone from bad to worse. We understand from associates in France that he clearly went Communist in 1943. If that information is correct, that presumably would be after we had made the grants, but I would not place too much reliance on when that change occurred. We certainly didn't know of that Communist Party membership at the time the grants were made.

But he has gone to the outer limits in the betrayal of every scientific standard in his association of himself with the Soviet Union in such things as the germ-warfare charges. And, of course, the Rockefeller Foundation would not make a grant to him under these circumstances.

If the question is, are we now sorry that we ever did, we would like to say yes, unequivocally. I think the main body of western scientists, however, would still say that we gained something from Joliot-Curie's scientific contribution during the 1930's. But on policy grounds, our position is utterly unequivocal.

Mr. KEELE. Let us take up the persons listed on page 70 of your report, unless there is some further question by the committee with reference to Joliot-Curie.

Mr. RUSK. In the case of Mr. Louis Adamic, we made a grant of \$3,000 in 1937 for work which resulted in the book *My America*, and to assist in collecting material on the cultural life of foreign-language groups in the United States.

That seemed to be attractive at the time on two grounds. One, the importance of the assimilation of foreign-language groups into the basic structure of American life.

The committee will recall that in the post-World War I period, a great deal of effort was given around the country to try to integrate into the American scene the so-called hyphenated Americans, and Louis Adamic's work appeared to be making a substantial contribution to an understanding of that problem.

And the second was his literary competence. He appeared to be a man who knew how to write well.

But in any event he was credited at the time with having contributed materially to the assimilation of foreign-born nationals into the American community.

To the best of our knowledge no charges of any special sympathy for the Soviet Union had then been made, and it was not until 2 years after the grant that he signed the statement of the Committee for Cultural Freedom, which began to raise questions.

Mr. KEELE. I suppose you have read the article purporting to be by Adamic in *The Nation* on June 28, 1952?

Mr. RUSK. No, I am afraid I have not, Mr. Counsel.

Mr. KEELE. I read this quotation from *Confessions of Thirty-third Degree Subversive*:

Or let's consider this episode in my reprehensible career. One day in 1937 I was sitting on the stage in a ballroom in the Waldorf Astoria Hotel during the proceedings of the annual New York Herald Tribune Forum, when the polite stranger next to me introduced himself as David Stevens, and turned out to be the head of the humanities division of the Rockefeller Foundation.

Instead of listening to the speakers, most of whom were subversives, of one kind or another, Mr. Stevens and I held a whispered conversation about a magazine article of mine he had just read, and the first thing I knew he asked me if I could use a grant-in-aid.

I wasn't exactly broke at the time, but the offer was one of those flukes that could happen only in America, and who was I to scorn our way by refusing a Rockefeller grant. On the other hand, being a subversive and hep to some of the history of great American fortunes, and also being tired after finishing a book, with my whole character in a wobbly and sagging condition, I didn't, I couldn't, refuse Rockefeller money. In short, I took it.

Mr. RUSK. Have we asked Mr. Stevens for a statement as to whether that meets his own recollection?

Mr. BELKNAP (counsel for Rockefeller Foundation). I don't think we have. Mr. Stevens is in California.

Mr. KEELE. I think it is a humorous article.

Mr. RUSK. It could have happened, Mr. Counsel, but I would like to confirm it with Mr. Stevens.

Mr. KEELE. What about Vera Dean?

Mr. RUSK. We made a grant of \$2,000 in 1941 to the Foreign Policy Association toward the expenses of Mrs. Dean's trip to South America for the study of political and economic relations of Latin America with the United States and Europe.

Mr. KEELE. What is that date again?

Mr. RUSK. Yes, in 1941.

Mr. KEELE. I thought you said 1951; sorry. 1941; all right.

Mr. RUSK. Yes, sir, and that was 8 years before the reference indicated here in the House report?

Mr. KEELE. And what about Hallie Flanagan Davis?

Mr. RUSK. Hallie Flanagan Davis benefited indirectly from five grants made by the foundation for the support of the theater. There were no direct Rockefeller Foundation grants to Mrs. Davis. Two were to Vassar in 1937 and 1939, two to Smith in 1942 and 1947, one to Dartington Hall Trust in Great Britain in 1950.

Mr. KEELE. Was anything known of her at that time or her activities?

Mr. RUSK. The only thing that I have been able to distill out of an examination of our records, Mr. Counsel, is that Mrs. Davis' work,

both as a theater director and as a writer, has involved her in controversial situations and subject matter.

Her views, however, have seemed to competent authorities to be within the range of honest differences of opinion among specialists in the dramatic field, but I must say that I do not have much information on that.

Mr. KEELE. Well, we talked about Gelhorn. I think we might speak of J. B. S. Hardman now.

Mr. RUSK. Yes, there was a grant in 1947 of \$23,500 to Columbia University for a study of trends in labor-union leadership by Mr. Hardman.

Mr. Hardman was in charge of the educational activities of the Amalgamated Clothing Workers from 1920 to 1944. Subsequently, he was director of the Inter-Union Institute and editor of the publication *Labor and the Nation*. Since all of these activities were addressed to the education of union leaders, and since Mr. Hardman was considered by experts in the field to be a thoughtful student of the labor movement generally, it was felt that Mr. Hardman had a considerable contribution to make toward better understanding of the forces which mold and influence the character of union leadership.

I believe that was one of the few instances, perhaps one of three or four, not more, where the grant was made later than the actual date of citation, but that grant was made on the basis of an attempt to assist the labor movement with a study on the development and education of labor leadership, and after an examination and checking with people in whom we had confidence as to Mr. Hardman's true situation.

Apparently he had been in controversies in the early 1920's which suggested that he at one time perhaps might have had association with the Communists but had broken with them, and his position required some examination. It was made and the grant was made.

Mr. KEELE. It appears in the notes that he uses the initials "J. B. S.," which are also the initials of Lord Haldane. Actually Hardman's name is Jacob Salinsky; isn't it?

Mr. RUSK. I believe he came from Russia and changed his name over here.

Mr. KEELE. And Granville Hicks?

Mr. RUSK. We made a grant in 1944 for \$3,695 to undertake a study of the development of American thought and tradition, with particular reference to small American communities, resulting in a book called *Small Town*.

He had been on the faculty of Smith College, Rensselaer Polytechnic Institute, and Harvard. Here is a case where a man had been a member of the American Communist Party, had then resigned and publicly renounced the party, and then was given a foundation grant, and then came the citation by the House committee.

We feel that he had straightened himself up on this point before the citation appeared. In any event, it was our understanding at the time the grant was made that he had publicly denounced communism, and was strongly anti-Communist.

Mr. KEELE. And with reference to Thomas Mann?

Mr. RUSK. Similarly we made two grants to Princeton University in 1938 and 1939 totaling \$4,500 toward Mr. Mann's salary as a member of the Princeton faculty during those years.



We had made many such grants since 1933 to assist universities in offering faculty positions to distinguished scholars and scientists and men of letters who had to leave their posts in Europe with the advent of totalitarian regimes.

Of course, Thomas Mann is a very well known literary figure, Nobel-prize winner in 1929, and any American has an opportunity to judge his work by looking at his books.

Mr. KEELE. And Linus Pauling?

Mr. RUSK. Linus Pauling is a distinguished chemist at the California Institute of Technology. Over the past 20 years grants of \$1,250,000 to the California Institute of Technology have been made in support of long-range comprehensive programs of research involving the application of chemistry to basic problems of biology.

This program is under the principal leadership of Linus Pauling, head of the division of chemistry, and of Prof. George W. Beadle, assisted by more than 25 other scientists.

Linus Pauling is clearly one of the world's outstanding chemists, and he has made scientific contributions of great distinction and significance.

He and his colleagues have made recent advances in the field of protein chemistry which may well prove of the most profound significance for biology and medicine.

He has declared unequivocally that he is not, and never has been, a member of the Communist Party. The State Department, in 1952, first refused and then granted Pauling a passport for a trip to the United Kingdom and France.

I suspect in this case, Mr. Counsel, we have an instance of a highly distinguished scientist who maintains the highest possible standards in his own particular work, but who is capable of being a little frivolous in fields other than that in which he is doing his scientific work, and I suspect that we may have to leave some room for some tolerance in a situation of this sort in order to benefit from the major contribution which this man can make in the field of science.

Mr. KEELE. You mean this man is probably an illustration of Mr. Hutchins' bon mot that political sagacity is not correlated with academic eminence?

Mr. RUSK. From what I know of the situation, I think that would fit it very well, sir.

Mr. KEELE. And Oscar Lange?

Mr. RUSK. Oscar Lange is a man, again, who has gone from bad to worse. We made grants of \$6,050 over the period 1933 to 1936 for studies of economic equilibrium.

In 1949 he renounced his United States citizenship to become Polish Ambassador to the United States, and we understand from the latest rumors we can cull that he is now in an academic post in Poland. This is a case which the Rockefeller Foundation clearly regrets, and based on hindsight, we would be glad to be in the position not to have made it.

Mr. KEELE. And then Ignace Zlotowski.

Mr. RUSK. Zlotowski was the beneficiary of a grant of \$1,800 to the University of Minnesota toward his salary as a staff member in 1940. He was dealt with along the lines of the refugee scholars and scientists program. He had fled from France at the time of the German invasion.

He, again, is one of those rare cases in all of the 29,000 grants we have made. We consider him lost from the fold, and we would be glad to strike him from our rolls if we could.

Mr. KEELE. All right; you have discussed the Institute of Pacific Relations at considerable length. Let's move to those individuals on whom attention was focused by the McCarran report, those that you have listed on page 74. Thomas A. Bisson first.

Mr. RUSK. Yes, sir. I might say that entire group represents a number of persons—

Mr. KEELE. I think you might deal with that group as a group, too.

Mr. RUSK. Those grants were made in small amounts at various times during the support of the foundation toward the general work of the IPR.

As a matter of fact, they appear on this list because they appeared in Senator McCarran's report on the IPR.

In each case the grant was made, of course, before the report of the committee which is cited July 2, 1952, but they represent such things as grants to Mr. Bisson to enable him to complete his book entitled "Japan in China," a grant—

Mr. KEELE. He wrote The Economic Deconcentration Program.

Mr. RUSK. I believe he did; yes sir. I think the basic information is in here. Perhaps, if you would wish to ask any question about each or any of them, I would be glad to respond.

Mr. KEELE. Well, why don't you take up Bisson, Lattimore, and Rosinger as a group. They were all criticized in the McCarran report. It would be easier. Why don't we discuss those as a group, or any others that you wish to pick out of those we are going to come to in this report.

Mr. RUSK. Well, I can mention the latest grant to Thomas Bisson in 1949: \$3,300 to the University of California on this book The Economic Deconcentration Program under the Japanese Occupation, which was to be based upon his experience as a member of the Government section of SCAP.

We made an inquiry to Prof. Peter Odegard, chairman of the department of political science at the University of California, under whose sponsorship and supervision Mr. Bisson's work was to be performed, and we felt that we had satisfactory assurances from Professor Odegard as to the quality of the work to be done, and we proceeded on the grant.

Mr. KEELE. Is that the Odegard who was president of the American Council of Learned Societies, or is it the other Odegard?

Mr. RUSK. That is another one. This is the Peter Odegard who participated with the Ford Foundation in their study which was the basis of the development of the Ford Foundation's program.

Then this small grant to Mr. Owen Lattimore in 1949 was a grant which arose out of a misunderstanding between or among the officers of the foundation in a situation where the president of the foundation was on a 3-week trip through the South in connection with the work of the General Education Board. This matter arose with the officers who were left behind.

They were under the impression that the absent president was in favor of the grant, an impression which subsequently proved wrong; and, because of the timing required in getting Mr. Lattimore off to

this meeting in New Delhi, and because Johns Hopkins University had expressed a desire that the foundation give them this assistance in order to let Mr. Lattimore go in place of the president of Johns Hopkins, the officers in New York made the decision to proceed on the grant without having an opportunity to discuss the matter with the president, who was then away for 3 weeks.

It is easy now for a new man coming in to say that it would have been more prudent for the officers to have waited until they could have discussed the matter with the president. I hope perhaps they will bear that in mind while I am in office. But I am sure that the officers themselves would permit me to observe that they probably made a mistake in that case.

It is interesting, Mr. Counsel, that during this period the foundation had declined some seven applications from or on behalf of Lattimore; and I think, had it not been for one of those chance misunderstandings which can sometimes happen, it is entirely likely that this, too, would have been declined.

Mr. KEELE. It probably would have been declined if President Bronk had had something to say about it.

Mr. RUSK. I am not too sure, because he was the man for whom Mr. Lattimore was substituting at this meeting. I couldn't comment on that, Mr. Counsel.

Mr. KEELE. All right. Mr. Rosinger.

Mr. RUSK. Mr. Rosinger had a fellowship for research work of the IPR in the field of international relations in 1939, and a \$7,000 grant to the IPR toward the Annual Review of the Far East and American Far Eastern Policy, edited by Rosinger. That grant was made in 1948: a \$2,000 grant to IPR toward the expenses of Rosinger's attendance at the New Delhi conference sponsored by IPR.

We did not know at the time that he would later refuse to answer under oath whether he had been a member of the Communist Party. In the face of that circumstance, of course, we would naturally have very grave misgivings about these grants which were made in the past.

Mr. KEELE. I think there is a group of about seven more. Let's take up Barnett.

Mr. RUSK. Yes. Mr. Robert W. Barnett was given a travel grant in 1937 for \$114. He was given a fellowship of \$1,785 in 1938 for the study of the Chinese language at Michigan and Yale; a fellowship of \$1,858 for research work with the IPR in 1939; and, in 1940, an \$800 grant to IPR toward Barnett's expenses to China for the study of conditions in Shanghai and east-central China.

I happen to know Mr. Barnett because he served under me while I was Assistant Secretary of State for Far Eastern Affairs in the Department of State, and I had every opportunity to observe his work. I had a clear understanding with the Deputy Under Secretary for Administration that, if any possible question or doubt could be raised about anyone working in my part of the Department on grounds of loyalty and security, that question would be raised immediately and I be put on full notice.

Mr. Barnett is now in the State Department in the Office of European Affairs; and, of course, questions of that sort are adequately dealt with under the security program, so that I have no reason myself to regret this relationship. He has done a fine job of public service, as I have observed it directly.

The committee might be interested to know that, when I mentioned in the longer IPR statement that four former trustees who had left the IPR nevertheless recommended that the foundation should continue its support, these included Mr. Barnett's father, so that he was concerned about the situation in the IPR; and I happen to know, on the basis of personal conversations, that so was Mr. Robert W. Barnett.

Mr. SIMPSON. The committee will be in recess until 2 o'clock.

(Whereupon, at 12:25 p. m., the proceedings were recessed to reconvene at 2 p. m. of the same day.)

#### AFTERNOON SESSION

Mr. SIMPSON. The committee will come to order.

Mr. Rusk, will you take the stand, please.

#### STATEMENT OF DEAN RUSK—Resumed

Mr. KEELE. Mr. Rusk, when we recessed I think we had gotten down to the item "Derk Bodde," is that correct, or had you discussed him?

Mr. RUSK. No, we had not discussed that, Mr. Counsel.

Mr. KEELE. Will you address yourself to that.

Mr. RUSK. In 1938 the foundation gave \$15,000 to the University of Pennsylvania for assistance over a 4-year period toward Bodde's salary as a member of the staff in far eastern studies. At the time he seemed to be a scholar who was worth backing.

We note in his further development that in 1942-45 he was a specialist in China in the Office of Strategic Services, and that in 1948-49, although it had no connection, of course, with the Rockefeller Foundation, he visited China under the provisions of the Fulbright Act.

Mr. KEELE. And with reference to John K. Fairbank, what have you to say?

Mr. RUSK. The foundation gave Professor Fairbank a fellowship of \$2,500 in 1945 for the study of rehabilitation of personnel in foreign languages, and in 1950 it made a grant of \$2,780 to Harvard University toward the preparation of Fairbank's book called "China's Response to the West," which itself is a collection of writing by Chinese authors over the period of the last century, indicating China's response to their contacts with the West in that period.

Mr. Fairbank is a well-known member of the faculty of Harvard. He holds views which, of course, have been debated, and some controversy has arisen over some of those views, but to the extent that I have seen him—and I have seen him only occasionally during my own public service—I have felt that his views were within the range of difference and disagreement in a highly controversial field.

Mr. KEELE. Do you recall whether he was characterized at the McCarran hearings as a Communist by Louis Budenz?

Mr. RUSK. I am not familiar, Mr. Counsel, with the exact circumstances of that characterization. I do understand that Mr. Fairbank himself has vigorously denied that charge, but I am not certain of the origin of the exact charge.

Mr. KEELE. Now, who is Mortimer Graves?

Mr. RUSK. Mr. Mortimer Graves is on the staff of the American Council of Learned Societies. We have made four grants to the

American Council of Learned Societies for the use of Mortimer Graves, a grant in 1935 for a report on the means of increasing American understanding of the Far East, and in 1936, \$2,750 to the American Council of Learned Societies toward Mr. Graves' study of the role of humanities in international understanding.

In 1947, \$1,287 toward Graves' report on far and near eastern studies in Great Britain, and in 1948, \$4,000 to the American Council of Learned Societies toward Mr. Graves' trip to near eastern countries to formulate a program of near eastern studies.

Mr. KEELE. What is his position with the American Council of Learned Societies?

Mr. RUSK. I believe he is the executive secretary. Yes, he is executive secretary of the American Council of Learned Societies.

Mr. KEELE. That is a position of some influence with that organization, I should think.

Mr. RUSK. Yes, sir, it is, certainly on the administrative side.

I think the basic policies of the organization and the activities conducted within it are, of course, under the broad supervision and the direct participation of the many committees formed under the American Council of Learned Societies by its component organizations.

Mr. KEELE. How long has Graves been with the American Council of Learned Societies, do you know?

Mr. RUSK. For many years, at least over 20. I will check that in just a moment. Sorry, I have lost my notes.

Mr. KEELE. I think you are entitled to one pause. You have done very well thus far. Actually, if you know in approximate figures, it will be sufficient, unless you have the data there.

Mr. RUSK. Mr. Graves joined the staff of the American Council of Learned Societies in 1927, serving at various times as an associate director, and more recently as the administrative secretary under the executive director.

Mr. KEELE. The question I am going to ask you now may be improper in the sense that I am going to ask you to go back a bit before you joined the foundation, at the time when you were in the State Department. I think you can very properly decline to answer this question if you choose, that is, since it simply goes beyond the time when you were with the present organization.

But from your experience in the State Department, isn't it a fact that Mortimer Graves had considerable influence in connection with fellowships and international exchange of students, Fulbright exchange and so forth?

Mr. RUSK. Mr. Counsel, I am perfectly happy to answer any questions at all on which I have the information. My own knowledge of Mr. Mortimer Graves' work came not so much in the State Department but during the war when I was in the Army.

Insofar as the State Department period is concerned, I was not in that part of the State Department which was dealing with fellowships and grants, travel aids, leadership programs and things of that sort. That was handled in another section of the State Department which was considerably outside of my range.

I have no doubt that any international exchange program, whether of scholars or of teachers in the field of humanities, would bring any such program into considerable contact with the American Council of Learned Societies.

My own recollections of Mr. Graves arose from the early war period, when I was in military intelligence, when strenuous efforts were being made to develop intensive studies in the so-called weird languages that I mentioned earlier, and the American Council of Learned Societies, and particularly Mr. Graves, were very active at that time in helping to locate individuals and institutions who might lend a hand to that early wartime language program.

Mr. KEELE. Are you familiar with the citations in the House Un-American files with reference to Mr. Graves?

Mr. RUSK. I am familiar with some of them. I am not sure that I have seen the paper that you have before you, because I don't recognize it.

Mr. KEELE. Well, Mortimer Graves is cited in the House Un-American Activities Committee as a sponsor of the Citizens' Committee to Free Earl Browder. That is revealed by an advertisement in the May 11, 1942 issues of the Washington Post, page 9.

Attorney General Tom Clark cited the Citizens' Committee to Free Earl Browder as Communist in a letter furnished the Loyalty Review Board and released to the press by the United States Civil Service Commission on April 27, 1949.

Attorney General Biddle cited the group as a Communist organization. That appears in the Congressional Record of September 24, 1942, page 7687, and in the House Un-American, in the special committee in its report of March 29, 1944, cited the Citizens' Committee to Free Earl Browder as a Communist-front organization.

Mortimer Graves is also reported to have been a sponsor of the National Council of American-Soviet Friendship, as shown by letterhead dated March 13, 1946, a memorandum of the organization issued March 18, 1946, called the National Council of American-Soviet Friendship, November 6 and 8, 1943; was a member of the sponsoring committee of the National Council as shown by the bulletin of the committee on education June, 1945.

Attorney General Tom Clark had cited the National Council as subversive and Communist in letters released December 4, 1947, and September 21, 1948.

Soviet Russia today, for September, 1939, page 25, listed Mortimer Graves as one of the signers of the open letter for closer cooperation with the Soviet Union. This has been cited as a Communist enterprise by the special committee, that is, on House Un-American Activities in its report on June 25, 1942.

Then the leaflet China Aid News, June, 1940, listed Mortimer Graves as chairman of the Washington Committee for Aid to China. He spoke at a discussion meeting of the organization at the First Baptist Church, Washington, D. C., February 11, 1941, as shown by the leaflet, Stop Shipments to Japan.

The special committee in its report of March 29, 1944, page 143, cited the Washington Committee for Aid to China as a Communist-controlled organization.

There are other citations, but I think that is enough. Now in view of those citations, would you look with some care, more than ordinary care, shall we say, into grants made to the American Council of Learned Societies?

Mr. RUSK. Mr. Counsel, I believe your question was with respect to contributions to the American Council of Learned Societies in

connection with these citations of Mortimer Graves, a member of its executive staff.

We listed Mortimer Graves in our answer to D-14 and -15 because his name appeared in connection with the McCarran subcommittee report on the Institute of Pacific Relations. It was our understanding that in the citations to which you referred, the committee itself had not cited Mr. Graves on that, but had merely cited the organizations in those reports. Since of course his name appeared here and we wanted to report our grants to him, we did not repeat that additional citation.

But coming directly to your question, the Rockefeller Foundation has contributed to the support of the American Council of Learned Societies for more than 20 years, and the Laura Spelman Rockefeller Memorial and the General Education Board have also made grants to this organization.

This council was founded in 1919, and it is the federation of 24 national scholarly organizations, including such distinguished organizations as the American Academy of Arts and Sciences, the American Philological Association, American Historical Association, American Economic Association, American Political Science Association, a very long list of important American scholarly organizations.

The Rockefeller Foundation has felt that it has been able to give some modest encouragement to those who are working in the broad field of humane studies, by giving grants to the American Council of Learned Societies to be used by committees for research projects under the general sponsorship of that council.

In the field of humanities, where organized effort at best has some limitations, it is not always easy to find an institutional organization through which the philosophers and historians and the artists can organize their effort and find expression.

The policies of the council are determined by a board of directors and general administration of the council's activities is in the charge of a full-time executive director appointed by the board of directors, and then there are various staff members under that.

The committees drawn from these organizations of American scholarship and the several academic fields, assume the responsibility for the selection of candidates for fellowships or grants in aid awarded by the council itself.

Our own support to the American Council has consisted of grants for general support of its budget, for grants in support of the council's fellowship program and grants for specific projects undertaken by the council.

It has included such things as the cataloging of American collection of Chinese and Japanese books, the development of personnel and resources for teaching modern languages, the preparation of the Dictionary of American Biography, the Committee on Protection of Cultural Treasures in War Areas, research in paleography, English translation of modern materials in near eastern languages and such subjects in the field of humanities.

The officers of the foundation have reviewed from time to time both the general administration of the American Council and the conduct of its special projects as requests for additional support have been presented, and we have not felt that such reviews have suggested the

conclusion that the foundation's support of the council was being abused for political reasons, and that therefore it should be terminated.

I might say that the foundation is somewhat concerned that its own contributions to the American Council for Learned Societies have been considerably larger in proportion to the general support of that organization than has come from the constituent membership bodies, and we would be very glad to see some of the burden which we have carried in the past taken over by others with more direct interest and concern in the field of humanities.

But we have tried not to deviate from the foundation's established policy of not trying to dictate to receiving organizations about their internal administration and their personnel selections.

We believe that some indication as to the general reliability of the American Council of Learned Societies, as seen as a whole, can be drawn from the fact that in 1951 the Office of Naval Research, which was then acting on behalf of the three Defense Departments, signed a contract with the council for the preparation of a national register of humanists in the social sciences.

As far as Mr. Graves is concerned, if any question should ever arise as to any grant to him as an individual for an individual project, I feel certain that the foundation would want to receive fully satisfactory answers to questions which would be raised by the type of information which you, yourself, have just indicated.

Mr. KEELE. Well, to what extent would you permit men in what might be considered to be key personnel positions, or at what point—let me put it that way—would you be inclined to look askance at an organization with a man of definite Communist sympathies? Let us assume an extreme case. Supposing Mr. Earl Browder was executive secretary of that organization, what then?

Mr. RUSK. I think the extreme cases are easy to answer, Mr. Counsel. I think there is no question that that would create an insuperable obstacle.

Mr. KEELE. Now at what point down the line are you going to draw the distinction?

Mr. RUSK. That is a very hard line to draw, Mr. Counsel. You saw from my statement this morning about the 25-year history with the IPR, how difficult it is to exercise judgment in a situation of that sort and to balance off the responsibilities of a contributing organization with the responsibilities of those organizations and directors who are themselves immediately responsible for the staff and for the activities involved.

Clearly there is a point where the foundation must satisfy itself that administration is being conducted with integrity and that scholarship is being carried out on the basis of objective regard for the facts.

Mr. KEELE. Now, so far as I know, you have raised no objection, nor your organization, to this investigation, have you?

Mr. RUSK. To this investigation? No, sir; we have not.

Mr. KEELE. Then why, in your opinion, would Mortimer Graves have written a letter to me criticizing this investigation on the ground that what should be investigated is why there aren't enough moneys allotted to the humanities?

Mr. RUSK. I could not answer that, of course, for Mr. Graves. I think that there has been expressed around the country some mis-



givings that an investigation of this sort might produce damage to educational and philanthropic institutions, and I will be glad to speak my own view of that matter in a moment if you like, sir.

But also it is quite true that people who are engaged in the field of humanities are themselves disturbed that such a considerable part of not only foundation efforts, but governmental appropriations, and the university and college emphasis appear to be going into such fields as the natural sciences, the medical schools, and so comparatively little into the field of humanities.

We ourselves have expressed some concern that, as far as the foundation is concerned, those who are engaged in the field of humanities find a better answer among themselves and in their own relation with the public to present a compelling reason and a compelling case for additional support.

I am sure that people in the humanities field are concerned about that hesitancy on the part of such organizations as ours, and that it might produce a comment of the sort you indicated.

Mr. KEELE. Well, why is there a hesitancy on the part of foundations to contribute to the humanities, humanism?

Mr. RUSK. I think there would not be any lack of confidence about further work in humanities as a field, but whether a particular organization such as the American Council of Learned Societies, which represents all of these distinguished organizations, is itself the best vehicle and the best organization for the encouragement of humanities, is, of course, an open question.

But I think also it is reflected in the actual budgetary situation on campuses. The humanities people, your classical language people, are, of course, well known for this problem, but your humanities people do not feel that they have an adequate claim on the division and distribution of university and college budgets.

It is quite true that perhaps as the result of competition in the field, perhaps as the result of interest in the practical aspects of scientific development in the applied sciences, that during these periods of great wars and cold war and tensions, emphasis does shift to the technical and scientific sides, away from the more philosophical and speculative studies such as are found in the humanities.

Mr. KEELE. That might be a natural result of the intense interest focused on security, might it not?

Mr. RUSK. That might be, sir. The Rockefeller Foundation, I think, is trying to take an additional look at this question from the point of view of its own interests and operations, because we feel that it is of the utmost importance that effective work go forward in the field of the humanities.

Just last month at Arden House in New York the foundation had a conference of a distinguished group of scholars in the fields of political and legal philosophy, to inquire into the state of scholarship in those fields, to see where there was any point at which foundation work could be effective in extending such scholarship, and to contribute new vitality and emphasis to the all-important basic ideas in the political field. So, I hope that my remarks will not be interpreted outside this room, among my friends in the humanities, as meaning that our own interest is lessening.

I am just saying that there are questions which are now being reviewed in the humanities field itself and by the great educational in-

stitutions and foundations, as to just how you can proceed to move along in this all-important field of the humanities.

Mr. KEELE. I think there remain only about three more of these. William L. Holland.

Mr. RUSK. Mr. William L. Holland is now the executive secretary of the Institute of Pacific Relations. In 1932 he was awarded a fellowship of \$2,899 for the study of the cause and effects of world economic depression in the Far East.

As I say, he is now the executive secretary of the Institute of Pacific Relations.

Mr. KEELE. And E. Herbert Norman?

Mr. RUSK. He is a distinguished member of the Canadian Diplomatic Corps who received a fellowship—I think perhaps three fellowships totaling \$5,861—for studies in Japanese and Chinese languages at Columbia and Harvard during the years 1936 to 1938.

Mr. KEELE. Now the last one, Andrew W. Grad.

Mr. RUSK. Andrew W. Grad was the recipient or the indirect beneficiary of a grant of \$7,400 to the Institute of Pacific Relations in 1948 toward Mr. Grad's study of the Japanese town of Fukaya.

Before the grant was made, official clearance by the Chief of General MacArthur's Civil Communications Section was obtained, as well as an assurance of interest and cooperation from Professors Embree and Rowe of Yale University.

That study of the town of Fukaya has had a mixed reception. Professor Rowe himself I believe does not look back upon this as a particularly beneficial study. I think we ourselves are dubious about whether this is one of those that panned out.

Mr. KEELE. There was some question as to the quality of the scholarship in that; wasn't there?

Mr. RUSK. Yes, I think that question did come up, and once in a while a foundation that is dealing with as many scholars as we are does run across a situation where things just don't pan out in terms of capacity as we would have liked.

Mr. KEELE. I think we have talked about everything that you have listed or on which we have had some question about, except the China Aid Council.

Mr. RUSK. The Rockefeller Foundation made one grant to the China Aid Council—\$7,500 in April 1948—to enable the Chinese Welfare Fund of Shanghai, through its artists and writers committee, to provide for the translation into Chinese of important literary works in western languages. One of the principal reasons for the grant was to help balance the large number of translations from Soviet literature, which were flooding the Chinese market, by translations from American, English, and other western literature.

The artists and writers committee was representative of Chinese writing circles at the time—that is, in Shanghai in 1948. Although it was known to include a number of left-wing writers, it also contained Kuomintang Party members and professors of National Government universities. The chairman of its supervisory committee was the President of the Control Yuan, one of the five main bodies of the National Government, Mr. Yu Yu-jen. Now I think at the time it was felt that the presence of some left-wing writers in the committee was accepted as an unavoidable and calculated risk in order to have a

Chinese instrument through which writings in the western languages could find their way into Chinese and into the Chinese community.

Before this project was undertaken by the foundation, it was discussed informally with and was commented upon favorably by members of the State Department staff, I believe in the information side of the Department, concerned with cultural relations in the Far East. Five thousand dollars was paid out under this grant before the Communist occupation of Shanghai, and no payments were made following Communist occupation.

Mr. KEELE. Did you consider the fact that this organization has been cited by the Un-American Activities Committee as a subsidiary of the American League for Peace and Democracy, which in turn at that time had been cited by the Attorney General as designed to conceal Communist control in accordance with new tactics of the Communist International?

Mr. RUSK. Our records show, Mr. Counsel, that the grant-in-aid was made in April 1948, and that this organization was cited in December 1948. Is that the date of the citation that you have, sir?

Mr. KEELE. 1942.

Mr. RUSK. Oh, no, sir; then we do not seem to have taken that into account.

Mr. KEELE. In all fairness I think it can be said, Mr. Rusk, that you yourselves have cited all of the instances that we have been able to ascertain except one. That is the American-Soviet Science Society, which I believe has been cited. Do you have anything on that?

Mr. RUSK. Yes, sir; I think I do have something on that one.

Mr. KEELE. A \$25,000 grant was given on that in the annual report of 1946.

Mr. RUSK. Yes, sir. On June 21, 1946, after some discussions with the State Department, the foundation authorized a grant of \$25,000 in support of the general scientific activities of the America-Soviet Science Society, payment to be conditional on, however, the society's establishment of its right to tax exemption.

This is one of those interesting cases where the policy of the foundation with respect to making its grants operates to protect us against something which is considered to be against public policy, as it turns out over the years, because since the tax-exempt status was never granted to the organization by the United States Treasury, no funds were ever paid, and the foundation's appropriation lapsed.

So although there was an appropriation in the books and reported in the annual report, no payments were made and it lapsed.

I should say, however, Mr. Counsel, in connection with the general policy involved, that there have been times in our history when it appeared to be the policy of the United States Government to establish some sort of contact between the scholars and scientists of the free world and the Soviet Union, particularly between the United States and the Soviet Union.

In 1949 the State Department published, in April, a little pamphlet entitled, "Cultural Relations Between the United States and the Soviet Union" which reviewed the efforts since the twenties on the part of the United States to establish some sort of reasonable and fair relationship between our two countries.

I won't try to review that whole story, but it starts with attempts made by American business in the 1920's to provide engineering and

capital plant assistance to the Soviet Union. That was before the recognition of the Soviet Union by the United States.

This was made back in the late twenties and thirties. And it extended all the way over to 1947, at which time Ambassador Bedell Smith went in to see Mr. Molotov to ask if Mr. Molotov would not take favorable action on some nine proposals that were then pending before the Soviet Government from the United States looking toward cultural and scientific exchange. Those proposals were turned down by the Soviet Union of course.

I mention that merely to say that there have been times when that sort of relationship was the public policy of this country, and in 1946 that appeared to be the policy framework within which the foundation was operating. But I do call attention to the fact that the tax exempt provision prevented our continuing with it, and we in fact made no payments under it.

Mr. KEELE. Then you very properly omitted it because the question was, Had you contributed? While there has been an appropriation and we caught it in your report as having been made, the money was not paid.

Mr. RUSK. That is correct, sir, and I regret that we did not at least make a note of that so that you would have saved that trouble.

Mr. KEELE. It should not be listed under the answer to the question, sir.

I think roughly there are about 25 of these instances we have addressed ourselves to. How many grants did you say there are that the Rockefeller Foundation had made?

Mr. RUSK. Over the years we have made 28,753 grants. We listed here 2 organizations and some 23 individuals out of that total.

Out of our 5,814 scholarships, we found it necessary to list only 8 in the list which you have before you out of that list of scholars, and even there that list of 8 former scholars would not itself be a list of those who the committee had itself determined should be disqualified from such assistance. Some of them were simply criticisms for being members of one or another organization.

We feel, Mr. Chairman, that the batting average in this situation is worth a passing note. A private organization does not have extensive investigative resources of its own, and I think there would be considerable question as to whether a private philanthropic organization should devote a substantial part of its efforts to the elaborate investigative organization that might help us to be absolutely sure.

We feel that by and large as a matter of practice and over the years, despite the surging change of events which has brought about changes in attitudes and public policies from time to time, that we have been rather fortunate that out of 28,753 grants, this section of the questionnaire has only involved 2 organizations and at most some 23 individuals.

Mr. KEELE. I think you have stated on several occasions that Rockefeller Foundation would not knowingly contribute to any support or assistance of any individual who is known to be a Communist or of any organization, I think you also included, which was controlled or dominated.

I would like to ask whether in your opinion you know of any instance of which the Rockefeller Foundation or any other foundation

has knowingly contributed to any Communist-dominated organization or any Communist individual?

Mr. RUSK. I know of no such instances at all, Mr. Counsel.

Mr. KEELE. There is a paragraph in your answer on page 49 that I should like to read:

It has been often said both by foreigners and Americans that foundations are a persuasive tribute to the capitalistic as contrasted with the socialistic or communistic organization of economic life.

They are a form of free enterprise whose contribution to education touches upon two fundamentals, the never-ceasing pursuit of knowledge and the free process which protects the mind against the aggression of totalitarian thought and regimentation.

I wonder if you would like to elaborate on that as to the effect of foundations upon the capitalistic system?

Mr. RUSK. I think there can be no question but that an organization like the Rockefeller Foundation would not knowingly and deliberately set out to impair the basic institution of private property, or to minimize the vital impact of profit motive in our economy, or to try to draw together into one point of central control and domination the vast economic and social processes of our Nation.

As a matter of fact, the reaction that I have had from friends around the country, when confronted with the fact that this question has even been raised, has been one initially of pure incredibility, because it seemed so certain to them that an organization like the Rockefeller Foundation was not working toward Socialist, Communist, or any such objectives.

There are many things which foundations can do to make the system of free enterprise and the democratic political structure more workable. I perhaps did my friends in the social sciences an injustice yesterday by minimizing somewhat the contributions which they have made in those fields toward the solution of our basic problems. But, certainly in one respect there has been a very substantial contribution which has been mentioned already before this committee, and it is such work as that done by the National Bureau of Economic Research.

Our economic system relies upon the making of intelligent decisions literally by the hundreds of millions, by individual entrepreneurs and by customers and employees throughout the year.

If those individuals can make those decisions on the basis of knowledge rather than on the basis of ignorance, and on the basis of some understanding of the great processes involved rather than on the basis of superstition, then there is probably a better chance that this economic system of ours can operate on the assumptions and within the framework in which it has grown up.

When I first came into the foundation, I was much interested in knowing whether the economic work of the National Bureau of Economic Research had in fact contributed specifically to the effective operation of our economy, and I made a special point of inquiring around among business associates and friends whom I met in private business, to ask them what use they made of these materials. I was struck that here was a point anyhow where business and where the world of affairs turns regularly to the campus and to the academic world and to the research world for direct and continuing assistance in dealing with these great social and economic factors.

And the point which was emphasized over and over by these businessmen was this: That the work of the National Bureau of Economic

Research helps these businessmen themselves to make decisions on their own responsibility which bring under a greater degree of control these vast surges of the business cycle, and that the violence of the impact of the business cycle has been reduced by this knowledge in the field of economic research.

I feel, Mr. Chairman, that the work of a foundation in developing individual talent, in pushing back the frontiers of knowledge in the natural sciences as well as the social sciences, in getting a broader understanding among our people as to the basic principles upon which a democratic system works, itself makes a major contribution to the American traditional way of life as we know it, and at the same time does something which is equally traditional, and that it leaves the door open for imagination and for development to improve our situation and to develop our capacities further.

Mr. KEELE. That leads me to the rather obvious question, Why do you think the fear which undoubtedly played a large part in producing this investigation, the fear of the foundation, exists to any extent?

Mr. RUSK. I suppose we could dispose at once of the irresponsible criticism which appears to come sometimes from those who have a vested interest in hatred and suspicion, and I have no doubt that the Congress of the United States is fully behind the great private organizations like the universities and foundations in not wanting us to surrender the control of our policy to that sort of criticism.

In any event, I think a hasty glance over the list of all of those who have served on the boards of these great foundations over the years, would make it clear that the foundations are not going to surrender to that kind of irresponsible criticism.

We might also dispose of any irresponsible foundations that might have appeared on the scene and any abuses of the foundation privilege.

If there are those abuses, they ought to be removed, and the foundation, the Rockefeller Foundation, would not be at all sensitive to or antagonistic toward criticisms of irresponsible action in this field.

I mentioned yesterday that some criticism is normal and can be expected. When controversy becomes too heated, it is useful sometimes to look back over our history. Our hookworm experience in medical education and our work in Negro education remind us that we have had our controversies before. As a matter of fact, we were born in controversy. We were denied a Federal charter when we first applied for it in the Congress.

But going beyond that, which is more or less passing—

Mr. KEELE. May I interrupt?

Mr. RUSK. Yes, sir.

Mr. KEELE. However, the basis of the refusal was not on the ground of fears of the foundation's activities?

Mr. RUSK. It was certainly not on the basis that they feared foundation policy toward the left.

Mr. KEELE. The Solicitor General at that time, as I recall it, wrote the President and condemned in no uncertain terms the manner in which Rockefeller money had been made, on the ground that they were then engaged in trust busting and so forth, and that it was unthinkable, as I recall it, that they should now charter and license a foundation using that money.

In other words, in the light of the thinking at that time, what they were attempting to say, "This is tainted money. We shouldn't take it." Wasn't that the net effect of that?

Mr. Rusk. I think there was some element that there might be some influence on our educational institutions, coming from this much money being used for philanthropic purposes.

I do think that it did not take long in the experience that followed for that general fear to subside, but I did want to point out that criticism is something that we cannot always avoid and shouldn't expect to avoid. Most of the great pressing issues of our—

Mr. Keele. But I return to the point that that was hardly criticism, Mr. Rusk, it seems to me, of the foundation because as yet you weren't operating; were you? It was only in apprehension of what you might do.

Mr. Rusk. It was an apprehension of what a foundation might be and do.

Mr. Keele. And that was in the climax of the antitrust prosecutions, of Kennesaw Mountain Landis' outrageous fine that he imposed in Chicago for antitrust violations, and in the general uproar that followed that. Isn't that true?

Mr. Rusk. That is correct, sir.

Mr. Keele. I am now talking, however, about this fear which is not widespread, but is at least widespread enough to make itself felt that the foundations are attempting to weaken the capitalistic system. I am asking what in your opinion is the basis of that, or if there is no sound basis, what is the cause of it? Is it lack of knowledge?

Mr. Rusk. I think an underlying cause—perhaps one or two comments before I comment on the lack of information. The underlying cause is the same set of causes that produce questions and criticisms about many other institutions of our present life.

We find them in the world tensions and the baffling complexities of the problems with which we are confronted, and especially for Americans who are being called upon to carry unprecedented burdens in this new role of world leadership, and who don't seem to see solutions on these current problems in the sense in which we are accustomed to finding solutions.

The old military phrase is that "the difficult we do at once; the impossible may take a little longer." It is hard to find clear answers as to some of these most troubling questions that we have, and so the result is a degree of fear and of frustration and suspicion.

Now courage and good sense will probably assert themselves in due course, but it may take some time, but out of this 40 years of history through which our organization has lived, we find much of tumult and uncertainty and disturbance.

And then foundations are working at the frontiers of human knowledge in a place that is mysteriously remote to most people, and they are in highly controversial fields where man is trying to lay the slenderest framework of reliable knowledge, the fields of human behavior.

Controversy itself, as I indicated yesterday, seems to be a clue to the location of some of the problems needing attention, and so we need not be too surprised in the foundation world if we find that when we enter such a storm center, we get tossed about a bit. It is in the nature of the problem.

I think it is true, Mr. Chairman, that there is a lack of general public information about what foundations are doing and are trying to do. I suppose that the foundations themselves should accept a fair amount of responsibility for telling that story, but I am not sure that the foundations themselves should try to tell too much of that story, for reasons which I have indicated yesterday.

It may be that ways and means are to be found to get the universities and colleges and the scientists and the scholars themselves more in the picture telling their stories, because that is, in effect, what the foundation story is when we support their work.

And it is quite fair to say, as we tried to indicate in our answer to your questionnaire, that foundations do face quite genuinely and frankly troublesome questions of policy about their own activities. It has been said often in these hearings that it is difficult to give money wisely, in one way or another, but it is difficult to know how these comparatively slender resources, that 3 cents on the philanthropic dollar during the year—is that the figure?—how these comparatively slender resources can best be used when opportunity and need are so vast, and how you get at the problem of strategic giving.

And there are bound to be differences of view on that matter. Harassed college presidents will feel themselves to be project poor and will be suffering in their university and college overheads. The foundations find that their resources are not big enough to go into the endowment field to endow this troublesome overhead, which all universities and colleges are confronted with these days.

Those are going to lead to differences of view and criticisms, but that is wholesome, useful, constructive, and out of it the foundation themselves can benefit a great deal.

And then, too, foundations can and do make mistakes, and those mistakes are and should be spotted by the public when made, and that will lead to criticism. It isn't pleasant now to know that we gave a grant to Hans Eisler, in 1940, and it is not inappropriate that some say we did give such a grant, because we did.

The thing that may be more difficult to understand is something which the committee has demonstrated in the hearings thus far that it is fully aware of, and that is that foundations have to make mistakes if you are going to get the job done.

I heard someone, a member of our board, the other day say that a foundation that is never wrong is never right, and unless we have some ability to make these mistakes, we will not get constructive jobs done.

So mistakes are going to be a natural cause of criticism, but we believe that over the years, and by and large, and over the vast field of efforts which are open to foundations that they have done a commendable job, and it is our great hope that out of the information which has been developed by this committee that a greater degree of public understanding will arise.

Mr. SIMPSON. The committee will stand in recess for 5 minutes.

(A short recess was taken.)

Mr. SIMPSON. Will the committee come to order, please?

Mr. Rusk, will you resume the stand? As I have listened, Mr. Rusk, to your testimony and to your frank discussion of the several instances which the committee has seen fit to bring to your attention, and indeed that you voluntarily told the committee, I am persuaded



that to the extent there was anything wrong or unwise in connection with those grants, that they were the result of error, lack of information, undoubtedly unobtainable at the time the grants were made. Is that a fair statement?

Mr. RUSK. That is my feeling of the matter, having reviewed it since I came into office, sir.

Mr. SIMPSON. And you rather clearly explained that those grants similar to that type wouldn't be made in the future if you had as a matter of foresight what you now have as a matter of hindsight by way of information.

Mr. RUSK. Yes, sir.

Mr. SIMPSON. Speaking as one member of the committee, I want to say to you as director of the foundation that we are greatly appreciative of your kindness in appearing voluntarily and giving the committee the benefit of your information and experience.

I believe that that is all that we have now, Mr. Rusk.

Mr. KEELE. Mr. Barnard.

Mr. Barnard, would you state for the record your name, your address, and your connection past and present with the Rockefeller Foundation?

#### STATEMENT OF CHESTER I. BARNARD, CONSULTANT TO THE ROCKEFELLER FOUNDATION

Mr. BARNARD. My name is Chester I Barnard. I live at 52 Grammercy Park North, in New York City.

I have been a trustee through June 30 of this year for 12 years with the Rockefeller Foundation, a member of its executive committee throughout that period, a member of its finance committee throughout that period, and its president for 4 years ending June 30, 1948.

At the present time I am retained as consultant to the foundation, but I am not an officer or trustee or employee of the foundation.

Mr. KEELE. Will you give us a little of your background and experience, aside from your Rockefeller connections?

Mr. BARNARD. Not to go back too far now, I was for 21 years, until 1948, the president of the New Jersey Bell Telephone Co. During that period I organized and was the director of relief of the State Relief Administration of the State of New Jersey.

During the war period for 3 years, 1942-45, I was president of the United Service Organizations. Prior to that time I was Special Assistant to the Secretary of the United States Treasury for a short period in 1941.

In 1946 I was a member of the board of the State Department, popularly called the Lilienthal Board on the International Control of Atomic Energy.

In recent months, before I retired from the Rockefeller Foundation, I was appointed a member of the Board of the National Science Foundation, and after that was elected the Chairman of the Board. I am at present Vice Chairman of the President's Commission on the Health Needs of the Nation.

I think I am classified for tax purposes as self-employed. From the Rockefeller Foundation standpoint and the Bell system standpoint, I am a retired officer.

Mr. KELLE. I think that clarifies the record. Mr. Barnard, you have been present at all times that Mr. Rusk has been testifying in the past 2 days?

Mr. BARNARD. Yes, sir.

Mr. KEELE. Are there any points on which your views would be different from those expressed by Mr. Rusk?

Mr. BARNARD. There are no points on which my views would be different. There are undoubtedly points where I would place a somewhat different emphasis.

I would bring to bear on the statements the difference of experience, but there is absolutely no disagreement. I have only noted one positive error that I knew about in his statement, and one negative. The positive error was to attribute to me the history of the Rockefeller Foundation.

Mr. KEELE. I noticed that.

Mr. BARNARD. I am sorry I couldn't accept that attribution.

Mr. KEELE. He meant Mr. Fosdick, didn't he?

Mr. BARNARD. Mr. Fosdick he meant. The error of omission was in connection with the constituent members historically of the Rockefeller Foundation; the International Education Board was created by Mr. John D. Rockefeller, Jr., and not by Mr. John D. Rockefeller, Sr.

Mr. KEELE. Well, I still think his batting average was pretty good.

Mr. BARNARD. I would call it 100 percent.

Mr. KEELE. We would like you to elaborate any points where you feel you might have placed the emphasis somewhat differently or where you would have answered somewhat differently based on your experience.

Mr. BARNARD. I think I would have explained the very difficult situation with respect to security in somewhat different terms, and I think it is worth while to bring to your attention, because it is a continuing problem, and because it involves some fundamental aspects historically of the work of the foundation.

It has been fundamental in the work of the foundation that it made no discrimination between people on account of their race, their religion, their political belief, or their nationality. The question was their competence and their character.

Questioning people on their political belief only became important as the security question arose in the United States, and during all this period that we have been concerned with, I think most anyone would have been justified in thinking from the behavior of public officials of this Government that collaboration and cooperation with the Soviet regime was the rule of the day, at least I so interpret it, and I never believed in it.

I always believed from what Marx and Lenin and various others had said, that fundamentally there never can be anything less than a conspiratorial party designed to destroy by ideological grounds, if no other, the United States and any similar democratic country operating on free enterprise, but we were not concerned with those questions until they became active here.

The questions were not asked. I think I ought to put in the record that as soon as I took office, I took a very active interest in that question. My first step in connection with it—and I was pretty much in the dark; I didn't know about the Attorney General's list, never having seen the records—

Mr. KEELE. House Un-American?

Mr. BARNARD. House Un-American Activities.

Mr. Weaver, the director of the division of natural sciences was at that time—June 1948—in Europe in contact with the scientists of the Western Continent and Great Britain. I got word to him that I would like to have him canvass the safe and conservative scientists of Great Britain as to what their attitude would be about either giving support to or withdrawing support from if there was any being given, to scientists in Britain who were known to be Communists or affiliated with Communist organizations. That was the first step.

The word he brought back was that the British community would regard it as an extraordinary thing if we paid any attention to the political affiliations of anybody in the scientific world in that country.

I have been told by visitors from Great Britain since that would still be the attitude, but other information I have indicates, as I thought would be inevitably the case, that the non-Communists in Great Britain would have to change their attitude, and I think that is probably true.

But on the initiative of the officers of the foundation, we actually began to get busy on the question of how did they behave in view of the security problems that faced this country.

There had been a progressive giving of attention to that aspect of our work. I mentioned that in the past few years we paid no attention to political views or religious views. We worked with Mohammedans, with Hindus, with people of all sorts all over the world on the things we were doing.

One aspect of that is the problem of academic freedom. I suppose everybody in the Rockefeller Foundation—trustees and officers and others—have had a deep conviction always that one of the things to cherish in this country is the freedom of people in academic institutions to express themselves, whether you agreed with them or not, and that any interference with that freedom in the academic world was a fundamental injury to the life of the American people.

I think we still believe that, but we recognize that there is a security problem in this country, and we think that the foundation and academic world also have to recognize it and find the way to a middle ground which gives a fair solution to the necessities of both sides of this problem.

I think that is all I have to say on this subject.

Mr. KEELE. What do you think about the requirements of reporting for foundations and tax-exempt organizations?

Mr. BARNARD. I think all tax-exempt organizations ought to make reports, except religious institutions. I wouldn't extend it to that. But a reasonable amount of reporting—perhaps even for any trust, whether it be a foundation or not, anything that operates under the protection of the laws, even without tax exemption—it seems to me is something that public authorities have a right to inquire into. They do in the case of trusts that are not tax-exempt. They always have. They have had to make income-tax reports. I see no reason why the Government should not be aware of the fundamental main lines of the assets, the income and the uses of the income of any of these foundations. I think it would be a salutary thing for all of them.

Mr. KEELE. Not only ought the officials of the Government to have the right, but ought not the public too have access to those?

Mr. BARNARD. I think so.

Mr. KEELE. They ought to be readily accessible, ought they not?

Mr. BARNARD. They cannot be properly criticized unless the public does have access to them. But I think the degree of reporting, such as is done by the Rockefeller Foundation, ought not to be required.

Mr. KEELE. It would be impossible for the small foundations to go into that extensive reporting, wouldn't it?

Mr. BARNARD. That is right.

Mr. KEELE. Only the larger foundations with large, competent staffs and with large programs have either the technical ability or the reason for that sort of reporting; isn't that true?

Mr. BARNARD. That may be true from the standpoint of public interest, but by definition a small foundation would have a small job to report.

Mr. KEELE. That is right.

I am talking about the intensiveness of the reporting that the Rockefeller Foundation makes. That is due largely to the scope of your activities and the size of them and the importance of them. The small foundations would have a relatively smaller number or relatively smaller amount to say about what they were doing. It would fall with no greater burden if reasonable upon the smaller foundations than upon the larger ones.

Mr. BARNARD. And the public interest is not quite the same. A large foundation like Ford, Carnegie, Rockefeller, Century, and various others that you can name, is always involved in the problem that faces the National Science Foundation: To what extent by indirection, if not directly, are you interfering with the freedom of action in the development of science and knowledge and scholarship in the academic world and what bearing does that have on the public interest?

It seems to me there is a fundamental interest rather than avoidance of taxes or some other collateral thing that may be important that is involved in reporting that makes it a matter of public importance.

Mr. KEELE. Have you any comments generally on the inquiry we are making here; that is, on the subject matter, which you would like to make?

Mr. BARNARD. That raises a question. Is this inquiry a good thing, either specifically or generally?

Of course, a member of a foundation is bound to say, first of all, that depends on what Congress does about it. If you did not like what Congress did, you might say it is a bad thing. But speaking more generally, I have had a lifelong experience in public utilities and also as a director of insurance companies, both of them under constant public reporting and scrutiny, and I think that is an exceedingly essential and constructive thing. I do not think we would have the degree of efficiency or honesty that we have in this country in the operation of the great institutions if it had not been that they were subject to public scrutiny. It has sometimes been subject to abuse. Everybody knows it. It is sometimes made unduly costly, but, on the whole, I think it has been very constructive. I do not see any reason why these foundations are not really in the same class.

I would venture to say that I think this inquiry, much as you dread inquiries, has been a good thing for the Rockefeller Foundation. I think it will improve the judgment of the people who have to carry out its work. I think it will stimulate the trustees in the efforts that they put into this thing.

So my answer generally is very favorable, when they are conducted as this one has been conducted. It is possible to conduct inquiries, as Senator O'Connor and various other people have indicated, that aren't constructive. It stirs up turmoil and doesn't get anywhere except into some smear situation, but that certainly has not been true here.

Mr. KEELE. Mr. Barnard, you have had a wide experience, both as a businessman and as a trustee and officer of foundations. Do you know of any instance where foundations have used their money for the deliberate or knowing purpose of weakening the capitalistic system or of throwing it into discredit?

Mr. BARNARD. No, I do not.

Mr. KEELE. The charge has been frequently made, as you know, that it has done so. I keep persisting in questions as to the basis, good or bad, on which that charge is made, why it is made, and why it has received as wide a credence as it has. Can you throw any light on that?

Mr. BARNARD. Yes; I think so. There is a natural tendency for people who are very earnest, who may be fanatical protagonists of a particular policy or particular point of view, to regard everything which does not support that point of view as being inimical and as being from the devil. The isolationists have always criticized and feared the Rockefeller Foundation because it is set up for the well-being of mankind throughout the world. Anyone who is a convinced isolationist, a very narrow one, could hardly have any enthusiasm for an organization that took a broader point of view than that. That is one phase of it.

Another basis of it is that those people whose requests are refused almost inevitably are inclined to try to save what they think they have to save, their self-respect, by saying, "This outfit has no money from me because it is supporting that dirty line over here."

I do not take it as seriously as you might if you have to listen to complaints, because I think I understand the origin of it. There is nothing you can do about it because frequently you cannot tell people why you do not give them money. If someone, a group or an individual, comes and says, "I want this," you cannot laugh his proposition down and try to make him ridiculous, nor can you tell him that in our own judgment he is not competent. He cannot accept that from you. It is the kind of an answer you have to avoid and take the consequence of it, that is, being accused of playing favorites. I think that is part of it.

The institutions who do not get from this foundation at least much, if any, support are inclined to feel that you must be playing favorites with Harvard or Yale or the University of Chicago, or others, and it is not possible to say publicly the only reason you cannot give it to them is that they do not have a group of scholars or scientists in their organization that is really competent for the kind of high-level stuff that we want to support. You couldn't say it publicly because it hurts the institution. So you have to let

them say, "Well, this foundation business is discriminatory," and so forth, and let it go at that.

To publish the truth about these things is not publicly acceptable, just as it wouldn't be acceptable about some individuals.

Mr. KEELE. It is almost inherent in the nature of the work that there is going to be criticism.

Mr. BARNARD. I think that is true.

Mr. KEELE. It is almost inescapable, I should say.

Mr. BARNARD. I think that is correct, Mr. Keele.

It is one reason for private foundations as against government foundations, because the National Science Foundation will never be as free from complications that are involved in this situation as are the private foundations. Even the private foundations have to pay some attention to the appearance of things. It wouldn't do for the Rockefeller Foundation to pick out Harvard University, which happens to be my university, and give nearly all its money to projects there. That would begin to smell wrong. But in the case of a public institution, the question of distribution geographically and politically comes up for criticism. It has to be taken account of.

Mr. KEELE. Mr. Barnard, we have sought to find critics who were opposed to the foundation idea as such. Thus far we have been unsuccessful. Do you know of any person who has opposed the idea of foundations?

Mr. BARNARD. Yes, I am.

Mr. KEELE. Then we have at last found one.

Mr. BARNARD. I am opposed to foundations that are rackets for the avoidance of taxes. Some of them are. I had hoped that this inquiry would get into that because they are inimical to the really honest foundation—I am talking about those that are set up as a means of avoiding taxes, and in those cases where the funds used come from capital gains, which do not have to be recorded as capital gains when they are given to a foundation which is created and then are mere vehicles for carrying on the pet research of the fellow who founds them, I am inimical to that kind of thing.

Mr. KEELE. We have had this argument made to us, that comparatively well to do people who feel it incumbent upon them to contribute their 20 percent or 5 percent of those corporations which they control feel that if they do not have a foundation to which they can make that contribution, then their friends and enemies can tell from year by year by the contributions they make about what their financial return is. In other words, the argument goes that social pressures are brought upon certain groups to contribute to charities each year and that, if for instance, they can give \$20,000 in 1952 as 20 percent and on the succeeding year they can only give \$10,000 within the 20-percent limit, then anyone who is interested can calculate that they are down one here. Likewise, if they make contributions from the corporation up to 5 percent, that people can calculate on that basis. Therefore they prefer to have a family foundation into which they can make these contributions and that they will withhold some from year to year so they can spread it evenly over a period of years and thus conceal what their charity or philanthropic giving is.

I would like to hear from you your views on that sort of thing.

Mr. BARNARD. I wouldn't think that was very important. As I recall the publication of income-tax statistics, the percentage of con-

tributions that are deductible is nowhere near 15 percent, which was the level up until recently, to say nothing of 20.

Mr. KEELE. I believe Mr. Andrews told me today, and I would take his word as pretty near final, it is about 2 percent.

Mr. BARNARD. Yes; it is something in that order. There may be some people who are affected by that, but I wouldn't think that important. I think much more important is the question of getting members of the family and retainers on the payroll who could be paid out of tax-exempt income.

Mr. KEELE. In your opinion, are abuses along the line you have indicated here affecting foundations—and I am talking about bona fide foundations—those who are attempting to do a good job. Are they affecting them adversely in the public mind?

Mr. BARNARD. I do not think they have yet. The development of these foundations has been very rapid in recent years. When the Rockefeller and Carnegie Foundations were set up there were practically very few others of any size. In recent years there have been a lot of foundations created out of oil-land money which has come in, but I do not think that has affected public opinion yet.

Mr. KEELE. You think there is a danger?

Mr. BARNARD. I certainly do.

Mr. KEELE. Do you think that public reporting, if required, would tend to lessen that danger?

Mr. BARNARD. Well, even the reporting the Internal Revenue Bureau requires, which is only a year old, I think, lessens the danger very much, too. I understand those reports are open to public inspection. They are not secret reports.

Mr. KEELE. They may be inspected at the office of the collector of internal revenue where filed. If you wanted to inspect what a California foundation was doing and you were in New York, you would have to go to California to have a look, which makes it a bit inconvenient, as we find.

Mr. BARNARD. Yes.

Mr. KEELE. In this matter of public reporting, if required by law, should it be made available to the public? I mean by that, what would be your suggestions as to how that should be done, or where should reports such as that be filed, having in mind the public has an interest.

Mr. BARNARD. I think it should be filed with the Internal Revenue Bureau which ought to have a section created to deal with this. How many foundations are there? Thirty-five hundred foundations?

Mr. KEELE. It has been estimated, if you recall, there were 35,000, I believe, tax-exempt organizations, and Mr. Andrews said that within the framework of those having a capital of \$50,000 or more there were, I believe, 1,007. I am willing to have Mr. Andrews, who is in the audience, correct me. He nods, so I think that is correct.

Mr. BARNARD. Does that include universities and colleges and theological seminaries which are incorporated and tax-exempt?

Mr. KEELE. I am going to turn for a moment and ask. Mr. Andrews, in your computation, were you including universities and religious organizations?

Mr. ANDREWS. No, sir.

Mr. KEELE. Those are not included.

Mr. BARNARD. Only those called foundations?

Mr. KEELE. That is right.

Mr. BARNARD. It is important to know. There are a good many of these things which are not called foundations which essentially are foundations.

Mr. KEELE. A great many which are called foundations are not foundations within the framework we have been working with here.

Mr. BARNARD. That is true.

I wanted to make a comment, if I may. It is off this subject. If you will permit me.

Mr. KEELE. We will welcome it.

Mr. BARNARD. On the operation of boards of trustees, particularly in the Rockefeller Foundation, I frequently hear expressed the idea that as boards of trustees they are nothing but a police outfit or register that doesn't work on it. I have been a director of business corporations and still am for 40 years. I never have seen any board that I have been on—and I know how many of the others operate—in which the attention to the policies and the details by the directors or trustees, whichever they use, were such as it is in the Rockefeller Foundation. I do not know any organization in which a week in advance you have a complete docket book with the explanation of every item over \$10,000 that you are going to be asked to vote on, and that includes with it a detailed list of every grant-in-aid, of every scholarship or fellowship that has been granted and any other action taken, and that has attached a list of the declinations. That is just as important from a trustee's point of view as the approvals.

Nor have I ever known of any organization in which so much careful attention was given to it.

In 12 years I have missed no meetings of the board of trustees of the Rockefeller Foundation and only three of its executive committee meetings, and that is not unique at all. That is some record for people who are busy, and every one of the members on this board is busy. They read the docket book in advance. In addition to the docket book every single item in most circumstances has to be presented by the director of the division which proposes it, and he has to subject himself to cross-examination, and he gets it. He doesn't get it on every item, of course, but he gets it. So the matters that come before the board of trustees of this foundation in my experience have been given more careful attention by more competent people than I have seen in any other institution. There is just nothing like it, and the idea that this thing has been run without adequate attention by the trustees, that it is just in the hands of a bureaucracy of officers, just certainly isn't true, and it ought to be recorded here that it isn't true. It is part of the character of this institution that that is the way it has operated from the beginning, when John D. Rockefeller, Jr., was a trustee until it was terminated in 1940 under the age rule we have in the foundation with respect to trustees and officers and employees.

Mr. Rockefeller personally devoted an enormous amount of his time to the affairs of the Rockefeller Foundation, so much so that when I wanted to steal a man away from him, Mr. Kimball, who sits back here, who is vice president, which I did, the only argument I thought I could use to be effective was that this institution was his own shadow as well as his father's because of the personal attention he had given to it.



Mr. John Foster Dulles, who until recently was chairman of the board, has devoted a lot of time. I could name Walter Gifford and Winthrop Aldrich, of whom that is also true.

In most boards three or four people are the active people and the rest are registers. That is not true here.

Mr. KEELE. No rubber stamps.

Mr. BARNARD. Not here.

Mr. KEELE. In the light of your experience on boards of directors and as a trustee of the Rockefeller Foundation and as an officer, how would you compare the efficiency or degree of effectiveness with which the Rockefeller Foundation has been operated in comparison with business corporations?

Mr. BARNARD. Well, that is a very difficult kind of a comparison to make, just as it is between two different kinds of businesses.

Mr. KEELE. Yes.

Mr. BARNARD. I wouldn't want what I say about this to indicate that I could make a quantitative judgment. I have been intimately connected with it and know how it is operated, and know the people who have been doing it, and I would say its efficiency and effectiveness would rank with the very top of good business concerns.

Mr. KEELE. In other words, you would rate them high, using the same standards as you would apply to a business corporation.

Mr. BARNARD. Take the specific field of epidemiology, the control of malaria and yellow fever in various countries in which people have done work. I would say that you would find the Rockefeller Foundation's stock has been far superior than most business concerns in the very vital business of knowing the language of the people you are working with and the effectiveness of a small group of people working in a foreign language with foreign officials and foreign customs, has been outstanding, and I do not think it has been bettered by any organization anywhere. It is almost dramatic, it has been so good.

Mr. Weaver and his staff or Mr. Willits and his staff have a more intimate knowledge of the people who are important in the field in which they are concerned, world-wide, than you would generally expect to find in business organizations. That is quite an outstanding thing because the organization is very small, with only 250 people, counting stenographers, clerks, and the rest of it. It stands up very well. I happen to be very much interested in that subject, and I believe I have some competence to appraise it.

Mr. SIMPSON. What do you see for the future of private foundations?

Mr. BARNARD. I see great opportunity for the future for private foundations, but I do not want to indicate by that that I think the sky is the limit. In the first place, Government is at present not disposed to, and I think is going to be somewhat shy in the future about putting too much money into the support of basic research. It is a pretty difficult thing to understand and it is not easy for people in political life to justify. That is one aspect of it.

Mr. SIMPSON. That leaves an area, then, for the private foundation to operate.

Mr. BARNARD. Very much so. I have been impressed several times when I was the consultant to the State Department—I have on different things from time to time—with the fact that it is almost impossible for the State Department to carry on some kinds of research because

the mere approval of the enterprise itself is interpreted as taking a position with respect to international or political affairs. That is one reason. I suppose why the suggestion came from the State Department that the Council on Foreign Relations in New York should be set up, so there would be a body that was unofficial, not composed of officials of Government who could consider these things and discuss them and bring in any part of the public that you wish without committing anybody. It is just an absolute open thing. Through it Government is not committed.

There is another field in which I think that is true. From the standpoint of the Rockefeller Foundation which operates wherever in the world it can effectively, that is an important factor. That is exceedingly difficult for the Government to do. Government is trying to do it now in point 4 and ECA, but it cannot do it with the detachment that a purely private organization has.

Mr. SIMPSON. As our obligations increased in those fields, as our knowledge expands, and as has been testified, more and more areas for foundation work are bound to appear: keeping in mind the present tax laws and our economy—I ask you what does the future mean; that we will have a shortage of foundations or can the Rockefeller, the Ford and the several great ones we have today assume and properly and adequately serve that area?

Mr. BARNARD. We haven't reached the limit yet of the funds that can be appropriately used on the fundamental things that we have been talking about here in the last 2 days, but in the last analysis, we are approaching the situation where it is not money but men which is the bottleneck. The number of people who are willing to undertake scholarly and scientific work and who are competent if willing to do it, is a very small proportion of the total population. That is going to be the fundamental problem of our Government as well as our society, I think, for the future.

Mr. SIMPSON. As to the future, do you suggest that we have enough foundations?

Mr. BARNARD. No, I do not think we do.

Mr. SIMPSON. We do not need expansion?

Mr. BARNARD. I do not think so.

Mr. SIMPSON. Do you have any suggestions about whether Congress should favor the creation of them and should change our tax laws one way or another to encourage their growth? I am sure you do recall that the current tax laws applying to the individual are so high that there are not accumulations of vast amounts of money which, in turn, can be passed on to a foundation. Do you see harmful effects there?

Mr. BARNARD. No. I think the only relief Government should give to foundations should be in the tax laws, and that relief is not confined to the foundations. I mean all charitable and educational and religious things combined are important. Any relief that is given to any of them and applicable to all of them would be useful to foundations. I also would repeat that I think there ought to be safeguards so far as foundations go, so they are really foundations and not mere tax-dodging machinery.

Mr. SIMPSON. But, if we do not permit large accumulations of money, how can we expect to have more large foundations created?

Mr. BARNARD. I do not think you can.

Mr. SIMPSON. You suggested earlier in your comments that the large foundations—I assume you meant they were more desirable than the smaller ones because the smaller one has such heavy overhead that in some instances its funds are diverted to family use where they shouldn't be, and the effect of the large foundation is lost.

Mr. BARNARD. I do not think the effect of the large foundation is lost because there are others that do not operate properly. Those that do not operate properly are the menace. What usually happens on these things is that to correct that part of the situation which is pathological or not good almost inevitably tends to set up regulations and statutory controls which apply to the others as well, and complicate their operations and their positions. That is the only caution that, it seems to me, is required. If an analogy story is permitted, I once said to Mr. Morgenthau when I was in the Treasury Department that it looked to me that the Treasury, in order to keep track of a relatively small number of crooks was making life miserable for everybody who was honest. If you keep that up long enough the honest people become dishonest out of sheer necessity. He said I was right.

That is the aspect of the thing that requires much thought.

Mr. SIMPSON. We are told that under our taxing laws today the creation of another Rockefeller Foundation or Ford Foundation is practically impossible. I asked them how we are going to get along without a foundation which is going to provide the risk capital in the areas that are needed.

Mr. BARNARD. We are trying to do it now under the guise of defense. There is an enormous amount of money going in that way. By the creation of the National Science Foundation, which is a new experiment in the Government—it is modeled after private foundations, and is quite a new thing in the Government.

Mr. SIMPSON. It is Government and subject to restrictions, as you pointed out.

Mr. BARNARD. It is an experimental effort, as I see it. I hope it succeeds. I am devoting a good deal of effort and time to it because I believe the money available from the private foundations we are apt to have is not going to be sufficient for the public interest in the development of science. I have to say that foundations are concerned with things that the National Science Foundation is not, in humanities and in some aspects of social science.

Mr. SIMPSON. Thank you, sir.

Mr. KEELE. I do not believe I have any more questions. You have endorsed what Mr. Rusk has said, except as you have elaborated or changed the emphasis. We can assume that the same questions put to you would be answered in substantially the same fashion.

Mr. BARNARD. That is correct.

Mr. KEELE. Thank you.

I would like to call Mr. Rockefeller, please.

#### STATEMENT OF JOHN D. ROCKEFELLER III

Mr. KEELE. Mr. Rockefeller, would you, for the record, please state your name, your address, and your official capacity with the Rockefeller Foundation?

Mr. ROCKEFELLER. My name is John D. Rockefeller III. I live at 1 Beekman Place in New York City. I am a trustee of both the

General Education Board and the Rockefeller Foundation and at the present time also chairman of the board.

Mr. KEELE. Mr. Rockefeller, the committee has felt that you perhaps had a unique opportunity as the son of the son of the founder of the Rockefeller Foundation to tell us whether in your opinion, the funds of the Rockefeller Foundation have been and are being spent in accordance with the intentions and wishes of the founder, which is one of the questions which is posed in the resolution under which we operate.

Mr. ROCKEFELLER. Might I elaborate on that a little?

Mr. KEELE. Yes, indeed.

Mr. ROCKEFELLER. It seems to me that there are two angles to consider, one the matter of policy and the other the matter of program. First let me say a word as to policy.

In preparation for these sessions here I have been reading the early history of the Rockefeller Foundation and I have been very interested to see the basic policy items that were set forth at that time and how they hold today. I thought I might just present to you a few of those by way of illustration.

My grandfather said way back in the early days, "The best philanthropy involves a search for cause and an attempt to cure evils at their source." That is what we today call going to the root of social ills.

Mr. Gates, who was his close associate and policy adviser on matters of this kind, said, way back at that time, "The Rockefeller Foundation should, in general, confine itself to projects of an important character, too large to be undertaken or otherwise unlikely to be undertaken by other agencies."

It was he who coined the phrase "scatteration." He was concerned about foundations getting into too many different things.

Another principle was that foundation funds should be primarily funds for dispensing and not operating.

Then, as to the grants, in those days they set forth a number of basic considerations. They said the grants should foster in the beneficiary a spirit of self-help, not dependence. They said grants should, in general, be given on terms which would stimulate gifts by others. They said that grants should avoid the dangers of perpetuity. By that I know they meant also perpetuity in terms of foundations themselves.

As my grandfather once said, "Perpetuity is a pretty long time."

Further, they said that grants should not assume indefinitely a share of the current expenses of an institution which it does not control. Finally, in speaking of the institutions to be benefited, they said that they should be of a continuing character, which would remain vigorous after the aid was withdrawn.

Those were policies established 40 years ago. The foundation will be in its fortieth year next year. I think it is fair to say that they would all stand today.

Then, as to program. The early years of the foundation—its activities were primarily in the public health field, except a certain number of initial grants when policy was being formed and except during the war years when the foundation made available 22 million for war relief and other wartime activities.

Those early grants in public health and medicine, were used for research, prevention of hookworm, yellow fever, malaria, and many millions went toward medical education.

That was the program substantially until 1929. In that year it was broadened very appreciably, as Mr. Rusk has explained. It was in that year that there was a revamping of the various institutions created by my grandfather and, as a result of that, the social sciences were included in the program of the foundation, the natural sciences and the humanities. But the interesting thing to me is that while that seems like a very substantial departure from the original program, away back in 1905, when Mr. Gates wrote my grandfather first suggesting the foundation, he talked about various fields of activity—not all of these, but some of them. Also, in the early days of the foundation, the foundation gave thought to branching out into some of these other fields. Prof. Edwin F. Gay, of Harvard, in 1914, was asked to head a foundation committee to study the possibilities of work in the social sciences. Also, Mr. McKenzie King was retained in connection with studies in labor relations.

I just mention these to show that in the early days there was thought of a broader type of program, but it wasn't until 1929, until the foundation got actively into these fields.

One other thing I would stress by way of basic change in program over the years is the consulting activity which the officers do to such a considerable extent, because the officers are a distinguished group of men in different important fields, and much of their time is spent in advising with people from all over the country concerning problems in their areas of competence, not in terms of grant, but just for advice and consultation.

It has always been our policy to keep the program constantly under review. We realize we are operating in a very changing world. We feel it is our responsibility to keep the program in tune with the times.

My grandfather died in 1937, which was nearly 25 years after the foundation was established. He never took an active part personally in the work of the various institutions which he created. He was always deeply interested. I remember the story that father tells that several years after the Rockefeller Institute was established as a going concern he was driving near the institute in a taxicab with my grandfather, and father said, "Father, you have never seen the institute. Wouldn't you like to stop by and visit it?"—which he did.

He felt that the most effective results would be obtained by bringing together the ablest of individuals and giving them the responsibility to work out the program. Over the years I have talked with my father concerning these early days. He has indicated that constantly he was in touch with grandfather concerning the program and that grandfather took great satisfaction and derived much happiness from the work as it developed over the years.

As to my father, as Mr. Barnard said, he was much more closely in touch with the boards down the years. He felt a responsibility to see, as he visualized it, that the objectives of the foundation as set forth by the founder were carried out, but he recognized that from the beginning he was but one of 21 trustees.

As you know, the chairman of the board is an advisory position. The president is the chief executive officer.

Father remained chairman until he retired in 1940.

I might say he feels very keenly, as my grandfather did, that the foundation should not be a matter of perpetuity; that future generations should provide for their own needs, and that this institution, as and when it has opportunity to spend its funds, should so do.

That is all.

Mr. KEELE. Mr. Rockefeller, over the years that you have been interested in the foundation, from your conversations with your father, have you—and, if this question is too personal, I hope you say you would rather not answer it—detected any apprehension or fear personally or on the part of your father that the Rockefeller Foundation or foundations in general were giving support to projects or persons which might tend to undermine the capitalistic system?

Mr. ROCKEFELLER. I have not, sir.

Mr. KEELE. I have no further questions.

Mr. SIMPSON. No further questions, Mr. Rockefeller. Thank you kindly for your appearance.

Mr. ROCKEFELLER. Thank you, sir.

Mr. SIMPSON. The committee will recess until 10 o'clock tomorrow morning.

(Whereupon, at 4:05 p. m., a recess was taken until 10 a. m. Wednesday, December 10, 1952.)

## TAX-EXEMPT FOUNDATIONS

WEDNESDAY, DECEMBER 10, 1952

HOUSE OF REPRESENTATIVES,  
SELECT COMMITTEE TO INVESTIGATE TAX-EXEMPT  
FOUNDATIONS AND COMPARABLE ORGANIZATIONS,  
*Washington, D. C.*

The select committee met, pursuant to recess, at 10 a. m., in room 1301, New House Office Building, the Honorable Richard M. Simpson presiding.

Present: Representatives Simpson (presiding), O'Toole, and Goodwin.

Also present: Harold M. Keele, counsel to the committee.

Mr. SIMPSON. The committee will come to order, please.

Mr. Keele, will you call your witness?

Mr. KEELE. Mr. Davis, please.

Mr. Davis, I wonder if you would be good enough to state your name and your residence for the record.

### STATEMENT OF JOHN W. DAVIS, HONORARY TRUSTEE OF THE CARNEGIE ENDOWMENT FOR INTERNATIONAL PEACE

Mr. DAVIS. John W. Davis, New York City; lawyer, by occupation.

Mr. KEELE. And will you tell us what connections you have had and have at the present time with the Carnegie Endowment for International Peace.

Mr. DAVIS. I became a member of the board of the Carnegie Endowment in 1921. I continued as a member of the board until—I have got the dates written down; let me look at them. I continued as a member of the board until December 1950.

At that time I retired from the board and was elected an honorary trustee without either powers or duties.

Mr. KEELE. Mr. Davis, you were a member of the nominating committee which selected Alger Hiss as president of the Carnegie Endowment; were you not?

Mr. DAVIS. I was.

Mr. KEELE. And the other members of that committee were Arthur Ballantine and Elliot Wadsworth; is that correct?

Mr. DAVIS. Correct.

Mr. KEELE. Will you tell us in your own words and way the story of the selection of Mr. Hiss?

Mr. DAVIS. Well, on the retirement of Dr. Butler in 1945, who had been president of the endowment ever since the death of Elihu Root, we determined on rather an extensive reorganization. We approached Mr. Dulles with the idea that he would become president or, if not president, chairman.

He agreed to become chairman provided we install an all-time working president on whom the administrative and presidential duties should be imposed. He was not willing to assume them.

We had clearly in mind the sort of man we were in search of. We wanted a man of not more than advanced middle life with plenty of years of service still in him, and we wanted, if possible, a man who had some personal contact with foreign affairs and governmental matters. We went about it right seriously.

We had a number of men under consideration, some of whom we approached who were not willing to assume the office, and finally the name of Mr. Hiss appeared.

We examined his past from the time he was admitted to the bar. I won't pretend that I did all the examining, but I did quite a little of it, and so did Mr. Ballantine, and so did Mr. Wadsworth. All the reports we had from every quarter about Mr. Hiss were entirely favorable.

We had an interview with him and outlined what we had in mind as to the future conduct of the endowment and the duties of the office that we were trying to fill. He expressed himself most intelligently on the subject, made a favorable impression on us, and we recommended him to the board, and, thereupon, the board elected him as president.

Now, in a nutshell, that is the story as far as I know it.

Mr. KEELE. Do you recall who first proposed Mr. Hiss' name, Mr. Davis?

Mr. DAVIS. Well, I can't tell who first proposed him. The first person who mentioned him to me was Mr. Dulles.

Mr. Dulles was the prospective chairman, and naturally the committee wanted his advice and any assistance he could give. He mentioned Mr. Hiss and spoke of having encountered him in this, that, or the other international affair, and recommended we look him over, which we did.

Mr. KEELE. What was the nature of the investigation you made, Mr. Davis, other than talking with Mr. Hiss?

Mr. DAVIS. Other than talking with Mr. Hiss?

Mr. KEELE. Yes.

Mr. DAVIS. Oh, we talked with the members of the law firms with which he had been connected, Choate, Hall & Stuart of Boston, the Cotton & Franklin firm of New York, which is now Cahill, Reindel & Zachary, or Cahill, Zachary & Reindel, I believe—I haven't got it right—and we talked to the State Department. I said "we." I did not, but Mr. Wadsworth did, and Mr. Ballantine did, and everybody that we thought had had contact with Mr. Hiss that we could encounter, we made a serious effort to get their opinion about him.

We did not, as I recall, have any documentary search, but we made such investigation as you would naturally make in seeking to employ a man for a new and important job.

Mr. KEELE. Did any of the other members of the then board of trustees speak in behalf of Hiss?

Mr. DAVIS. Yes. There were some members of the board who knew him personally and who praised him very highly. At the moment, I don't think I can recall those names for you.

Mr. KEELE. Now, after he was indicted, he was kept, but did not actively discharge the duties as president; isn't that correct?



Mr. DAVIS. That is correct.

Mr. KEELE. I think Dr. Wriston, when he was here, told us something of that. Would you tell us what entered into the decision of the board to retain Hiss after his indictment?

Mr. DAVIS. To retain him?

Mr. KEELE. That is, as president.

Mr. DAVIS. At the meeting of the board in December, which was held before his indictment, although we were cognizant of the fact that the grand jury had his name before it, Mr. Hiss presented his resignation.

There was a feeling in the board—of which I personally thoroughly shared—that to accept his resignation and deprive him of the presidency *instanta* would be a prejudgment of his case, and we had no right to do that until the facts appeared.

We accordingly gave him leave of absence; and, because of his having no financial resources of his own, we gave him a leave of absence with pay for 3 months. That was afterward extended by the executive committee of the endowment until, I believe, May of that year.

Mr. KEELE. That is correct, I believe.

Did he enter into policy-making decisions during his tenure of office as president?

Mr. DAVIS. Oh, yes.

Mr. KEELE. And, from your observation, did he give any indication of bias, shall we say, in favor of the Soviet Government or of the satellites of the Soviet Government?

Mr. DAVIS. Not the slightest.

Mr. KEELE. No indication?

Mr. DAVIS. None whatever.

Mr. KEELE. As a matter of fact, it is my understanding that he worked diligently for the Marshall plan during that time.

Mr. DAVIS. Yes; he did, and I may say that the endowment, looking for some place where it might be useful, conceived that for the moment the best service it could render was to support the United Nations and do what we could to popularize that movement.

Mr. KEELE. Weren't there any letters addressed to the committee or to members of the board, to which your attention was drawn, which cast some question on his integrity or ability?

Mr. DAVIS. None.

Mr. KEELE. I was under the impression that Mr. Davidow, of Detroit, had written Mr. John Foster Dulles prior to the time that Hiss assumed office, possibly after his selection, in which he raised some question about Hiss.

Mr. DAVIS. I have read Mr. Dulles' testimony before the committee. He mentions that letter. I have no recollection of it.

Mr. Dulles may have shown it to me, but I do not recall it.

Mr. KEELE. In other words, there was no objection from anyone to Hiss' nomination or proposed nomination and election as president, prior to his taking office?

Mr. DAVIS. None whatever to my knowledge.

Mr. SIMPSON. I would like to ask Mr. Davis this: Keeping in mind the obligation upon trustees to secure desirable personnel to administer a foundation, keeping in mind also your experiences with respect

to Mr. Hiss, have you any suggestion by which such an error might not occur in the future?

Mr. DAVIS. Well, there is no magic formula for it that I know of. I think it is the duty of any board, whether a foundation or a private corporation, or, if you choose, a Government institution, to use the utmost care in trying to find out about the people that they select, and of course every man who is selected for a new position, no matter what his past record, is by way of an experiment.

He may succeed, and he may not succeed, but the only formula I would give would be entire care and diligence, which I may say was exercised in this case, to find the proper man.

Mr. SIMPSON. That is all I have, Mr. Keele.

Mr. KEELE. I have no further questions, Mr. Davis.

Mr. DAVIS. Thank you, gentlemen. I have a little matter across the street to attend to; and, if you will excuse me, I will depart.

Mr. KEELE. We appreciate your coming here to give us your time.

Mr. SIMPSON. I want to express the pleasure of the committee for your appearing here this morning. Thank you.

Mr. DAVIS. It is a pleasure and an honor for me, gentlemen.

Mr. KEELE. Mr. Johnson, please.

Dr. Johnson, will you state your name, your place of residence, and your connection with the Carnegie Endowment for International Peace?

**STATEMENT OF JOSEPH E. JOHNSON, PRESIDENT, CARNEGIE  
ENDOWMENT FOR INTERNATIONAL PEACE**

Mr. JOHNSON. I should be glad to, sir. I have a statement here. With your permission, I should like to read it.

Mr. KEELE. I think that would be quite acceptable to the committee.

Mr. JOHNSON. It is very brief, sir.

My name is Joseph E. Johnson. I am president of the Carnegie Endowment for International Peace, with offices at 405 West One Hundred and Seventeenth Street, in New York City.

I welcome the opportunity to appear, on behalf of the endowment, before your select committee. The founder of the endowment, Mr. Andrew Carnegie, believed that men of great wealth had an obligation to use their money in the interest of the community as a whole. Similarly, it is my very strong conviction that foundations have a special obligation to the public at large. This is not solely because they enjoy tax-exempt status. It results also from the fact that they function in a sense in the public domain. Certainly that is true of a foundation whose legally established purpose is the search for peace, for that search is the concern of every citizen.

A foundation is a public trust. Its affairs should therefore be an open book. What I know about your committee leads me to believe that the present inquiry should provide the American people with information of lasting usefulness, making possible a better and wider understanding of the role of foundations in American society.

I should be less than frank if I did not acknowledge that at the outset the formidable task of preparing for the inquiry staggered me. We do not have a large staff at the endowment, and the labor involved in preparing our reply to the committee's questionnaire has not been light. I could not at first help regretting the time

and effort which had to be taken away from our regular work. Now, however, I find that the necessity of reviewing the endowment's record has given me a fresh perspective for the years ahead. The story of its achievements for more than 40 years—and of the part played by the distinguished men who have made that story possible—has strengthened the confidence and determination of our entire organization.

When in 1950 I was asked if I would be interested in becoming president of the endowment, I could not help but respond favorably. I am, sir, a historian, having taken my doctor's degree in American history at Harvard, where I had also done my undergraduate work. I taught for a year at Bowdoin College in Maine, and went to Williams College in 1936. In 1942, I was granted leave of absence to take a position in the State Department, where I remained for nearly 5 years. During the latter half of this period I was concerned with United Nations affairs. I returned to Williams in 1947, and had planned to remain there. Yet there was a special challenge in the offer from the endowment.

I knew something of the endowment's history. I knew that it had been established by Andrew Carnegie in 1910 to work unceasingly, in his words, to "hasten the abolition of international war, the foulest blot upon our civilization." I realized that it was a foundation that dealt with intangibles and could not therefore easily reckon its achievements in concrete results. I knew it was not large in terms of capital and income. I knew also that it was directing its attention largely to problems of the United Nations, in which my own special experience and interest lay.

Since assuming the presidency of the endowment, I have learned that the establishment of the foundation by a gift of \$10,000,000 on December 14, 1910, was the culmination of Andrew Carnegie's long career of intensely practical interest in the peaceful settlement of international disputes. I have read that his decision to move at that time was stimulated by President William Howard Taft. I have learned that the 28 original trustees included not only Elihu Root and Nicholas Murray Butler, who were Mr. Carnegie's principal collaborators in this effort, but such distinguished Americans as former Secretary of State John W. Foster, Senator John Sharp Williams, and Mr. Joseph H. Choate. I believe you will agree with me that the list of present trustees shows that the high caliber of the board has been maintained to this day.

I shall not take the committee's time to describe in detail the manifold activities of the endowment during the 42 years of its existence. These are set forth in detail in the published annual reports. There are, however, a few items I should like to mention.

There is the monumental 150-volume economic and social history of World War I, edited by my distinguished predecessor, Dr. James T. Shotwell, now the endowment's president emeritus.

There were the grants over two decades that made possible the cataloging of the Vatican's priceless library.

The endowment pioneered in promoting the international exchange of students, teachers, technicians, editors, and agriculturists—work carried on today under the Fulbright Act, by the Institute of International Education, and by a number of other governmental and pri-

vate programs. It was this endowment activity that brought over here men like the late Italian Foreign Minister, Count Carlo Sforza, and that gave assistance at the right moment to promising young men, many of whom have since made names for themselves in international affairs.

The endowment's publication of the results of inter-American conferences down to 1942 has been a boon to statesmen and students of the American Republics.

The magazine *International Conciliation*, started in 1907 and published since 1924 by the endowment, in the past was perhaps the single most useful tool for those who wanted and needed to read important documents and state papers. I believe that it is today performing an equally useful service in presenting objectively information about the activities of the United Nations and other international organizations.

The Carnegie Endowment contributed significantly in the inception and work of international relations clubs on college and university campuses not only in the United States and Canada but elsewhere in the world. Many individuals who were later active in the field of international relations had their interest first stimulated by these clubs.

The active leadership and support of the Carnegie Endowment was, I believe, the chief force behind the research, publication, and development that took place in the field of international law in the final half of this century.

In closing these remarks, I should like to add one further comment. The larger foundations, such as the Carnegie Corp. and the Rockefeller Foundation, are, as you know, grant-making foundations. The Carnegie Endowment is not. While in the past a fair proportion of its funds were spent in the form of grants, it has always carried on operations of its own, and today functions almost exclusively by carrying out through its own staff or through contracts specific programs authorized by the trustees. This approach to our work is in a real sense symbolized by the new International Center Building on the United Nations Plaza in New York City, the cornerstone of which was laid only last Sunday.

It seemed to me when I joined the Carnegie Endowment in 1950 that its work for the cause of peace was well worth the best of any man's effort. I feel doubly sure of this today and I shall be glad to answer any questions the committee may wish to ask concerning my administration of the endowment and the plans and hopes that its board and staff have in mind for the future.

Mr. KEELE. Dr. Johnson, you have mentioned in your statement the fact that you favor making known the activities. You have touched upon it.

What is your view as to the desirability of foundations making public reports of their activities, of their grants, of their income, their assets, and other such pertinent material?

Mr. JOHNSON. Sir, my view is very clear on this. As I said earlier, foundations have a special relationship to the public, not only because they are tax-exempt.

It seems to me that any organization which has this special relationship has a real obligation to make public in the fullest possible manner what it is doing, how it is spending its money, where it receives its

money, why it is doing what it is doing. I would certainly believe that a foundation should feel itself under an obligation to make full report of its activities. We always felt so.

Mr. KEELE. I believe reports show that you publish about 1,500 copies of your annual report.

Mr. JOHNSON. That was the distribution of the last annual report, sir. We are hoping and planning to distribute more copies in the future. We would like to see that copies were available for as many people as are interested.

Mr. KEELE. How do you get distribution of those, Dr. Johnson? What do you do with them? How do you get them disseminated?

Mr. JOHNSON. Well, in the first place, sir, we send copies to all college and other libraries. The endowment in the past, carrying on Mr. Carnegie's very real interest in libraries, had a program of relationship with libraries throughout the world in the field of international relations.

We have a long list of libraries, college, university, public libraries, and others. We send copies to all those libraries.

We send copies to administrators in education; that is, to college presidents and others. We send copies to the press. We send copies to professors and others whom we know to be interested in our subject matter.

We do the best we can to send out copies to large numbers of people. I believe, sir—I am not sure of this, but I believe—the last issue went to the Members of Congress.

Mr. KEELE. You say you send them to the Members of the Congress?

Mr. JOHNSON. I am not sure, but I believe so. I think it would be a good idea to do so; the newspapers, radio, and press.

Mr. KEELE. Do you believe that it would be desirable for some sort of legislation which required public reporting of that kind and the filing of reports in places where they would be available to those who were interested in them? That it would be a benefit to foundations?

Mr. JOHNSON. I would certainly, sir, think that would be of benefit to foundations and to others. We would see no objection.

I should have added, we always send copies of course to the Library of Congress. I believe all our reports are on record and all our publications are sent automatically to the Library of Congress.

Mr. KEELE. I have noted here in your statement that you feel the work required in preparing for this investigation has been of some value aside from many tangible results that may come from the investigation.

Mr. JOHNSON. Yes, sir.

Mr. KEELE. I think that has been touched on a time or two, and a number of the foundation representatives have spoken to me about that phase, but I don't believe it has been spread on the record. It may have been.

Do you feel that aside from any results we get here, the work and expense entailed was from the point of view of the foundation justifiable?

Mr. JOHNSON. I do so now, very definitely so. For one thing, all of the present members of the staff in policy positions have come there since 1945, and most of us, all but one, have come since 1948 or 1949.

It has therefore been very useful to all of us indeed who participated in the preparation to learn something of the past of the endowment.

We have also discovered—and I have made a series of notes in the course of preparation—certain weaknesses in our administration which I hope will be straightened out.

We also had a chance—this is perhaps the most important of all—to take a good look at our own present program in the light of past programs, and in a real sense have had reaffirmed in our minds, the minds of the staff, the decisions which we had taken with respect to program in recent years.

Mr. KEELE. Have you talked with the heads or representatives of other foundations of comparable size, or larger than yours, as to whether or not they found this reexamination beneficial?

Mr. JOHNSON. No, sir; I have not. The only thing I recall, I read Mr. Dollard's testimony before this committee, and Mr. Dollard stated that he had found it was beneficial. I have not talked with him or any others on that particular subject.

Mr. KEELE. Well, Mr. Rusk has said to me, I believe, not before the committee, that he has found it particularly valuable in view of the fact that he was heading a foundation with a long history, and that he had only been there for a very short time, and that under compulsion as it were, he had had to review the entire history of the foundation.

In other words, your point is that the reexamination of your program, of your activities and so forth which this compelled, was in itself valuable?

Mr. JOHNSON. Yes, sir; and I hope we can plan, ourselves, not perhaps for preparation for a committee but for our own sake, to do some reexamination periodically in the future.

Mr. KEELE. How many trustees do you have?

Mr. JOHNSON. We have charter provision for 27 trustees, sir. Actually at the moment there are only 25. One General Barrows, of San Francisco, former president of the University of California, resigned earlier this year, and the next one, Mr. John Foster Dulles, the chairman of the board, resigned this month, and his resignation was accepted at the trustees' meeting on Monday.

Mr. KEELE. I have observed that the trustees come to a large extent from far places in the country, that you have a wide geographical distribution of your trustees. I should think that at least half of them, or almost one-half of them, come from areas other than the New York-New England district; is that correct?

Mr. JOHNSON. That is correct, sir. I haven't actually looked at the figures, but it is approximately so, and this is the result of a deliberate policy, a deliberate policy I suspect, although I don't know, instituted by Mr. Carnegie himself.

He made an interesting provision which you may have noticed, sir, in his deed of gift. He said that all trustees should not only have their own expenses paid at the meeting of the board, but should be allowed to bring either a wife or a daughter with them to the meeting of the board. This suggests that he was anxious to have broad representation.

I know Dr. Butler felt that way, and I know that I feel it is important to have members of the board of trustees who are scattered around the country in various communities. I also feel, however, sir,

that it is important to have a nucleus within reach of New York, because inevitably one must draw on those people for the active members of the executive committee.

Mr. KEELE. Is there anything in the nature of the work that you attempt to perform in the Carnegie Endowment which is persuasive in pulling directors from the Pacific coast, let's say, as you have a number of them, which might not motivate other foundations along the same line?

In other words, do you have a special need as you view it for a wide geographical distribution that may not be necessary in the case of other foundations?

Mr. JOHNSON. Well, I am not sure, sir, whether there is a special need in our case as distinct from other foundations, but I can say this to you.

It is my own personal and very firm belief that the issues of peace and war are, to a large extent, because of the position of the United States in the world today, dependent upon understanding on the part of all of the people of the United States.

It would be a great mistake in my opinion for our foundation to concentrate its trustees and its interests in and around the eastern seaboard.

Mr. KEELE. What has been the experience of the foundation with reference to attendance on the part of those who come from distant parts of the country?

Mr. JOHNSON. It has been very good, sir. We have one trustee from Iowa who, I think, has been to every one of the trustee meetings since I have been there; a trustee from Colorado who has come to every one, or almost every one since I have been there; a trustee from Chicago who has done the same thing.

There have been in this period three trustees from California, Mr. Barrows having resigned. They have had better than a 50 percent batting average.

Mr. KEELE. In other words, the geographical distance does not seem to be a deterrent to their attendance?

Mr. JOHNSON. No, sir; it does not.

Mr. KEELE. Do you, however, draw for your, shall we call them, work horses, the ones who do the greatest amount of work—probably your executive committee, your financial committee? Do you draw for these on the group that is more locally situated?

Mr. JOHNSON. The executive committee in the past, sir, when I first came on the board, or just before, included this member from Iowa, Mr. William Waymack. He went off the committee. It now includes the member from Chicago, Mr. Ryerson.

It includes one man from Boston, Mr. Bundy, who has been recently elected chairman of the board to succeed Mr. Dulles, but most of them are in and around the New York area.

One, Mr. Nolde, is from Philadelphia, but spends a good deal of time in New York. So, we have tended always to have what might be called a safe majority.

The executive committee consists of seven members, including the chairman of the board and the president. We have felt it was necessary to be pretty sure of having four or five always on hand.

Mr. KEELE. How have you attempted to implement or carry out your program over the last few years, Dr. Johnson? I mean, in what manner have you worked to accomplish your objectives?

Mr. JOHNSON. Well, sir, in the first place there has been since 1946, and particularly early 1947, a program of work in relation to the United Nations.

This has been carried out in part through publication in our magazine, *International Conciliation*, of matters relating primarily to the United Nations; not exclusively, but primarily.

For example, each fall we get out what we call issues before the United Nations General Assembly, which is an attempt to set forth in as brief compass as possible the principal issues which are arising before the General Assembly, for the information of representatives of nongovernmental organizations, of the public at large, of college professors, and also of delegations.

I have noticed that a number of these copies are bought by the smaller delegations.

Besides that we have had a series of volumes, relatively small volumes, which we call *United Nations Action*, written by specialists dealing with the past. For instance, there was one on Palestine; there was one on the Iranian case. Palestine does not exactly appear to be the past at the moment, but this was the past at the time it was written.

There was an issue—we are thinking now of an issue—on Kashmir to help students, to help people who are interested in the United Nations.

Then we have a series which we still have, although there have been only one or two volumes published recently, of what might be called organizational and administrative problems of the United Nations and also policy problems, studies of the United Nations Secretariat, studies of other administrative problems, a study of the role of the General Assembly, a study of the International Court of Justice, a study of the way in which the Security Council operates.

Besides that, we have, as the result of some consideration that started in the staff when I first joined the endowment, embarked upon a program, which was approved by the trustees in May 1951, to initiate some basic study of problems of international organization.

We assume that international organization is here to stay in some form or other. We assume that it is an important factor in international life.

We feel that there are many questions still unsolved and still unanswered on a philosophical, on a historical, on a political-science basis as distinct from the rather pragmatic answers that one has to give in day-to-day operations. That is a major program area, and will be for some time.

As a project under that area, we are at present embarking upon a series of studies of what we call national policies and attitudes toward international organizations, with particular reference to the United Nations.

These studies are being undertaken in approximately 18 countries around the world, representative countries, in order to find out, if we can, why these people went into the United Nations, what they expected to get out of it, what they have in fact gotten out of it, and what they think might be the future.



This is tied into the fact that there is supposed to be, or there may be, a conference with a review of the United Nations Charter about 3 or 4 years hence.

Another major program area is in the field of education in world affairs. We started from the premise that, with the United States playing the role it does in world affairs at the present time, and with the American people having such a vital interest and a vital role with respect to these issues of peace and war, an understanding on the part of the American people of international problems was important, and the way in which we are now implementing that decision is in assisting universities and colleges and teachers' colleges to look over their own work in the light of the present situation.

We first held a series of conferences, of which the last is to take place in Dallas this coming week end—the first took place in Denver a year ago this summer—bringing together not only the teachers of international relations but the college administrators, teachers in other fields from several institutions in the particular region. We will now have blanketed the United States, suggesting to them that in the present circumstances they might take a look at themselves.

We are not trying to ask them to do anything for us at all. We are trying to help them to look not only at their teaching of specialists in the field of international relations but the ways in which they attempt to teach the ordinary student, who may be a specialist in some other field but who may have a need, as for example, an engineer who may be sent out on a technical-assistance mission or who may go out for ARAMCO to a foreign country.

Next, to take a look at their research program in the light of the public needs.

Thirdly, to see how they deal with the problems of their foreign students who come in increasing numbers.

As you probably know, there are something like 30,000 foreign students who last year were in American colleges and universities. And the problem of making these students understand the United States, going back home as friends of the United States, is a very real problem.

And, lastly, the problem of their relationship to the community at large.

These essentially are our programs with one addition, which I certainly should mention. That is the fact that we are now building this international center in New York, which is a fairly sizable building, as you will see from the picture on the cover there of which we occupy only one floor for our own offices.

We rent it to other nonprofit organizations, as many of them as possible in the international field, trying to bring them together in one building, and we have plans for an international center, we call it, on the second floor, which will be a meeting place for private citizens interested in world affairs.

We are right across the street from the United Nations, which is a place of great attraction for visitors. It is a place where representatives of nongovernmental organizations, like the chamber of commerce, labor unions, the League of Women Voters, and others, come. We hope to make our international center a real place to bring them together and to stimulate discussion and interest.

Mr. KEELE. Your work, I assume, or the work of the foundation, is such that it is largely international in character; at least, in its approach to its work it must be international in character?

Mr. JOHNSON. It must be international in character.

Mr. KEELE. Now, you maintain a foreign office; do you not?

Mr. JOHNSON. We have an office in Paris, sir. In the mid-1920's, the endowment purchased a building in Paris which has become the endowment's European center. That is still going on. The director of that European center in the past was an American.

We had a feeling that it might be helpful if we could have a European who knew the United States and knew American thinking well but was still a European, and we appointed, shortly after I became president of the endowment, a young Belgian with a distinguished record, both as a soldier until the surrender of Belgium and as a participant in the underground afterward, and also a distinguished record as a student and scholar in the field, as the director of the European center, but he works in programs and with respect to programs that are decided by the trustees in New York.

Mr. KEELE. The assets of your foundation are approximately \$13,000,000; are they not?

Mr. JOHNSON. The actual market value at the present time. The book value is a little over \$11,000,000, sir.

Mr. KEELE. You have had grants in addition to the original grant from the Carnegie Corp.?

Mr. JOHNSON. We have had periodic grants from the Carnegie Corp.

Mr. KEELE. And your average income runs about \$600,000 or something like that?

Mr. JOHNSON. It has in the past as a result of those grants. It is a little bit smaller now. The Carnegie Corp. has given us only one grant in recent times, a grant of \$25,000 this year, since I have been there.

Mr. KEELE. About what percentage of your expenditures is made abroad?

Mr. JOHNSON. If you will excuse me, sir, I think it is around 7 percent; but I want to check this, if I may.

Mr. KEELE. It averages out over the past few years about 7 percent; doesn't it?

Mr. JOHNSON. It averages out about 7 percent. It may be a little bit more as a result of this program which is now getting under way, the studies of national attitudes.

Mr. KEELE. Tell us this: Are you a grant-making or an operating foundation, or do you do both?

Mr. JOHNSON. At the present time, sir, we do almost nothing but operations. In the past there were a number of grants. The trustees began to feel several years ago that a foundation as small as ours would suffer more from what I believe you yourself called scatteration, what our trustees have called birdshot operations, than a larger foundation might do.

Obviously, with our income, we could not grant large sums. The building of the new international center has tended to concentrate our efforts in New York. We still make occasional small grants, very small, as a rule. I can't think of any since I have been there which has run to a total of more than \$5,000 for an institution.

We do as part of our operations, as I have suggested in my initial remarks, contract for jobs which we wish done. That is, respecting this study of national policies and attitudes, we have made contracts with organizations in other countries under which they contribute something and we contribute something.

Mr. KEELE. What, in your opinion, is the relevant need for your foundation's work as of today, compared to the time it was established by Mr. Carnegie?

Mr. JOHNSON. I would say, sir, despite the fact that governments and other agencies have put infinite millions and even billions of dollars into the same kind of work, striving for peace, that were not put into that work in 1911, the need for our work is greater than it has ever been before.

The attitude of 1910 and 1911 to 1914 was an attitude of hopefulness that peace was just around the corner. Mr. Carnegie was very much interested in the then pending arbitration treaty between the United Kingdom and the United States, and he hoped that when that was adopted, as he thought it would be adopted, we could begin to work in other areas of the world. There was a period of optimism.

Now we are in a period where in my opinion nobody can be very optimistic. Everyone has to think in terms of tension over a long period of time.

Mr. KEELE. Is there any other major foundation which has for its sole objective work for peace?

Mr. JOHNSON. No, sir; I know of none which has it for its sole objective. The World Peace Foundation, which is a relatively small foundation in Boston, established at the same time in the same year as the Carnegie Endowment, has this objective. The Ford Foundation, as you know, has as one-fifth of its total program interest in the conditions of peace.

Mr. KEELE. Among the larger foundations, the Carnegie Endowment is almost unique, is it not, in its dedication and work toward a single purpose?

Mr. JOHNSON. I think that is so, sir.

Mr. KEELE. What grants did the Carnegie Endowment make to IPR, and over what period of time?

Mr. JOHNSON. The Carnegie Endowment began making grants to the IPR in March 1926, at the time it was being established, and continued making grants until July 3, 1939, which was the last one.

The total grants in that period ran to \$152,000 for general purposes, and about \$182,000, sir, a little bit over \$182,000.

Mr. KEELE. And what was the period?

Mr. JOHNSON. The period was from 1926 to July 3, 1939.

Mr. KEELE. There have been no grants made to IPR, either the American council, the Pacific council, or any of the other councils, since 1939?

Mr. JOHNSON. None, sir.

Mr. KEELE. Why did it stop? Why did the Carnegie Endowment stop its grants to IPR in 1939?

Mr. JOHNSON. I can't give you the full story, sir. I have looked in our records, and cannot tell the full story. I can tell you when it happened and suggest to you why I think it stopped.

The decision not to renew the grants was made in May 1940. This was just after the fall of Norway and Denmark. It was a time when

the so-called phony war was ended. It was a time when we apparently were getting more and more involved.

At that meeting in May 1940, a number of grants to organizations operating outside of the United States were either reduced or eliminated from the budget, and I assume from what I know that that was the reason for the elimination of the grants to the IPR.

Mr. KEELE. In other words, it was the international situation rather than any lack of sympathy on the part of the foundation for the work of the IPR?

Mr. JOHNSON. All I can say, sir, is that is my assumption from looking at the record.

Mr. KEELE. I have read, of course, in preparation for this investigation, the charge which has been leveled at your foundation that, instead of being an instrumentality of peace, it was really an instrumentality for warmongering.

I suppose you have read those charges at one time or another?

Mr. JOHNSON. I have, sir.

Mr. KEELE. Will you tell us the basis of those charges, or the alleged basis of them?

Mr. JOHNSON. I am frank to say that I don't know the basis for the charges, unless it can be this:

The Carnegie Endowment has always made a point of stating that it was not a pacifist as distinct from a peace-loving organization. All of the officers of the endowment have taken the position, as far as I know, that peace with justice and equity is the kind of peace we want.

We are not interested in peace for the sake of peace. That has angered certain people at certain times. As far as I know, the record is clear that the endowment has been concerned with peace.

When war has come, the officers and trustees of the endowment, as loyal American citizens, because of their convictions, joined very actively in the war effort. But in each case, both in 1917 and in 1939, the endowment began planning with its own facilities as best it could for the period when peace might come again.

Mr. KEELE. Well, it is my recollection that Nicholas Murray Butler was one of those who was very active in getting American participation in the First World War; isn't that correct?

Mr. JOHNSON. That is correct, sir.

Mr. KEELE. And he was at that time the president of the Carnegie Endowment?

Mr. JOHNSON. He was.

Mr. KEELE. And was peculiarly identified in the public mind with the Carnegie Endowment, I think; is that right?

Mr. JOHNSON. That is correct, sir.

Mr. KEELE. I think that charge, as I read it, was illustrated by the fact that the president of the Carnegie Endowment for International Peace was one of those most active and most persuasive in inducing American participation in World War I. I believe that was the substance of the charge.

Mr. JOHNSON. I believe, sir, that our letterhead after 1917 carried the line "Peace through victory."

Mr. KEELE. In other words, the point I am trying to make, and I believe that you are trying to make, is that the Carnegie Endowment is not a pacifist organization.

Mr. JOHNSON. That is precisely the case, sir; and I assume, without having ever met Mr. Butler or talked to him, that Mr. Butler's view was that of many people between 1914 and 1917: that the peace and security of the United States were directly involved in the war in Europe, and that the way in which one could begin to work toward true peace with justice was in this direction.

Mr. KEELE. I gather from the answers that have been made in the questionnaire that was sent you, that you subscribe to the statement that has been made here so many times, that the function of foundations today is that of supplying risk capital or venture capital for projects on the frontiers of knowledge, if we may use the cliché now. Is that a correct statement?

Mr. JOHNSON. That is a correct statement, sir. As a matter of fact, when I began to read what others had said, I realized that I was going to seem like a plagiarist when I appeared here, but I assure you that the idea was in our minds before we knew what others would testify.

Mr. KEELE. Well, I believe your reply was one of the first we received, so though they have all been along the same tenor, I don't think that can be charged. I think that represents, does it not, a unanimity of opinion with reference to the functions of foundations?

Mr. JOHNSON. It certainly seems to, sir.

Mr. KEELE. Have you anything more you would like to say on that?

Mr. JOHNSON. I would like to tell a story to indicate the way this may operate even without prior knowledge. This is a story which was told me. I have never checked it, but I have every reason to believe it is true.

In 1940, after the fall of France, a very prominent Canadian, Edgar Tarr—I think he was a publisher or editor of the Winnipeg Press, thought it was important to bring together representatives of the North Atlantic community to consider what their problems would be in the future, and he persuaded the officers of the Rockefeller Foundation that this was a worthy project, and he held a conference in Maine, in the spring or early summer of 1940.

Among the people whom he invited there was a French-Canadian lawyer completely uninterested in politics, completely uninterested for the moment in international affairs. This man came to the conference.

When they left, Mr. Tarr said, "Well, thank you for coming, but I wish you had talked," and the man said, "Well, I didn't know anything, but you have interested me tremendously, and I assure you that this is a subject that I shall not forget."

That man's name was Louis St. Laurant, who is now the Prime Minister of Canada, and who was one of the chief authors of the North Atlantic Pact. That is the way just a drop can have results.

Mr. KEELE. Dr. Johnson, in answer to our questions as to grants made by the Carnegie Endowment to organizations or individuals who have been cited or criticized, by the House Un-American Activities Committee, or by the McCarran committee, or which appeared upon the Attorney General's list, you made a number of answers and listed a number of organizations and individuals.

Mr. JOHNSON. We listed only one organization, I think, sir; the IPR.

Mr. KEELE. I believe that is correct. That appears on what page?

Mr. JOHNSON. That appears on page 78. It begins a little bit earlier for the IPR. It begins on page 74 for the IPR, and goes to page 78 for the individuals.

Mr. KEELE. That is right. You have listed the varying amounts which were given to the Institute of Pacific Relations and those you have already summed up or totaled?

Mr. JOHNSON. Yes, sir.

Mr. KEELE. And now with reference to individuals, of course, you put at the head of the list Mr. Alger Hiss. We have heard about his selection from Mr. Davis. You were not connected with the Carnegie Endowment at that time?

Mr. JOHNSON. No, sir; I had no connection with the Carnegie Endowment until July 1, 1950.

Mr. KEELE. What was the total amount of money received by Mr. Hiss from the Carnegie Endowment?

Mr. JOHNSON. He received a total in salary of \$37,388.90 for the period from February 1, 1947, to December 13, 1948, and he received for expenses in connection with his job a total of \$4,131.91.

Mr. KEELE. And then while on leave of absence?

Mr. JOHNSON. While on leave of absence from December, he received a salary of \$7,888.90.

Mr. KEELE. Now you have had occasion, you say, to review the activities and the work of the foundation, or endowment I should say. Will you tell us the activities to which Mr. Hiss gave his attention, so far as the records and your investigations have been able to reveal?

Mr. JOHNSON. Yes, sir, gladly. They fell into two broad categories, one administrative, the other policy.

As a result of the decision to concentrate on the United Nations, there came the decision also to concentrate the offices of the organization.

We at that time, as you know, had an office here on Jackson Place, as well as an office in New York. It was felt that it was desirable to have one central organization.

Mr. Hiss devoted a considerable part of his time to planning the consolidation of the offices in New York. This job was a long and difficult one. It was not completed until after he had left the endowment, not fully completed until after I had joined the endowment when we sold the quarters on Jackson Place to the United States Government.

Mr. KEELE. That was not a matter of determination or policy. That was simply a matter of implementation of a policy already established.

Mr. JOHNSON. That is one thing. The other thing, sir, was in the field of policy. The endowment trustees had taken the position that they desired to help to support and strengthen the United Nations, to make it better able to do the job which it was trying to do, which it was supposed to do.

Mr. Hiss prepared a memorandum which was approved by the trustees in May 1947 with respect to ways in which that could be done, and most of his administration was concerned with problems of working this out as far as the endowment's own activities were concerned.

He initiated these studies of United Nations administration which I mentioned. He initiated the transformation of International Con-

ciliation into a magazine largely concerned with problems of the United Nations.

The whole concentration of effort as far as the records reveal on the part of the endowment was toward education about, research about, assistance in one way or another to the United Nations. There were obviously the ending of older programs, but this was the general emphasis.

Mr. Hiss played, I know, a very active role in 1947 with respect to the development of public understanding about the Marshall plan. He wrote an article in the New York Times magazine in November 1947 setting forth the arguments in favor of the Marshall plan. Those were, as far as I have been able to discover, sir, his chief activities.

Mr. KEELE. He was in office only, or, rather, he was actively discharging only the duties of president for what period, about 18 months?

Mr. JOHNSON. A little over 18 months, from February 1, 1947, to August 1948.

Mr. KEELE. Now, from your observation and examination of the work done at that time, and from any discussion you may have had with trustees and employees of the endowment, did you detect any bias in the work or activities of Alger Hiss during that 18-month period that he was acting president, or president and discharging his duties as president, which indicated a bias in favor of communism or of the Soviet Government?

Mr. JOHNSON. Not a bit, sir. I see no sign of it at all. I think one thing which was mentioned by Mr. Wriston was that among the new trustees who were elected after he came into office were people who were very prominent members of American business, people who were very conspicuous capitalists in one way or another.

The whole record seems to be a record of interest in making the United Nations work, and making the United Nations work in democratic ways, and I emphasize "democratic" as we understand that term, and not as it is misused by the gentlemen on the other side of the iron curtain.

Mr. KEELE. As a result of the experience of Mr. Hiss, does the endowment, which I shall refer to as the foundation, although its title is endowment, take any additional precautions in the screening of possible employees or those whom it considers for employees? Or perhaps it has not added any employees since that time, outside of yourself?

Mr. JOHNSON. I can't speak directly to the precautions taken as to myself. From the inquiries that were made of me, I can gather that they were fairly extensive, and I have heard from others that they were fairly extensive.

There were certainly checks with the State Department; that I know. There were even inquiries as to whether my wife was a member of any organization, and I could answer not quite honestly, as I discovered later, that she was a member of none. I discovered later she was a member of a small group who met annually to lay wreaths on the dead, Confederate dead, in Lynchburg, Va.

As for what I have done as president of the endowment, I have taken very great care with respect to any possible candidate for the endowment, to inquire of people who have known him, people whose judgment I respect as to what they know about it.

One thing I should say, sir, which I think is relevant. One cannot get—and I think Mr. Rusk brought this out in connection with the IPR yesterday—out of the United States Government the information which they give to other United States Government agencies, and so one has to do the best one can in consulting individuals with respect to past records of prospective employees.

Mr. KEELE. Now, among others, you have listed, in answer to the question to which I referred, Mrs. Marguerite Stewart. That appears on page 79 of your answer.

Mr. JOHNSON. Yes, sir.

Mr. KEELE. Will you tell us something of Marguerite Stewart?

Mr. JOHNSON. I can tell you very easily, sir. We had a problem. We were trying an experiment for us in the distribution of a publication more widely than we generally distribute. We wanted to get as many as 50,000 copies of this publication out.

We were informed that Mrs. Stewart had had experience in this respect. She came in on a temporary basis solely for the purpose of getting this document, this volume called United Nations, Its Record and Its Prospects distributed.

She was not in a policy position. The manuscript had been finished. The book, I think, was actually in print before she joined the endowment. It was after she had severed her connections that I learned that she had been cited, been mentioned, before the House Un-American Activities Committee, in other ways.

Mr. KEELE. What was the total amount that she received?

Mr. JOHNSON. A total of \$326.67, sir.

Mr. KEELE. For 14 days of work?

Mr. JOHNSON. For 14 days of work.

Mr. KEELE. And now with reference to her husband, Maxwell S. Stewart, who is listed here, what about him?

Mr. JOHNSON. This was before my time, sir, but I can tell you to the best of my knowledge what happened.

Mr. Stewart, as you know, is connected with the public-affairs committee, which distributes rather widely popular pamphlets on matters of public interest.

He approached the endowment in late 1947 and suggested that the endowment and the public-affairs committee cooperate in the distribution of a pamphlet on the United Nations, which he would prepare. The endowment turned over to the public-affairs committee—this was agreed to—a sum of money, which included \$1,400 for Mr. Stewart to prepare the manuscript.

As it turned out, the manuscript was never satisfactory because Mr. Stewart didn't know anything about the United Nations, with all due respect, and as a result, although the money was paid to him, the manuscript was never used.

I myself have never seen it. It had been buried in the files by the time I joined the endowment, and that ended the unhappy experiment.

Mr. KEELE. What was the total amount received?

Mr. JOHNSON. The total amount received by Mr. Stewart was \$1,400.

Mr. O'TOOLE. At this point, Mr. Johnson, I would like to ask a question of you. You have mentioned various pamphlets that have been put out by the endowment, and been distributed by them.



What is the purpose of these pamphlets? Is the purpose to inform the public of certain things, or is it an endeavor to bend public opinion in certain ways?

Mr. JOHNSON. The purpose, sir, is an informational and educational purpose. I think we assume that an informed public makes informed decisions. We feel it our obligation to try to inform the public about problems of international relations.

We try our very best in the publications, in International Conciliation, for example, to present objectively the situation which exists.

Mr. O'TOOLE. In almost all cases isn't it true that the pamphlets have a positive outlook, that there is not a presentation of both sides of the question? There is strictly a presentation of the views of the foundation?

Mr. JOHNSON. No, sir. Excuse me, there is a real effort to present a positive outlook, always within the framework that the endowment's function is international peace, to promote international peace, and we therefore have a positive outlook in the direction of international peace and international cooperation.

But we try to present both sides of issues.

Occasionally there will be articles published by individuals which represent a conclusion on one side. We stand always ready to publish an article on the other side of the same issue if there is any serious question involved. That has been a very strong feeling on my part, sir.

Mr. O'TOOLE. Is there always peace in the endowment?

Mr. JOHNSON. Pretty much so, as much as in any organization, I suspect.

Mr. O'TOOLE. That is all, Mr. Keele.

Mr. KEELE. In addition to that \$1,400, Mr. Stewart did receive \$50?

Mr. JOHNSON. Yes, he did.

Mr. KEELE. For preparing a study outline, Thunder Out of China?

Mr. JOHNSON. Yes, sir.

Mr. KEELE. And an additional \$75 in 1947 for a lecture delivered under the auspices of the International Relations Club?

Mr. JOHNSON. That's right, sir; making a total of \$1,525.

Mr. KEELE. And now with reference to Frederick Schuman—and who is Frederick Schuman?

Mr. JOHNSON. He is a professor of political science at Williams College, a well-known writer in the field of international relations. He received \$50 as an honorarium in 1939. He was first mentioned, I believe, in 1944 in the Un-American Activities Committee.

Mr. KEELE. And Lester Granger?

Mr. JOHNSON. Lester Granger, sir, received \$50 in 1943.

Mr. KEELE. For what, please?

Mr. JOHNSON. For a lecture delivered, also under the auspices of the International Relations Club.

Mr. KEELE. And who is Mr. Lester Granger, and what are his citations?

Mr. JOHNSON. Mr. Lester Granger, sir, I believe is a Negro who was cited first in the report on the Southern Conference for Human Welfare, and he is listed as a sponsor for the conference, which was cited as Communist-front and Communist-controlled.

I think it should be added, sir, that in the annual report of the Un-American Activities Committee in 1949, Mr. Granger testified that the

Communist Party was not influencing minority Negro groups as greatly as Paul Robeson had said. I don't know what the significance of those remarks is.

Mr. KEELE. Now Max Lerner. Who is he, and how much did he receive, and for what?

Mr. JOHNSON. Max Lerner received \$50 in 1940 as an honorarium for a lecture delivered under the auspices of the International Relations Club.

Mr. Lerner is a political scientist who now writes a column for the New York Post. He has been a teacher at Harvard, also at Williams. I believe he is also teaching now at Brandeis University, outside Boston. He had been cited, or been mentioned in the 1938 hearings of the Dies committee. I don't think that was a citation. It was a mention in the hearings. He was mentioned in the hearings in 1946 and 1947, some time after this honorarium was received.

Mr. SIMPSON. The committee will recess for 5 minutes.

(Short recess.)

Mr. SIMPSON. The committee will come to order.

Mr. KEELE. Mr. Johnson, what about Mordecai Ezekiel?

Mr. JOHNSON. Mordecai Ezekiel, sir, received an honorarium of \$50 in 1941 for an article in our magazine, International Conciliation.

Mr. KEELE. What are the citations on Ezekiel?

Mr. JOHNSON. Ezekiel was cited in the review of the Scientific and Cultural Conference for World Peace by the Un-American Activities Committee in 1949. He was among the members of the American League for Peace and Democracy, which was cited by the Attorney General as subversive.

He was cited also as subversive by the committee, as a member of the Spanish Refugee Appeal, and as a member of the Southern Conference on Human Welfare. All of these citations, sir, came sometime after the honorarium. You may be interested that the article, the subject of the article, was "Economic relations between the Americas."

Mr. KEELE. With reference to Vera Dean?

Mr. JOHNSON. Vera Dean was cited in the report on the Congress of American Women, October 1949. She was not cited as a member of the congress. She participated in the International Assembly of Women, a meeting which the Congress came to dominate. The citation in my evidence here, sir, does not indicate whether she was still a member after the Communists came to dominate, or not.

Mr. KEELE. And what is the total she received?

Mr. JOHNSON. She received a total of \$150 in 1940, 1941, and 1942, as honoraria for lectures delivered under the auspices of the International Relations Club.

Mr. KEELE. And Otto Nathan?

Mr. JOHNSON. Otto Nathan was listed as the sponsor of the Scientific and Cultural Conference for World Peace in 1949. Mr. Nathan received honorarium totaling \$250, between 1935 and 1938, for lectures delivered under the auspices of the International Relations Club.

Mr. KEELE. And Friedrich Foerster?

Mr. JOHNSON. Friedrich Foerster received \$1,000 in 1940, \$500 in 1941, and \$500 in 1942, under the programs for international visits of representative men and refugee scholars from abroad. He was a refuge from Nazi Germany. He was mentioned in the review of the

Scientific and Cultural Conference in 1949, some 7 years after the last grant to him.

Mr. KEELE. And William C. Johnstone?

Mr. JOHNSON. William C. Johnstone received a total of \$350 as honorarium for lectures from 1941 to 1944. Mr. Johnstone was mentioned in the McCarran committee report on the Institute of Pacific Relations in 1952.

Mr. KEELE. What about Stefansson?

Mr. JOHNSON. Stefansson, sir, received a grant of \$1,800 in the fiscal year 1947, the endowment's fiscal year beginning on July 1, 1946, to do research on the topic "Northern Routes of Trade and Intercourse."

Mr. Stefansson was, of course, well known as an Arctic explorer. He was cited by the McCarran report of 1952. He had been mentioned also in reports before the Un-American Activities Committee in 1947.

My information, sir, does not indicate whether those reports were published before or after the payments which were made in May and June of 1947.

Mr. KEELE. And Edouard Lindeman?

Mr. JOHNSON. Edouard Lindeman received from the endowment \$700 in March 1941 and \$350 in March 1942, a total of \$1,050, in connection with lectures stemming out of the conference held in England under the auspices of Dr. Butler, arranged by Dr. Butler, concerning international trade.

Mr. KEELE. Who is Lindeman, or who was he?

Mr. JOHNSON. Mr. Lindeman, sir, he is listed in a number of organizations. I cannot tell you.

Mr. KEELE. He was a professor at Columbia, wasn't he, and the author of the book *Wealth and Culture*, which is one of the early studies of foundations, as a matter of fact?

Mr. JOHNSON. Thank you, sir.

Mr. KEELE. What about W. G. Rice?

Mr. JOHNSON. W. G. Rice, Jr., listed in the report of the National Committee To Defeat the Mundt Bill in 1950, received \$50 in 1937, 13 years before, as an honorarium for a lecture delivered under the auspices of the International Relations Club.

Mr. KEELE. Have you made any computations as to the total amounts received by this organization and these persons to whom we have just given our attention?

Mr. JOHNSON. I have, sir.

Mr. KEELE. What is the total?

Mr. JOHNSON. The total amounts received are \$246,194.71 out of a total expenditure of the endowment from the beginning of \$24,984,343.62, very close to 25 million. This is approximately 1 percent of the total of all of our expenditures.

I might add, sir, that if one subtracts the money given to the Institute of Pacific Relations prior to July 1, 1935, which is the period we covered, this comes to about nine-tenths of 1 percent of all our grants since that period, and perhaps it is not irrelevant to note that the total paid to individuals after they had been cited, except to Mr. Hiss, comes to \$3,701.67, which is less than two one-hundredths of 1 percent of all the money expended by the endowment.

Sir, if I could, I would like also to mention something else. The endowment has had a program of international law fellowships, Hague

Academy international law fellowships, visiting professorships, both for Americans going abroad and for others coming over here.

Under that program roughly 340 people were sent from one country to another, and as far as we have been able to determine, not one of those 340 people has been mentioned by either the Un-American Committee or the McCarran committee.

Mr. KEELE. By far the largest amount of that part which you say has gone to organizations or individuals who have been cited, went to the IPR?

Mr. JOHNSON. That's right, sir, \$182,000 approximately out of a total of \$246,000.

Mr. KEELE. Now we have had statements made here—I believe you likewise made the statement in your answers—once a grant is made, there is no effort to control the results of that work; is that right?

Mr. JOHNSON. That is generally true, sir.

Mr. KEELE. Now in connection with that, there has been brought up the subject of the exchange of correspondence between you and Cody Fowler, president of the American Bar Association, which took place primarily in 1950 and 1951, I believe, mostly in 1950. Will you tell us what that situation was that gave rise to that exchange of correspondence?

Mr. JOHNSON. I should be glad to, sir. In 1948, the Carnegie Endowment made a grant of \$15,000 to the American Bar Association on a condition which was met, that the bar association match this with its own funds to the tune of \$7,500.

This total of \$22,500 was put into a pool, and the purpose of the grant was to continue a cooperative program which had been started late in 1946 to promote the progressive development of international law in accordance with the Charter of the United Nations.

The purpose of the grant of 1948 specifically, according to the records of the endowment, was the study of codification and development of international law. In 1950 the Solicitor General of the United States informed me that he understood Carnegie Endowment funds were being employed to oppose approval by the Senate of a convention then pending before it.

Since this was a very serious charge, I looked into the matter at once. I found there was not sufficient information to be sure that the charge was correct, and I composed a letter addressed to Mr. Fowler, who had recently become president of the bar association. Since, sir, I am not a lawyer, since this was a matter involving lawyers, I thought it best to consult with two lawyers on my board.

I consulted with Mr. John Foster Dulles, the chairman of the board, and with Mr. John W. Davis, who had been a president of the American Bar Association and who had participated in the discussions leading up to the grant, and after consultation with them, I drafted a letter which they both approved, which I sent to Mr. Fowler.

In this letter I stated that from the information available to me, it did not appear that the funds were being used for the purpose of the original grant. I asked for information on this point. I received a courteous reply from Mr. Fowler saying he would look into it.

Then in December he submitted to me a long report from the chairman of the committee, under which these funds had been expended, the Committee on Peace and Law Through United Nations. This long letter took strong issue with my interpretation of the facts.

Mr. SIMPSON. Dr. Johnson, what was the point of the Solicitor General's interest, that the money was not being spent to carry out the purpose of the grant, or that it was being spent to influence legislation?

Mr. JOHNSON. I think his interest, sir, was that it was being spent to influence legislation.

Mr. SIMPSON. But were you doing that with all your money in the United Nations?

Mr. JOHNSON. No, sir, excuse me, we have never attempted, except on this occasion, to influence issues before the United Nations or issues before the United States Government as a result of United Nations action. After decisions have been taken, we feel it proper to inform people about the decisions.

Mr. SIMPSON. Do you see a distinction?

Mr. JOHNSON. I see a distinction; yes, sir.

Mr. SIMPSON. O. K., I don't.

Mr. JOHNSON. Very sharply.

Mr. KEELE. What was the particular treaty or convention before the Senate at that time?

Mr. JOHNSON. It was the Genocide Convention, sir, which has been adopted by the United Nations and signed by the United States, and which had been submitted to the Senate.

I might in this connection say that I took, myself, and still take, no position with respect to the Genocide Convention. I would have felt the same way if the influence were being used to support the ratification of the Genocide Convention.

Mr. KEELE. What was your understanding, or what were you informed by Mr. Perlman, that the American Bar Association was doing with reference to this?

Mr. JOHNSON. He informed me, sir, that the three people who had testified against the ratification of this convention were all members of this Committee on Peace and Law Through the United Nations, and it was my understanding that this committee got its funds from this \$22,500.

Mr. KEELE. You mean that Perlman was saying that because the same members of the committee of the American Bar Association who had charge of the expenditure of this money appeared and testified, that that was the use of the money?

Mr. JOHNSON. I think he was suggesting, sir, that the money had been spent for purposes of influencing legislation, either directly or indirectly.

Mr. KEELE. Well, was it shown that the money had been spent for the expenses of those men to come here and testify, or was it merely fortuitous that the same men who were on that committee were witnesses who came before the Senate?

Mr. JOHNSON. It was not shown that the money had been spent, sir. May I say, when I wrote my letter, one of the reasons for writing it was to get more financial information. I cannot testify to that. I am not entirely sure it was merely fortuitous.

These men had presented a report on the Genocide Convention before the American Bar Association. They were very much interested in this subject.

Mr. SIMPSON. Don't speakers that you send out, if you send speakers out to the international clubs, chambers of commerce, and so on, aren't

they selling something? Aren't they telling you why Congress should adopt certain types of legislation?

I always thought that was one of the real purposes why they appeared before clubs, to sell the idea of the United Nations, to have Congress approve it. I am for it. I am not objecting to it, but—

Mr. JOHNSON. I make a distinction, sir, between telling people about United Nations, giving information about the United Nations, and appearing before a congressional committee with respect to legislation then pending before that committee.

Mr. SIMPSON. It looks to me as though it is a question of whose goose is plucked.

Mr. KEELE. What did your investigation show in the last analysis, or what did this report show in the American Bar Association?

Mr. JOHNSON. The report of the American Bar Association, and what I was able to find in the endowment files showed that these funds were being used for two purposes.

The first was to hold a series of meetings around the country with respect to certain problems, such as the Genocide Convention, and there is no question about that being a legitimate use of the funds, in my mind, and I so stated in my letter.

It also showed that the funds had been used to draft reports which were submitted to the American Bar Association and with proposed resolutions which were approved by the house of delegates of the association.

Mr. KEELE. Was that all right in your opinion?

Mr. JOHNSON. Well, sir, again I am not a lawyer, but I must say that, in my opinion, which the committee strongly differed with, these reports were not the kind of reports which would come from an objective study trying to get all points of view on the issues involved.

Mr. O'TOOLE. In other words, the endowment only molds public opinion where it can do it.

Mr. JOHNSON. No, sir. I don't think—that is certainly not my interpretation of it. My interpretation is that the endowment's interest is in educating the public about international relations, and not in molding public opinion for any particular legislative issue.

I would not think, for example, that the endowment should take a position as an organization on issues pending, particularly a position with respect to testifying on issues pending before the Congress.

Mr. O'TOOLE. The foundation or the endowment expressing its opinions, its findings, is doing no more to mold public opinion than does the Chevrolet Co. in advertising its car.

Mr. JOHNSON. I hadn't thought of exactly that analogy, sir. Perhaps so.

Mr. KEELE. What action was taken, if any, by the board of trustees on the basis of the report made by the American Bar Association?

Mr. JOHNSON. The board of trustees took no action, sir, one reason being that most of these funds had been expended and they decided, since the funds had been expended, the matter should be allowed to drop, and it was dropped.

Mr. KEELE. Wasn't there remaining about \$6,000 at the time?

Mr. JOHNSON. No, sir, \$900.

Mr. KEELE. What connection, if any, has Ralph Barton Perry had or what connection does he have with the Carnegie Endowment?

Mr. JOHNSON. He has none at all, sir, at the present time.

I believe—and our own review did not reveal this—that Mr. Perry has been a member of committees which have been set up with endowment funds. One, a committee which was set up under the Commission to study the organization for peace, on problems of atomic energy.

Mr. KEELE. He has never been a trustee, has he?

Mr. JOHNSON. He has never been a trustee.

Mr. KEELE. Or an employee of the foundation?

Mr. JOHNSON. Or an employee. He may, sir—and I will be glad to check into this—have received a check for expenses to attend meetings of these committees.

Mr. KEELE. Our information is that he was a member of several advisory committees. I don't quite understand how those advisory committees are set up or what their connection is with the foundation? Do you know about that?

Mr. JOHNSON. Well, one of them, sir, was this committee on the study of atomic-energy problems.

In 1945, after Hiroshima, Dr. Shotwell, who was then director of the division of economics and history of the endowment, requested and received a grant to set up a committee to study problems of the international control of atomic energy.

He set up such a committee which functioned from 1945, about December, until I think 1948. He had on it, I can't tell you who was there all the way through, but I attended an early meeting myself. I was then still in the State Department, and I attended as an observer.

I remember Mr. John W. Davis was there. I remember that Mr. Davis, who recently died, who was president of Stevens Institute, was there. I remember Mr. Harold Stassen was there.

It was a group of citizens of scientific and public interest who were concerned with this problem, and they did a good deal of research into problems at the time that the issues of international control were going forward.

The other committee, I believe, sir, was an advisory committee on economics. The Carnegie Endowment and the International Chamber of Commerce cooperated for a while in a program relating to international trade, and the advisory committee on economics was helping to prepare scholarly, scientific studies of problems of international economics.

Mr. KEELE. Who is Ralph Barton Perry?

Mr. JOHNSON. Ralph Barton Perry is, I think, now emeritus professor of philosophy at Harvard College.

I have met him myself, I think, once or twice. I certainly don't know him well. My knowledge of Mr. Perry is chiefly—that is, his activities of a nonacademic kind—chiefly stems from my recollection of the very active work that he did in 1940 and 1941 in connection with the Committee To Defend America by Aiding the Allies. He was one of the most active leaders in and around Boston of that organization.

I believe he also helped—and here I may be pulling something incorrectly out of my recollection, but I believe he also helped—the Army in setting up in the early days the information and education program in that district.

Mr. KEELE. He has been identified with a number of organizations which have been listed as Communist fronts or Communist sympathizing organizations; has he not?

Mr. JOHNSON. I believe, sir, from what you tell me that he has.

Mr. KEELE. I see that he was a signer of a petition to the Speaker of the House in 1940 for the American Committee for Democracy and Intellectual Freedom; that he was a member of the national committee of that organization as shown by their letterheads.

That the Daily Worker in 1939 carried a statement that he protested the ban of the American Student Union; that he was a sponsor for the National Council of American-Soviet Friendship, Inc., signed the call to the congress of that organization, was a member of the sponsoring committee of the committee on education of that organization.

He spoke at the Get Together With Russia Rally sponsored by the National Council of American-Soviet Friendship at Madison Square Garden, December 2, 1946; that he was a signer of the statement calling for a conference with the Soviet Union in 1948.

He sent greetings on the thirty-first anniversary of the Russian Revolution, as reported in the Daily Worker; and he was a sponsor of the Soviet Russian Day dinner celebrating the twenty-fifth anniversary of the Red army.

There are numerous other citations here, two and a half pages of them. Is that the extent of his connection with the Carnegie Endowment, to the best of your knowledge?

Mr. JOHNSON. As far as I know, sir. I should like to say this: That from what I have read very limitedly of Mr. Perry's writings, he is a strong believer again in democracy as we understand it and the western way of life.

I suspect that many of these things took place at the time when it was official policy to cooperate with the Soviet Union. I don't know whether there is any citation after December 1946, but there has been a significant change since that time in the attitudes of many people.

Mr. KEELE. We were interested particularly in the statement in the 1946 Year Book of the endowment with reference to the International Mind Alcoves. Was the policy of the endowment to send out books to those Alcoves?

Mr. JOHNSON. It was, sir.

Mr. KEELE. Perhaps it is still. I don't know.

Mr. JOHNSON. No, sir; it is not.

Mr. KEELE. Looking at those books, there seems to be a rather heavy preponderance on the one world idea. Sir Bernard Pares' article on Russia, Corliss Lamont's The Peoples of the Soviet Union, the American-Russian Institute's Soviet Union Today—no, I am sorry, The Soviet Union Today put out by the American-Russian Institute—Ruth Benedict's The Chrysanthemum and the Sword.

Mr. JOHNSON. Which is about Japan.

Mr. KEELE. Some books by Owen Lattimore, James P. Warburg, Mr. Dulles, Mr. Willkie. What about the intention of sending those books out?

I think my question really goes back to the question or to the point made by Mr. O'Toole. Are they all books in support of one world, international relations, et cetera, or just what was the general bent of those books?

Mr. JOHNSON. Sir, I should like to start out by saying that the whole program of distributing books was stopped before I joined the endowment.



I think the history is substantially this, and I referred earlier to Mr. Carnegie's well-known interest in libraries. I think there was a feeling in the endowment that the endowment could usefully help people study international relations by making gifts of books to colleges and universities and other libraries which helped to explain and help people understand international relations.

I cannot tell you how these books were selected. The person who selected them is no longer on the staff. It was an attempt, I suspect, to give representative volumes dealing with international relations.

I think there were a number, as you suggest, by people like Mr. Dulles and others. Certainly there was no specific emphasis so far as I know on the one world idea in the endowment as a whole. There was an emphasis on international understanding.

I would think, for example, that Ruth Benedict's *Chrysanthemum and the Sword*, which is an anthropologic study of what made the Japanese tick, a study which I believe was originally written for the United States Government as part of the psychological work, this is an attempt to help people understand. I think there is no evidence of a bias, except a broad bias of an interest in international relations and international understanding.

Mr. KEELE. Would it be fair to say that the activities of the endowment had been directed along the lines of advocacy of international cooperation?

Mr. JOHNSON. That is quite correct, sir.

Mr. KEELE. And that in pursuance of its belief that that will be a contributing factor to international peace; is that correct?

Mr. JOHNSON. That's right, sir.

Mr. KEELE. Now, then, let's move on from that point to this. In your opinion, based upon your work with the endowment, a study of its archives, consultation with its staff and the board of trustees, has any of the work of the foundation tended to weaken the capitalistic system or the Government of America in its traditional role?

Mr. JOHNSON. I think the answer to that is a categorical "No," sir. I think the effort has been very much the contrary.

I cannot believe that men like Thomas J. Watson, who was a very active trustee of the endowment until he retired as an honorary trustee recently, would have had anything to do with the endowment if it had not been interested in the capitalistic system.

I cannot believe that these trustees of the endowment, some of whom I have named, some of whom, all of whom, are named not in our current annual report, trustees over a period of time, would have been interested in anything which was not in their opinions favorable to the best interests of the United States and its traditional historical role.

I certainly, myself, can assure you as an American historian, who has been interested in American diplomatic history, and as a person who served for 5 years in the State Department, I have no interest in anything but the promotion of the best interests of the United States.

Mr. O'TOOLE. Mr. Keele, might I interrupt at that point? I noticed that there is a tendency all through this investigation on the part of witnesses for the foundations and for the endowments to engage in a lot of name dropping, big names.

We talk about Professor So-and-So and Mr. Watson and Carnegie and Rockefeller, and everybody is taking those names as though they

have a face value that is 100 percent pure or almost as pure as Ivory soap.

We are all sufficiently well-versed with the history of our country to know that the names of Carnegie and Rockefeller were applied to many pages of cruelty and inhumanity in dealing with their fellow human beings, and I think it would be far better to stick to ideas and stick to thoughts and stick to sound facts than to try to prove arguments by the use of names of certain individuals.

I don't think the naming of a name such as John Foster Dulles or Watson or Moses or the Ten Commandments does anything to fortify the argument. That is a personal opinion on my part.

Mr. KEELE. I was about to ask you whether or not there was not at one end of the spectrum a body of people indulging in a body of thought of internationalism and one world, and if there was not at the other end of the spectrum a group who were staunch isolationists who disapproved of international cooperation.

Mr. JOHNSON. I think that is true, sir.

Mr. KEELE. They are poles apart in their views. Now we have heard a great deal about the sponsorship of projects which support the view of those who believe in international cooperation. Is there any foundation, to your knowledge, that supports or sponsors any projects which represent the thought of the group at the other end of the spectrum?

Mr. JOHNSON. I do not know of any, sir, but before answering that I would like to make this statement.

We do not sponsor projects at the extreme end, the one-world end, of the spectrum. This perhaps reflects a personal predilection on my part, but I am on record on a number of occasions of not being a supporter of the United World Federalists. I do not believe that one achieves one's goals that way.

I can't think of any foundation which supports the concept that the best way for peace and security and development for the United States is on the isolationist end.

Mr. KEELE. Well, now, the views of those who advocate that are entitled at least to consideration; aren't they?

Mr. JOHNSON. They are, sir.

Mr. KEELE. Well, why is it that we are unable to find in our investigation, at least, any funds of a foundation being devoted to even the expression of those views or any projects which tend to express those views?

Mr. JOHNSON. I can't answer that, sir, with respect to any foundations. I assume that the mandate of the Carnegie Endowment for International Peace by virtue of Mr. Carnegie's charter was a mandate which favored the development of peace and security through international cooperation.

Mr. KEELE. Yes, and I say again my questions are not intended to convey criticism. That is not my function as I view it.

I am trying to get information, and I am not thinking so much of the Carnegie Endowment, because that was channeled or angled in the direction of international cooperation, obviously, and Carnegie so said.

I am thinking of the fact that we can find no evidence of any foundation anywhere taking up the cudgels on behalf of that group, of which there seems to be a rather articulate minority who believe in

isolationism, if I may use that term—the reverse, shall we say, of internationalism—and I am wondering why at least that view isn't presented somewhere.

Whether the foundation agrees with it, the sponsors, or not, is not the point, or whether I agree with it, and I may not, but we just don't find that shade of opinion represented anywhere, and I wondered if you could throw some light on it, not so much in view of your position with the endowment, but rather as a generalization.

Mr. JOHNSON. No, sir; I am afraid I can't. I would wonder whether some of the books which have been published which present the other point of view haven't been helped in one way or another, directly or indirectly, through foundation funds.

For instance, the works of Charles Beard. I have no idea whether that has taken place or not. It might be an interesting avenue of exploration. I have no answer to that question.

Mr. KEELE. It was suggested yesterday, and I think you may have heard this, by Dean Rusk, that perhaps criticism of foundations stemmed in large part from that group who thought the foundations favored international cooperation, or at least indulged in international operations to some extent from the group who were critical of that.

It seems to me that there might be some justice, the idea occurs to me at least of their being critical if there can be found no support for their view, or at least if no support, support for the propagation of their view or the explanation of their view. I am just trying to explore that with you.

Mr. JOHNSON. Sir, I have never gone into that question. It may be that Mr. Rusk is correct, that that is where the criticism of foundations stems from.

The criticism of the Carnegie Endowment, as you suggested earlier, stems from the attitude of the endowment toward war, the First World War and the Second World War. That may come from the same group.

I would think that my own personal reaction would be—and obviously this is a personal reaction—that the kind of careful study of these problems which we try to undertake leads to a conclusion that neither the isolationists' point of view nor the one-world point of view is at present tenable.

The isolationist point of view was tenable and understandable 50 years ago. The one-world point of view may be tenable and understandable I won't suggest how far in the future that may have to be.

Mr. KEELE. Doesn't that in itself indicate that the foundations do, whether consciously or unconsciously, tend to mold thinking, or at least to give their support only to one line of thinking?

Mr. JOHNSON. I am not sure, sir, that that necessarily follows. It is conceivable and probably is the case that foundations have given support to people who were scholars, who might have had another line of thinking. I simply don't know.

But the tendency has been in the direction of support of scholarly activities, of an attempt to understand the problems. Again I say this is my conviction.

A scholarly study of all the implications of these problems seems to suggest that neither extreme is a viable extreme for the United States and the world today.

Mr. KEELE. I can understand why a foundation would support J. W. B. Haldane or any group of scientists who were, shall we say, Darwinians, and that they would today refuse to lend their support or give their funds to anyone trying to disprove the Darwinian theory.

But when it comes to a question of philosophy rather than scientific proof, the matter of ideology, I am a little disturbed by the fact that we do not find any sponsorship of the views of those who differ with the people who are advocating international cooperation. I am not attempting by this phrase or statement to indicate my views at all.

Mr. JOHNSON. I understand. I have no answer to that, sir. I did not know that these facts were as you stated, that there is no sponsorship for those groups.

Mr. KEELE. And I can't say categorically that there is not, Mr. Johnson. I only say that we have been unable to find it.

We have sort of looked for that with some care and curiosity, and I think Mr. O'Toole's statement was some indication along that line, I think along the same lines, was it not, Mr. O'Toole? Was not your question directed to much the same point?

Mr. O'TOOLE. Yes.

Mr. KEELE. Any other questions?

Mr. SIMPSON. Doctor, I am interested in knowing the point at which the money from the foundation is within your discretion and where the trustees pass upon your activities.

Mr. JOHNSON. I can answer that one, sir, very readily.

In the first place, the trustees adopt at each annual meeting in May a budget for the fiscal year beginning the first of the following July. This budget is initially prepared in the endowment staff.

It is discussed with members of the board of trustees, particularly in recent years with those who have responsibility, as the building committee does, for the expenditure of funds for our building. It is then considered by the executive committee, gone over by them, modified in cases by them, and then approved by the trustees.

Mr. SIMPSON. That is, a lump sum is approved?

Mr. JOHNSON. It is more than a lump sum, sir. It is broken down into considerable detail. I think you get an indication of the amount of detail in the financial statement in this annual report.

Mr. SIMPSON. That is what I was looking for.

Mr. JOHNSON. It begins on page 29. You get the general income. Then on page 30 is the work program which is broken down into a number of items.

Mr. SIMPSON. Well, let's take any one of them; take "Survey of current activities in the field of international affairs." Was that a lump-sum appropriation there?

Mr. JOHNSON. That is a lump-sum appropriation there.

Mr. SIMPSON. Now, as to the actual spending of that \$1,400, who determines who gets that?

Mr. JOHNSON. That is within my decision, sir. That is all determined by the president of the endowment, who reports then later to the trustees what action is taken.

The only sum which I can spend in my absolute discretion is a sum which is marked as the president's contingency fund in our budget. It does not appear here. That comes to a total of \$10,000, and there I report to the trustees.

Mr. SIMPSON. Where then, as president, do you delegate authority to determine whom you send out to make a speech somewhere?

Mr. JOHNSON. We don't send people out to make speeches any more, sir. That was all in the past.

I have to approve every commitment sheet for the expenditure of funds that comes within the purview of the endowment; and, therefore, I have a pretty good look at everything that is done.

Mr. SIMPSON. Well, you have a big responsibility then to make sure that these individuals are the right kind; haven't you?

Mr. JOHNSON. I do, sir. I am very conscious of it.

Mr. SIMPSON. Would you tell us, as the other foundations have given us an answer to this question: To what extent do you consider the citations by the Un-American Activities Committee, the Attorney General's office, and so on, as a conclusive factor in connection with the selection of these personnel?

Mr. JOHNSON. Yes. With respect to the Attorney General's list, I would very definitely state that any organization which is on that list would not be an organization to which the endowment would consider giving funds.

With respect to mention of individuals in the reports of the Un-American Activities Committee, this would be a very significant factor in our determination. It would not necessarily, in my opinion, and should not necessarily, be a concluding factor.

One might have to know, for example, whether a person was mentioned as a member of an organization having been a member in 1937, for example, and having broken with that organization.

If I may use an example, you, Mr. Keele, raised yesterday with Mr. Rusk the question of the grant to Granville Hicks. He had been a member of the Communist Party. At the time that grant was made, he had broken with the Communist Party. His name still might have appeared on the list of the Un-American Activities Committee. One would have to take those facts into account.

Mr. SIMPSON. One other question of you. I hold in my hand the annual report.

Mr. JOHNSON. Yes, sir.

Mr. SIMPSON. And we referred to page 30 in that report. Is it your idea that, if Congress should by legislation require a report, this report is sufficiently in detail?—and I refer to that item you just mentioned, "Survey of current activities in the field of international affairs," and I add that the casual reader or the interested reader wouldn't have any idea where that \$1,400 went.

Mr. JOHNSON. Well, sir, I think that could be answered by looking at the section on publications of the endowment on page 11. It might be necessary to make clear what the relationship is; but, at page 11, the paragraph at the top of the page says, "The latest volume of Current Research in International Affairs."

Actually, that is the survey: current research. It is the publication of a volume describing what is being done in a number of institutions, chiefly in the United States and British Commonwealth, in this field.

Mr. SIMPSON. You recognize a limit as to the practicability?

Mr. JOHNSON. I do, sir.

Mr. SIMPSON. Beyond which you can't go into detail?

Mr. JOHNSON. I do, sir.

Mr. SIMPSON. Not because the public shouldn't know it, but because it would be too big a bookkeeping job, or what?

Mr. JOHNSON. It would be a substantial bookkeeping job. It would require a very long report.

We go into very considerable detail, as you know, in our reports to the Bureau of Internal Revenue. My own feeling would be that if anybody, a member of the public or anybody else, wished to know what the breakdown was in that case, he had a right to know. If he wished to find out further how the sums—perhaps even a better example is these sums with respect to program area A on page 30, "International organization."

Some indication of that is given in the report itself, but I should think you might like to know where this money has been spent. I don't see, sir, that anything more is needed than the verbal report; that is, the written report of activities in conjunction with this statement of expenditures.

Mr. SIMPSON. Thank you, sir.

Mr. O'TOOLE. I do not know, truthfully I do not know, whether the witness was invited or subpoenaed here. Were you invited?

Mr. JOHNSON. I was invited, sir.

Mr. O'TOOLE. Well, when you were invited here to testify, did the Carnegie Endowment hold a meeting of its board or its group of trustees prior to your coming here?

Mr. JOHNSON. Yes, sir; but it just was a happenstance, if I may say so.

In the first place, when we received the questionnaire from your committee, I obtained the authorization of the executive committee to establish a special committee to help me in preparing the answer to the questionnaire. We prepared the drafts in the staff.

They were submitted to the special committee which consisted of the chairman of the board, Mr. Dulles, the then vice chairman and now chairman, Mr. Bundy, and to five other members of the board. They went over it with us, made comments and suggestions. It was then submitted.

It had been planned that I was to testify last week. Mr. Davis also. Mr. Davis could not appear until this week, and Mr. Keele and your committee, sir, very courteously allowed us to testify today instead of a week ago.

In the interim by pure accident we had a meeting of the board of trustees last Monday, and we discussed this with the trustees. They had all copies of the questionnaire before it was submitted, or at the time it was submitted. We had a considerable discussion.

Mr. O'TOOLE. What caused this pure accident that brought about the meeting?

Mr. JOHNSON. The trustees' meeting, which is set by the bylaws, takes place on, I guess it is, the second Monday in December just by regular occasion.

Mr. O'TOOLE. It wasn't by accident then.

Mr. JOHNSON. It was actually a juxtaposition.

Mr. O'TOOLE. That is all.

Mr. SIMPSON. We thank you, Doctor, for your appearance.

Mr. JOHNSON. Thank you, sir, very much.

Mr. SIMPSON. The committee will adjourn until 10:30 o'clock tomorrow morning.

(Whereupon, at 12:15 p. m., the committee recessed to reconvene Thursday, December 11, 1952, at 10:30 a. m.)

## TAX-EXEMPT FOUNDATIONS

THURSDAY, DECEMBER 11, 1952

HOUSE OF REPRESENTATIVES,  
SELECT COMMITTEE TO INVESTIGATE TAX-EXEMPT  
FOUNDATIONS AND COMPARABLE ORGANIZATIONS,  
*Washington, D. C.*

The select committee met, pursuant to recess, at 10:35 a. m., in room 1301, New House Office Building, Hon. Donald L. O'Toole presiding.

Present: Representatives O'Toole (presiding), Simpson and Goodwin.

Also present: Harold M. Keele, counsel to the committee.

Mr. O'TOOLE. The committee for the investigation of foundations will come to order. Counsel, will you proceed to call your first witness?

Mr. KEELE. Mr. Moe, please.

Mr. O'TOOLE. For the purpose of the record, the witness will give his name and address and whom he represents.

### STATEMENT OF HENRY ALLEN MOE, SECRETARY OF THE JOHN SIMON GUGGENHEIM MEMORIAL FOUNDATION

Mr. MOE. My name, sir, is Henry Allen Moe. I reside at 4655 Fieldston Road, New York City. I am the secretary of the John Simon Guggenheim Memorial Foundation, and have been its secretary since its organization in 1925.

Mr. O'TOOLE. Thank you, sir, and thank you for your attendance. You may proceed.

Mr. KEELE. What is the nature of the work done by the Guggenheim Foundation?

Mr. MOE. The John Simon Guggenheim Memorial Foundation is purely a fellowship-granting organization. We make grants only to individuals to assist them to carry on their work of research and artistic creation, which work in all instances is proposed by the applicant and never suggested by the foundation. All of our grants from our beginning have been of this nature, and there have been no other kinds of grants made by us.

Mr. KEELE. Isn't it a fact that the efforts of your foundation are concentrated on finding young and promising people in the arts and sciences, and developing those people through grants-in-aid to them?

Mr. MOE. That is precisely the purpose of the foundation, and was the purpose that Senator and Mrs. Guggenheim had in mind when they established the foundation and endowed it.

By means of these fellowships, our purpose is to add to the pool, the reservoir, of trained ability in the United States—and we had the same purpose as we have moved out of the United States into the other American republics and Canada and the British Caribbean—and to increase that pool of highly trained and able people for the benefit of our country.

Mr. KEELE. Do I understand from that, Mr. Moe, that your expenditures are entirely in the Western Hemisphere?

Mr. MOE. Entirely in the Western Hemisphere, sir, with this exception.

When the Philippines were a possession of the United States, we granted fellowships to Filipinos as citizens of the United States, and when the Philippines became independent, of course we continued our fellowship grants to Filipinos.

Mr. KEELE. Now what are the particular lines that you endeavor to develop?

Mr. MOE. We have no lines that we desire to develop. We have only one line which is concerned with people. We aim to train people to do better what they are fitted to do and want to do. That is our program.

We do not have any more interest in, let us say, atomic physics than we have in biochemistry or any other field that you might name.

Mr. KEELE. In other words, it is not limited then to the arts or to the humanities?

Mr. MOE. We have, as Francis Bacon advised, taken all knowledge and all art for our province, in the sense that whatever able and sound people can do we want to help them to do.

Mr. KEELE. Would you tell us a bit by way of illustration perhaps just how you find these people and how this work is done, how you, in other words, implement your program?

Mr. MOE. Yes, indeed. In the first place anybody, literally anybody, may present an application to us, and whether we have seen him before or ever heard of him before, we give him a fair hearing on the merits of his work.

When he makes application, he is asked to answer a long series of questions which go to five points. First, a record of his personal history. Second, a record of his education. Thirdly, a record of what he has done. Fourthly, a statement of what he proposes to do with our money. And in the fifth place, he is asked to name a series of reliable persons who know him, are competent to judge his field, to whom we may refer.

All this information having come in to us, we thereupon proceed to make inquiries of all the persons to whom he has referred us.

But if the application looks like anything that we are likely to grant on the merits, we thereupon institute another series of inquiries of people that he does not name, and then all this information is gathered together and presented to the committees of selection, and the committees of selection make their recommendations to the board of trustees.

This is done with great care. Painters submit paintings. We have a jury of painters to advise us on the quality of these paintings. Physicists submit their papers, their published papers and their manuscripts, and they are judged by the top physicists of the country.



. And so it goes on through all fields of knowledge and all the arts. And at this time of the year, Mr. Keele, with about 1,200 applications in the office, I never quite know how I am going to get through with this complex process, but somehow we manage every year to do it.

Mr. KEELE. How many scholarships or fellowships or grants do you make on an average a year, Mr. Moe?

Mr. MOE. Well, sir, the answer to that is this. We started in the first place with 15, and we have gradually been built up by accretions of capital, additional gifts of capital from Senator and Mrs. Guggenheim, until now we make somewhat over 200. And the number per annum is still on the increase.

We have been in the very fortunate position of getting additions to capital, so that we could step up our program in numbers constantly. Next year I don't know; certainly 200 or so.

Mr. KEELE. What is the amount on the average of your income?

Mr. MOE. Our income averages just over \$1,000,000 a year, \$1,082,000 as I remember it, sir.

Mr. KEELE. And the value of your assets is what?

Mr. MOE. Just over \$30 million.

Mr. KEELE. Now it is my understanding from our investigation that you have developed a number of outstanding people.

Mr. MOE. Yes, sir.

Mr. KEELE. What would be your evaluation of it, Mr. Moe, looking back over the years?

Mr. MOE. Well, sir, we submitted to this committee a list of 2,190 grantees of the foundation made since our beginnings in the year 1925, and we submitted this list with the pride of achievement of an institution which exists in the public interest, and we think that we are entitled to say on the basis of this list, the total list minus our mistakes, that the United States has gained incalculably from the fact that Senator and Mrs. Guggenheim established this fellowship program.

Mr. KEELE. Who are some of the outstanding persons that have been assisted by the foundation?

Mr. MOE. Well, I perhaps should start by naming three Nobel prize winners: Dr. Arthur H. Compton, now chancellor of Washington University, St. Louis, who as a young man in 1926 was granted a fellowship. He of course was one of the top scientists in the development of the atomic bomb and the study of atomic energy, which was precisely his fellowship project. Then I should list Dr. Herman J. Muller, now of the University of Indiana, who won the Nobel prize in medicine for his studies of mutations in genes produced by X-rays and other rays. There again it is a case of a young man who had gotten a fellowship, who panned out as we hope they all will pan out.

And finally, Dr. Sumner, James B. Sumner, of Cornell University, who likewise won the Nobel prize in medicine.

Now if you will permit me, Mr. Counsel, I will take you through the matter of Dr. Sumner. His application arrived at the office I think the year was—I had better look that up because I am not good on dates—1936, in the autumn of 1936. We put it through the mill. It looked pretty good.

Then I started to give it the kind of intensive consideration that I spoke about a few minutes ago, of asking people to whom Dr. Sumner had not referred me.

And in the course of that investigation, I got some very adverse judgments of his scholarship, namely, that his ideas about immunological phenomena were pretty archaic, but you deal in hunches in this business a good deal, Mr. Counsel; and we had a hunch that this was still pretty good.

So I made a routine request for his papers and got them in, and then we really learned what Dr. Sumner had done. And so we granted him his fellowship, and he went to Sweden and studied with the great masters of protein chemistry there, and some 20 years later he got the Nobel prize. And I shudder as I think back on it to remember the small plus margin on him that there was in my office at the time we began considering his application.

Senator Guggenheim, as you know, was a miner, a mining man, and he understood what a grubstake was, and when the Senator and I talked—and we used to talk a great deal—we used to talk in terms of grubstaking. He used to say, “When you are grubstaking, you take chances. You act on the best evidence you’ve got, but still you have got to take chances because nothing is certain in the end.”

And that is the way we always have tried to operate.

Mr. KEELE. What about the age of the applicants generally and those who receive grants? Are they younger men or women generally, or are they the older groups?

Mr. MOE. I can’t give you an exact statement of the average age of applicants, but I can tell you that we have granted fellowships all the way in age from 22 to 77.

Here again we think as a foundation existing in the public interest: We get an application from a man who may be old in terms of years, and we look him over carefully and we decide that he has got a great contribution to make to the United States for which he needs a comparatively little bit of money to put over. We will put a bet on such a man.

And, of course, that is also a bet, because while with reference to the man who is 22 years of age you have a certain type of gamble, with reference to the man who is 77, you have another type of gamble, namely, that maybe he won’t be able to finish.

But to answer your question directly, the average age of our grantees through the years, including the older and the younger, has hovered around 35 years.

Mr. KEELE. What is the average amount of the grants that are made?

Mr. MOE. Again I am poor on figures but, of course, that has had to go up with the value of the dollar, or rather, with the decrease in value of the dollar. Last year the average grant was about \$3,750 for a year.

Of course, when we make grants for shorter periods, the grants are correspondingly smaller usually. You see, it is all tailored, Mr. Keele, to the needs of the individual.

When you are doing the kind of thing that we are doing, you have to recognize that it costs us varying amounts of money to provide the opportunity that you judge that the man needs. He may have a wife and children, he may need to do a good amount of expensive traveling, and so we tailor our grants to the needs of the particular individual.

Mr. KEELE. Now you mentioned the mistakes you have made. Will you elaborate on that?

Mr. MOE. Yes, sir. We have made mistakes, for purposes of this committee, and we have made other types of mistakes.

As to the other types of mistakes, I can say that some of the people that we have made grants to, though we think that the total record is exceedingly good, have not been as good intellectually as we thought they were in the beginning. And so, to that extent, there are mistakes on that side.

As to mistakes, for the purposes of your committee's investigation, there have been mistakes too. Of course, the most grievous mistake of all was a grant to Alvah C. Bessie, who later on, more than a dozen years later on, was cited by the House of Representatives for contempt of the Congress, was tried, was found guilty, was sentenced and served time for contempt. We have no pride in that record. There are others.

Mr. KEELE. Well, there are certain others. Will you mention those which are, as you view it now, unhappy choices?

Mr. MOE. Well, I suppose in this connotation I would have to say—and I have no desire to try to conceal it, of course—a grant to Langston Hughes, a poet, was a mistake.

At the time we made our fellowship award to Mr. Hughes all the signs were good, but if we look back on it now as a matter of hindsight, we would have to say we wish we hadn't made that one.

Mr. KEELE. How old was Langston Hughes at the time he was given this grant?

Mr. MOE. Sir, I would have to look that up.

Mr. KEELE. Do you recall just approximately?

Mr. MOE. He was in his early thirties or late twenties, and he was then a poet of very fine promise.

Mr. KEELE. It has been said here by several who have testified, they have touched on this—I don't remember at the moment who made the specific statement, but they have said—either in their reports or from the witness stand that they were convinced that if a person was committed to the Communist ideology, they were unable to be objective either in the arts or the sciences. Will you subscribe to that view?

Mr. MOE. We would have no doubt about that at all, Mr. Keele, and I said in our answers to the committee's questionnaire that we had been more alert and diligent along those lines than most. And I proved that statement out of our records, as I think you will agree.

I also said that since 1945 we haven't stopped learning about things, and the convictions which we held in the thirties along these lines have, of course, been fortified to the point where there is just no question that we would have no truck with them at all.

But having said this, sir, you see, we who operate really on the frontiers of knowledge and understanding have to recognize that we are not the Almighty. And not being the Almighty, we can't find out everything, no matter how hard we try.

And not having found out everything, our judgment can't be as accurate as if we had been able to find out everything, and if, having found out everything, we could foresee the future, which we cannot do.

Mr. KEELE. Isn't it a fact, Mr. Moe, that among the groups whom you seek to promote in their interests, that is, those with artistic abilities particularly, there is apt to be a greater risk of their embracing a foreign ideology?

Mr. MOE. Well, I don't know about that, Mr. Keele. The artist, contrary to popular impression, is likely to be a pretty sensible fellow. But what I think you can say on the basis of history is that the great artists and writers and composers of all time have never been exactly cozy members of society.

And if you look at your history from that point of view, you can start back, certainly, as far as Dante, and you can come up through John Milton in England, and Goya in Spain, and Cervantes in Spain, and Beaudelaire in France, and our own Edgar Allan Poe. These people live in a world that isn't the world of reality to you and to me.

And as I said in the beginning, if you are dealing with these—your writers, your artists, and your composers—you take a calculated risk that they are not going to be conformists in any sense, and in my view, it is a good thing they are not, too. They are the people that, when they are really good, carry the ball for the progress of civilization.

But the temporary aberrations, let me say—or let me illustrate with one. The reason there is no portrait of Wellington by Goya is very simple. The Duke of Wellington had liberated the Spanish Peninsula, and so he was sitting to the greatest portrait painter of Spain, and in the course of sitting to Goya, he said something that Goya didn't like, and Goya picked up a piece of statuary and heaved it at the duke's head.

Well, it is the same thing as if General Eisenhower, having liberated France, was sitting for a French portrait painter and the painter had thrown a rock at his head.

These people are not conformists, and when you set out to make grants to them, you are taking a certain number of risks, which risks we by our charter have to take, because it is in our charter that not only scholars but creative workers are entitled to the Guggenheim Foundation's money.

Mr. O'TOOLE. Does the witness mean that because these artists live in a world of fantasy that you have to be fantastical in dealing with them?

Mr. MOE. No, sir, we are not fantastic in dealing with them; not at all, sir. I don't think they live in a world of fantasy, Mr. O'Toole. I think they live rather in a world of their own in which what are realities to you and to me are not realities to them.

Mr. O'TOOLE. I hope they are closed corporations.

Mr. MOE. Closed operations?

Mr. O'TOOLE. Closed corporations.

Mr. KEELE. Well, there have been some instances, Mr. Moe; let's speak, for instance, with reference to Thomas Irwin Emerson.

Mr. MOE. Yes, sir.

Mr. KEELE. Would you just tell us something about the grant in that case?

Mr. MOE. Yes, indeed. That grant was made in the year 1952, that is last April. As I said in response to your questionnaire, we were unaware of either of the two mentions of him by the House committee. I think they are both by the House committee.

The purpose of the fellowship award is stated in the trustee's minutes as follows:

Studies mainly from a legal point of view of the fundamental rights and obligations of the individual citizen in a modern democratic society.

The usual inquiries were made about Professor Emerson. We, of course, noted that he was a member of the faculty of the Yale University Law School. We also learned, of course, in the course of our investigation, that he was what I suppose might be called a controversial figure. So we bored in on this one, and I myself went to New Haven to look into it.

There I had a talk with Mr. Emerson, and I asked him a series of pretty searching questions. Among those questions was: "Where do you stand on this in the political spectrum, let's say?"

And he said to me: "I'll tell you. I stand precisely, I think, where the American Civil Liberties Union stands, except I think that the union probably has gotten a little weary of well-doing, and I may be a little more militant."

I also said: "Take it from the left, Mr. Emerson, and tell me where you stand with reference to something from the left."

He said: "I stand a very long distance to the right of the Civil Rights Congress."

I thereupon said to him: "What do you want this fellowship for, anyway? You've got a good job at New Haven. Presumably you have some time. What's the real basic purpose?"

He said: "When you are tackling a job such as I am tackling—which I do not regard as a job that I will get through in a year, but as a very long kind of purpose for me—when you are tackling that kind of a job you need time to reflect and consider and to get a mature point of view, which point of view you cannot get if you are mixed up in it from day to day."

Having talked with Mr. Emerson for perhaps an hour, then, as the old news reporter I am, I went out into the corridors of the Yale Law School and I tackled 10 students, which was the number I set for myself, and I asked them all if they had had courses with Professor Emerson.

I struck four who had had courses with Professor Emerson, and so, through a series of questions of those four, I got the very firm conviction about Professor Emerson that he is a very able lawyer, that he is deeply concerned with the matter of civil rights, that he is a teacher who doesn't slant his material in any particular, and that he had a real intellectual job here that he proposed to do as a long-term proposition to the best of his very great ability.

And having done this in the Yale Law School, having talked with Professor Emerson and having talked with his students, I thereupon went out into the university and there I became aware of this report dated the 9th of February 1952. It is by a committee of Yale alumni under the chairmanship of the Reverend Henry Sloane Coffin, and having as members Arthur L. Corbin, who is a retired professor of the Yale Law School, Judge Thomas W. Swan, of the United States Circuit Court; Clarence W. Mendell, who is the retired professor of Latin and former dean of Yale College; Irving S. Olds, who was then chairman of the board of the United States Steel Corp.; George L. Harrison, who is chairman of the board of the New York Life Insurance Co.; Wilmarth S. Lewis, who is a capitalist and a scholar and a member of the Yale Corp.; and Edwin F. Blair, who is a lawyer and a corporation executive and chairman of the Yale Alumni Board and a member of the Yale Alumni Council. They reported that they had been appointed by the president, Whitney Griswold, who was a

Guggenheim fellow when he was young, to survey "the intellectual and spiritual welfare of the university, its students, and its faculty."

And they reported in this fashion: They said:

A few Yale graduates have stopped their contributions to the alumni fund because they fear that Yale is harboring in its faculty persons who are working for the destruction of our democratic society.

Yale does not knowingly appoint members of the Communist Party to its faculty. We approve this policy. The administration of the university, which in our opinion, is the group best qualified to pass judgment in the matter, knows of no Communist on the faculty at the present time. Furthermore, it knows of no member of the faculty who has tried to undermine or destroy our society, or our democratic form of government, or to indoctrinate students at Yale with subversive theories. Our inquiries confirm the accuracy of the judgment of the administration and of the university council.

And a few days later the chairman of that committee, the Reverend Henry Sloane Coffin, pinpointed that statement with reference to Professor Emerson. In the judgment of that committee, said Dr. Coffin:

From Professor Emerson's students we have abundant evidence that he did not bring into the classrooms any propaganda or views of a partisan character.

Which just supported all that I had been able to learn at New Haven during the day that I gave to a study of Professor Emerson.

Mr. KEELE. Is that the type, or is that typical of the type of investigation which you make, Mr. Moe?

Mr. MOE. Sir, there are many applications which are easy to pass upon. They are so first-class, and there is so obviously no possibility of anything being wrong with them, that you don't have to take a whole day to go into the matter.

But even so, we get our records up, we make the consultations that I spoke about before, and we have a complete dossier. But with reference to a controversial person, such as Professor Emerson, yes, this is the type of investigation we give them.

Mr. KEELE. Now, were you aware at that time—you say you knew he was controversial, or you say he was controversial—of the extent of his activities and the nature of them, which made him controversial, Mr. Moe?

Mr. MOE. No, sir. We have answered here that we were unaware of these mentions. I knew that he had connection with the National Lawyers Guild.

I also knew that the National Lawyers Guild had not been listed by the Attorney General, but at the time when this grant was made, as I have said in one of our answers to your questionnaire, we had not read publication 137, and we did not know at that time that the National Lawyers Guild had been listed by, I think, the House Committee on Un-American Activities. That I did not know.

Mr. KEELE. Un-American Activities.

Mr. MOE. Un-American Activities is what I think I said; yes, sir.

Mr. KEELE. Actually, Professor Emerson had been active in committees or activities which have been characterized as subversive by the House Un-American Activities Committee for some time, at the time that grant was made, Mr. Moe, but you say you did not know of that.

Mr. MOE. That we did not know, sir. But still, after all our studies of the reports of the House Committee on Un-American Activ-

ities, it is not clear to me what conclusions the House committee itself would expect us to draw from their citations.

Certainly, if this information had been available, we would have taken account of it. But certainly also, we could not have given the application of Mr. Emerson any more careful investigation than we did give it.

Mr. KEELE. What is the case with reference to John King Fairbank?

Mr. MOE. John K. Fairbank, sir, was granted a fellowship by John Simon Guggenheim Memorial Foundation in the year 1951.

It was to go to Japan, and there carry on a series of studies of Japanese historiography on China; that is to say, to endeavor to get a historical understanding of the way Japanese historians and writers have regarded the history of China through the centuries. It was judged by historians to be a very important intellectual study.

Of course, we noted that Professor Fairbank is a full professor of history at Harvard University. It was abundantly evident from our inquiries, our very careful inquiries concerning him, that he enjoyed the respect of his colleagues in the university and in other universities. And according to our investigations of him, he came out as a reliable scholar in a very controversial field.

It seemed clear to us at the time we made our investigation that while, of course, there would be some variations or some differences and disagreements with respect to his views, that those views came clearly within what I might perhaps be allowed to call the allowable tolerances in free America, with no credible doubt whatever about his loyalty to the United States.

Mr. O'TOOLE. May the Chair interrupt at this point?

Were these doubts about his views relative to his political views?

Mr. MOE. No, sir. They were, as far as they came to me, sir, in respect to some of his historical views.

Mr. O'TOOLE. I merely wanted to clarify that.

Mr. MOE. Yes; that was the way they came to us, sir.

Mr. SIMPSON. I want to refer briefly to Professor Emerson's situation.

Mr. MOE. Yes, sir.

Mr. SIMPSON. And ask this question: Had you at the time you awarded the fellowship then had the information before you which you now have with respect to Professor Emerson, would you have recommended the grant and fellowship?

Mr. MOE. I will answer the last part of your question first, sir. I have never served on any committee of selection of the John Simon Guggenheim Memorial Foundation.

I am the fellow who does the work. I pile the straws of evidence and the straws of judgment, and I hope to make such a high and clear pile that the committee, looking at them, considering those straws of evidence and judgment, will find their decision clear.

Now, as a lawyer, sir, you know the old maxim "Delegatus non potest delegare," that is to say that no trustee can delegate his function.

The board of trustees of the John Simon Guggenheim Memorial Foundation could not, I think, within law or equity, delegate—I will not say delegate but abdicate—its judgment of a particular situation to any list whatever.

And so I say that if I, now speaking as a trustee of the John Simon Guggenheim Memorial Foundation, not as the secretary who does the work, had known of these mentions, as I know them now—I do not see, sir, that the decision on Professor Emerson would have been different.

Mr. SIMPSON. The question I asked was, Had you the complete information on Professor Emerson which you now have, you as a trustee would have voted to grant the fellowship?

Mr. MOE. I think so, sir.

Mr. SIMPSON. Now, is it what you would term a borderline case?

Mr. MOE. Borderline in what sense?

Mr. SIMPSON. You are working, you have testified as I understand it, in an area where there is a calculable risk. You are dealing with people in some areas, I believe you said, that live in a world of fantasy or in an area which isn't common, and yet in an area from which great advances in science, in the arts have come in the past.

Mr. MOE. Yes, sir.

Mr. SIMPSON. Now, dealing with that area, I ask you first, Is Professor Emerson in that area?

Mr. MOE. Yes, sir; I would say he is, sir.

Mr. SIMPSON. Now is there a limit within that area beyond which you won't go?

Mr. MOE. Very definitely, sir; and we cut it off every year.

Mr. SIMPSON. You mean by that with respect to the political situation, that where a man is an avowed Communist or known to be to your satisfaction a Communist sympathizer, you would not consider him for a fellowship?

Mr. MOE. We wouldn't have any truck with him at all.

Mr. SIMPSON. And in your opinion Professor Emerson, in the face of all the information now before you, is not in that category?

Mr. MOE. That is correct, sir.

Mr. SIMPSON. And for that reason you would if you had the power of recommending, or as a trustee, you would vote to give him the fellowship, had you to do it over?

Mr. MOE. That is correct, sir.

Mr. SIMPSON. I have wondered for a long time about Government, why it is that they employ so many people whose Americanism subsequently is questioned, rightly or wrongly.

I mean, for every job there are a dozen applicants that wanted the job, and I wouldn't take the borderline case. I would take the man I thought was sound. I have often wondered why Government gets into this area of fantasy thinkers, and seemingly picks up a doubtful case in many instances.

Now, I am just wondering—this may be beside the point—whether perhaps Government has that same belief that foundations might have, that they should go into an area to allow the experiments. That is what you do in a foundation.

Mr. MOE. Well, I would say, sir, with respect to employing anybody for the foundation, I would have no different point of view than you have expressed. We take no chances whatever.

As to Government employing, I don't have any information.

As to foundation granting, I have a great deal of information, and the situation is, you see, that you are playing for high stakes.



If you pick the gilt edge it pays 2 percent. Well, in the peculiar business that I am in, that isn't good enough. And it wasn't good enough for Senator Guggenheim. So you take chances for these high stakes that you are playing for.

But you do not put any long-term bets on them. You put a little bet and you watch it, and if it doesn't come out right, you don't give them another nickel. So it is this constant attention to your grantees which gives you the basis for judging what you do next.

But in the case of Professor Emerson, as I said before, here is a very able man and teacher, who is concerned with one of the central problems of America today, and you will note that he said in his statement of project that he was not only concerned with the rights of the citizen, but with their obligations.

And that point of obligations I found very prominent in his thinking when I had a talk with him. A man like that, with his ability and with his strategic position in teaching in Yale University, who wants to get out and mature a point of view, it seems to me, sir—and I submit to you—that that is a good venture opportunity for the foundation.

Mr. SIMPSON. I am interested in another line of questioning that will take only a few minutes. You are the general secretary, are you?

Mr. MOE. Yes, sir.

Mr. SIMPSON. And do you interview all applicants, or pass upon each applicant?

Mr. MOE. No, sir; I do not. It is a very complicated mechanism that I have set up through the years, whereby everybody gets the consideration, let me say, of better men than myself, people that we have relied on through the years, whose batting average of picking the comers is good, because we know what their batting average is. Those people see the candidates and report to us.

It is only in a case such as one in this controversial area that I presume to go out and talk with the man himself. And I did it with the more confidence in Professor Emerson's case because I am a lawyer myself.

Mr. SIMPSON. Do those people report to the trustees or to you?

Mr. MOE. They report to me, sir.

Mr. SIMPSON. And you are a trustee, and you meet with the trustees?

Mr. MOE. I meet with the trustees. This is a fairly recent phenomenon or circumstance in the foundation, Mr. Simpson.

I was the secretary of the foundation from 1925 until 1945, without being a member of the board of trustees. At that time the board of trustees decided, so they told me, on the basis of their long experience with me, that they wanted me of them and a member of the board.

Mr. SIMPSON. I read most of your report and I am interested in what you term the jury. Are they the individuals to whom you now refer as passing upon the merits of the applicant?

Mr. MOE. This goes in three stages, sir. The first is the opinion of the experts in the field, for example, physics. Dr. Arthur H. Compton has passed on them for years, as a member of the foundation's advisory board.

Having passed the experts, the applications then go to the committee of selection, which committee of selection devotes, well, at least 2 months of their lives every year to the work of the foundation, because when I get through with my documentation on the candidates, the documentation runs between twelve and fifteen thousand pages. It is that complete. And then the committee of selection meets.

In recent years they have met for 5 days in two stages, 2 days in February ordinarily and 3 days in March.

Mr. SIMPSON. Are you on that committee?

Mr. MOE. No, sir. I am the secretary of that committee. And then they come up with a series of recommendations within the budget that the finance committee of the board of trustees has allowed us.

Mr. SIMPSON. Is the selection committee a committee of the trustees?

Mr. MOE. No, sir; no member of it has ever been a member of the board of trustees.

Mr. SIMPSON. And then you have their selections and then you go to the trustees; is that right?

Mr. MOE. Yes, sir; and we type a summary of all the recommendations of the committee, which summary gives a man's name, age, position, a statement of the proposal for which the committee recommends he gets money, a statement of the period for which he gets it, and a statement of the amount which is recommended.

This is mailed to the board of trustees in advance of their meeting, and at the meeting I take them through this list of recommendations, name by name, and when I come to a recommendation such as Professor Emerson, I pause and I say to them just what I have said to your committee about this man. And this has been done every time from our beginning.

Mr. SIMPSON. With respect to Professor Emerson, you would pause, and then give the trustees this extraneous information which didn't apply to the other men? Is that what you mean?

Mr. MOE. I mean, the statement I made here concerning my particular investigations of Professor Emerson.

Mr. SIMPSON. Then that is what I am interested in knowing. That is to say, you informed the trustees when you recommended the granting of that—

Mr. MOE. Yes, sir.

Mr. SIMPSON. You informed them of your findings as the result of a special survey?

Mr. MOE. That's right; yes, sir.

Mr. SIMPSON. That is all I wanted to know.

Mr. MOE. I think substantially I used the same words to the board that I used to this committee.

Mr. SIMPSON. That is all; thank you.

Mr. O'TOOLE. At this point the committee will be in recess for 5 minutes.

(Short recess.)

Mr. SIMPSON. The committee will come to order.

Mr. KEELE. We are pursuing the question here of borderline cases or investigations after a man had become a controversial figure.

Let me direct your attention to what we have been able to find from the House Un-American Activities Committee with reference to Emer-

son, Mr. Moe. Let's just examine it a moment, and then in the light of that see what we have to say. That is what is revealed:

Prof. Thomas I. Emerson was a signer of a brief in behalf of the attorneys who defended the Communist leaders in the New York trial—

I assume they are talking about the lawyers who were sentenced by Medina for contempt—

as shown in the Daily Worker for November 2, 1949 (p. 2). According to the Daily Worker of February 1, 1950 (p. 3), Prof. Thomas Emerson was one of a group which issued a statement which contained a defense of the lawyers for the Communist leaders. According to the Daily Worker of February 23, 1950 (p. 2), Prof. Thomas Emerson opposed the prosecution of Communists. The Daily Worker of September 12, 1952 (p. 5) reported that Prof. Thomas I. Emerson of Yale University was to speak at a dinner honoring four attorneys for the 15 Smith Act Communists on September 18 in New York, N. Y.

Thomas I. Emerson was listed as a member of the National Committee of the International Juridical Association in the pamphlet, "What is the I. J. A.?" being listed among committee members from the District of Columbia. The Special Committee on Un-American Activities, in its report dated March 29, 1944 (p. 149), cited the International Juridical Association as "a Communist front and an offshoot of the International Labor Defense." The Congressional Committee on Un-American Activities, in its report on the National Lawyers Guild, House Report No. 3123, September 21, 1950 (p. 12), cited the International Juridical Association as an organization which "actively defended Communists and consistently followed the Communist Party line."

Thomas I. Emerson was one of the signers of a letter defending the Jefferson School of Social Science, as shown in the Daily Worker of April 26, 1948 (p. 11). Attorney General Tom Clark cited the Jefferson School of Social Science as an "adjunct of the Communist Party" in a letter furnished the Loyalty Review Board and released to the press by the United States Civil Service Commission December 4, 1947. "At the beginning of the present year, the old Communist Party Workers School and the School for Democracy were merged into the Jefferson School of Social Science" (Special Committee on Un-American Activities, report, March 29, 1944, p. 150.)

A mimeographed petition, attached to a letterhead of the Spanish Refugee Appeal of the Joint Anti-Fascist Refugee Committee dated May 18, 1951, listed Prof. Thomas I. Emerson, New Haven, Conn., as a signer of a petition to President Truman "to bar military aid to or alliance with fascist Spain." Attorney General Clark cited the Joint Anti-Fascist Refugee Committee as "subversive" and "Communist" in letters released December 4, 1947 and September 21, 1948. The special committee \* \* \* in its report of March 29, 1944 (p. 174), cited the Joint Anti-Fascist \* \* \* as a "Communist front organization."

Thomas I. Emerson, Washington, D. C., was listed as a member of the committee on constitution and judicial review of the National Lawyers Guild in the News Letter of the organization, dated July 1937, page 2. As shown in the election campaign letter, dated May 18, 1940, Thomas I. Emerson was a candidate for delegate to the national convention of the National Lawyers Guild, Washington, D. C., chapter, administration slate. Thomas I. Emerson, Connecticut, was listed as vice president of the National Lawyers Guild on a letterhead, dated May 7, 1948. Thomas I. Emerson, Washington, D. C., was a member of the convention resolutions committee of the National Lawyers Guild, as shown in Convention News, May 1941, page 2. The Washington Post of January 23, 1950, reported that Prof. Thomas I. Emerson, Yale Law School, was a member of the committee of the National Lawyers Guild which prepared a report to President Truman criticizing the FBI (p. 4). The Daily People's World of April 2, 1951 (p. 12), listed Thomas I. Emerson as president of the National Lawyers Guild and reported that he joined the campaign to free Willie McGee.

The Special Committee on Un-American Activities, in its report dated March 29, 1944 (p. 149), cited the National Lawyers' Guild as a "Communist front" organization. The Congressional Committee on Un-American Activities, in its report on the National Lawyers Guild, House Report No. 3123, September 21, 1950 (originally released September 17, 1950), cited the organization as a Communist front which "is the foremost legal bulwark of the Communist Party, its front organizations, and controlled unions" and which "since its inception has never failed to rally to the legal defense of the Communist Party and individual members thereof, including known espionage agents."

Thomas I. Emerson was a sponsor of the Southern Conference for Human Welfare. (See Report, Southern Conference for Human Welfare, Committee on Un-American Activities, June 16, 1947, p. 14.) The Special Committee on Un-American Activities, in its report dated March 29, 1944 (p. 147), cited the Southern Conference for Human Welfare as a "Communist front" organization. The Congressional Committee on Un-American Activities, in its report dated June 12, 1947, cited the Southern Conference for Human Welfare as a Communist-front organization "which seeks to attract southern liberals on the basis of its seeming interest in the problems of the South" although its "professed interest in southern welfare is simply an expedient for larger aims serving the Soviet Union and its subservient Communist Party in the United States."

As shown by the Daily Worker, issues of March 23, 1951 (p. 4), and April 9, 1951 (pp. 2 and 9), Prof. Thomas I. Emerson was presented with an award at the fifteenth annual conference of the teachers union.

According to the New York Times of September 24, 1943 (p. 25), the New York Teachers Union received its charter from the Congress of Industrial Organizations as local 555 of the New York district of the State, County and Municipal Workers of America. It was previously affiliated with the American Federation of Teachers as local 5 but was expelled on charges of being Communist-dominated at the August 1941 convention of the American Federation of Teachers.

The State, County, and Municipal Workers of America, which the Teachers Union joined, later merged with the United Federal Workers of America at a convention held in Atlantic City during the week of April 23-27, 1946, and became the United Public Workers of America. In Report 1311 of the Special Committee on Un-American Activities, dated March 29, 1944 (pp. 18, 19) it was stated: "The Special Committee on Un-American Activities finds that Communist leadership is strongly entrenched in the following unions which are at present affiliated with the CIO. \* \* \* State, County, and Municipal Workers of America; \* \* \* United Federal Workers of America."

Thomas I. Emerson, professor, Yale Law School, was a speaker before the United Public Workers, local 20, New York City, as shown in the Daily Worker of March 22, 1949 (p. 4).

The Committee on Un-American Activities, in its report issued in 1948 entitled "100 Things You Should Know About Communism and Government" (p. 11), referred to the United Public Workers of America in question 61 as follows:

"61. Getting down to details of what you have found, how about communism in Federal employee unions?

"The United Public Workers of America (CIO) is deep into Federal service and it is Communist-controlled.

"The UPWA has 15,000 members in the highly strategic Panama Canal Zone and the United States district attorney there has openly declared this situation a public danger."

The Committee on Un-American Activities, in its report dated June 16, 1947 (p. 11), cited the United Public Workers of America as a Communist-controlled organization. The committee, in its report on the Congress of American Women, October 23, 1949, reported that it had found "Communist leadership strongly entrenched" in the United Public Workers of America, and that "its local No. 555, of the Teachers Union \* \* \* was originally expelled from the American Federation of Labor because of Communist leanings \* \* \*" (p. 106).

Professor Thomas Emerson, Yale Law School, was a sponsor of a meeting of the Civil Rights Congress, as shown in the Daily Worker of January 19, 1949 (p. 10). In the Daily Worker of June 21, 1949 (p. 2), Thomas I. Emerson, Yale law faculty, was named as chairman of a panel at a rally held by the Civil Rights Congress in behalf of the Communist leaders. The Daily Worker of June 28, 1949 (p. 9), named Prof. Thomas Emerson, Yale Law School, as a speaker before the Civil Rights Congress. Prof. Thomas I. Emerson, Yale Law School, was one of the initiating sponsors of the Bill of Rights Conference, of the Civil Rights Congress, according to the "Call to a Bill of Rights Conference," New York City, July 16-17, 1949 (p. 2). Reference to Prof. Thomas I. Emerson as a sponsor of the Bill of Rights Conference appeared in the Daily Worker of June 17, 1949 (p. 5).

Attorney General Clark cited the Civil Rights Congress as subversive and Communist in letters furnished the Loyalty Review Board and released to the press by the United States Civil Service Commission December 4, 1947, and September 21, 1948. The Congressional Committee on Un-American Activities, in its report dated September 2, 1947 (pp. 2 and 19), cited the Civil Rights Congress as "dedicated not to the broader issues of civil liberties, but specifically

to the defense of individual Communists and the Communist Party" and "controlled by individuals who are either members of the Communist Party or openly loyal to it."

As shown in the Conference Call and conference program (p. 12), Prof. Thomas I. Emerson was a sponsor of the Cultural and Scientific Conference for World Peace, held in New York City, March 25-27, 1949, under auspices of the National Council of the Arts, Sciences, and Professions. Thomas I. Emerson was listed as a member-at-large of the National Council of the Arts, Sciences, and Professions on an undated letterhead of the organization (received January 1949); he signed a statement issued by the organization, as shown in the Daily Worker of December 29, 1948, page 2. Thomas I. Emerson was one of the signers of a statement issued by the National Council of the Arts, Sciences, and Professions which appeared in the Congressional Record, July 14, 1949, page 9620. He signed a resolution of the organization calling for a hearing of Tunisia's demands in the United Nations as reported by the June 2, 1952, issue of the Daily Worker (p. 3).

The Congressional Committee on Un-American Activities, in its review of the Scientific and Cultural Conference for World Peace arranged by the National Council of the Arts, Sciences, and Professions and held in New York City, March 25, 26, 27, 1949 (H. Rept. No. 1954, April 26, 1950 (originally released April 19, 1949) p. 2), cited the National Council \* \* \* as a Communist-front organization, and the Scientific and Cultural Conference \* \* \* as a Communist front which "was actually a supermobilization of the inveterate wheelhorses and supporters of the Communist Party and its auxiliary organizations."

Professor Emerson was one of the signers of a letter to President Truman and a member of a delegation requesting to see him protesting the setting up of concentration camps as detention centers for subversives as reported in the Daily Worker of January 28, 1952 (p. 3) and the Daily People's World of March 6, 1952 (p. 3).

Thoms I. Emerson, representing the Progressive Party, testified before the Committee on Un-American Activities on April 4, 1950, on H. R. 7595 and H. R. 3903, bills to control subversive activities.

It is noted that Thomas I. Emerson, National Lawyers Guild, New Haven, Conn., testified on H. R. 5852, a bill to control subversive activities, in hearings before the Senate Judiciary Committee, May 27-28, 1948, page 146.

A statement condemning the President's loyalty program which was published in the Congressional Record, December 16, 1947, page A5159, was signed by Thomas I. Emerson, Yale Law School.

Professor Emerson was a signer of a letter to President Truman to recognize seating of People's Republic of China in UN (Daily Worker, March 5, 1951, p. 4). He was a signer of a statement against contempt proceedings (Daily Worker, February 19, 1951, p. 2).

References to Thomas I. Emerson appear in the following publications of this committee:

Hearings Regarding Communist Espionage in the United States Government (includes Interim Report on Hearings Regarding Communist Espionage in the United States Government), July 31; August 3, 4, 5, 7, 9, 10, 11, 12, 13, 16, 17, 18, 20, 24, 25, 26, 27, 30; September 8, 1948; report August 28, 1948, page 630.

Hearings on legislation to outlaw certain un-American and subversive activities, March 21, 22, 23, 28, 29, 30; April 2, 3, 4, 1950, pages 2252, 2356.

Hearings regarding communism in the United States Government, part II, August 28, 31; September 1, 15, 1950, pages 2984, 2990.

Report on Hawaii Civil Liberties Committee—A Communist Front, June 23, 1950, pages 9, 19, 23, 33, 34, 37, 58.

Report on the National Lawyers Guild, September 17, 1950, pages 16, 18, 19.

Report on the Communist "Peace" Offensive, April 1, 1951, pages 57, 104, 108, 148.

Hearings regarding Communist Activities among professional groups in the Los Angeles area—part 1, January 21, 22, 23, 24, 25, and 26, and April 9, 1952, page 2681.

Now, I think we are agreed that mere reference to a man by the House Un-American Activities Committee does not ipso facto make him a Communist, nor does that committee so judge.

However, it has been pointed out, I think, repeatedly, both by those who have in the past been active members of the Communist Party

and who have since recanted, and it has been pointed out by various investigating bodies, that identification with or participation in the activities of Communist-front parties as designated by the House Un-American Activities or the Attorney General's list, is in itself a very suspicious factor, and I think it has been repeatedly said to our investigators by acknowledged former Communists, that when any person is identified with any large number, 30 or 40, that they have never known that person not to be either a concealed or active member of the Communist Party of their own knowledge.

Reviewing this situation in the light of the record that I have read, which was supplied us as a photostat from the House Un-American Activities Committee, what would be your thinking with reference to Emerson had those citations been before you at the time that the grant was made?

Mr. MOE. Well, sir, we have answered in our answer to the questionnaire that we were not aware of this, despite what I think to be the very careful study that we made of Professor Emerson.

We have nothing pending with respect to Emerson, Professor Emerson, at this time. If in the future anything should come, pending with reference to Professor Emerson, I would put all that, or all that I could get, in the record and let the committee of selection and the board of trustees look at it.

And having, as I have, a very high respect for the Congress, which I have said in print when it wasn't fashionable to say so, I would say, sir, that all these circumstances or facts would have to have the most careful scrutiny of the Guggenheim Foundation.

As I said in answer to Congressman Simpson's questions, I have never served on the committee of selection of the Foundation, and only fairly recently have become a member of the board of trustees. We would think awfully hard about a record of this kind, but I cannot sit here and commit the Foundation to a future course of action. I can't say what we would do with referenie to that.

Mr. KEELE. And we are not asking you that. We are only asking for your opinion.

Citations such as that, or a record such as that, if it may be called a record, would, I gather from what you have said, be entitled to very careful consideration by your selection committee and by your trustees?

Mr. MOE. It would lead to more than consideration. It would lead to the most careful scrutiny that we could give it, with full weight to the value of the evidence presented.

Mr. KEELE. I think you said that you were not aware—and I want to go back to that—of these citations at the time that Emerson was granted this fellowship.

Mr. MOE. That is correct, sir.

Mr. KEELE. Mr. Moe, did you at that time consult the guide to subversive organizations, let's say, or the Attorney General's list or any or the other publications which purport to list Communist-front organizations?

Mr. MOE. The Attorney General's list, sir, I know from memory. I don't have to consult it. I have looked at it a great many times.

I answered, in answer to the questionnaire, that I was unaware of Publication 137 until you sent me a copy, and the reason I was unaware, of course, is that the Publication No. 137 is a list of organ-

izations and publications, and we make no grants to organizations or publications.

It's a cinch, you know, if you are making grants to organizations. You turn up the list, and if the organization is on the list, you say "Nothing doing." It's easy, there is no problem.

But when you are making grants only to individuals, as we are, as you have said, Mr. Counsel, the fact that a chap belongs to one of these organizations is not a determiner. And under the doctrine of the United States Supreme Court in *Garner v. Los Angeles Board*, of course, it can't be a determinant.

Mr. KEELE. It only becomes, as I view it, a circumstance to which one can attribute, I think fairly, some suspicion, and if they appear in a number of such organizations, the degree of suspicion, of course, is increased.

Mr. MOE. Let me put it this way, Mr. Keele: The more they are on, the tougher look we are going to give it.

Mr. KEELE. Are there any other specific cases of grants which you feel perhaps in view of hindsight that mistakes have been made, that you would like to comment on, Mr. Moe?

Mr. MOE. None leaps to mind, Mr. Keele.

Mr. KEELE. Well, I was thinking of Carleton Beals perhaps, or Peggy Bacon or Aaron Copland.

Mr. MOE. Well, if there is anything wrong with any of the three people you have mentioned, I don't know of it.

Mr. Copland was, of course, a participant as a sponsor in that so-called Scientific and Cultural Conference for World Peace held at the Waldorf Astoria Hotel in New York in 1949. He has since served as Charles Eliot Norton professor in Harvard University, which is, so far as the arts are concerned, probably the highest distinction that can be attained by an artist or writer in America.

He is recognized to be one of the foremost of American composers, and I well remember when we granted our first fellowship to Mr. Copland in 1925. He was among the first 15 fellowships, fellows of the foundation.

He had been born and brought up in Brooklyn in rather poor circumstances, and by his undoubted musical abilities had pulled himself up and was engaged in musical composition. We gave him \$2,500 a year for 2 years to study with what was then probably the greatest teacher of composition in the world, Mademoiselle Boulanger in Paris, and he has gone on from success to success in his profession. And as a man, sir, I don't know that there is anything wrong with him, and I have known him for over a quarter of a century.

Mr. KEELE. Well, neither do I have any knowledge as to whether there is anything wrong with him. I do note that he has been identified pretty closely with *New Masses*, the *Daily Worker*, and that he has allied himself apparently in a number of instances with Communist-front organizations or in activities of Communist-front organizations.

Mr. MOE. Mr. Keele, I don't know the dates of these things that you are stating, but I think you have to relate this kind of thing probably to the climate of opinion that existed at the time when Mr. Copland, as you say, wrote for the *New Masses*. I don't know whether he did or not.

I remember those days very well, sir. I remember the enormous pressures that we were under in those days to grant fellowships. I also think that we were more alert to see the direction of the wind than most.

But we are not God and we can't foresee the future. But with respect to Mr. Copland, sir, I would not think that there could possibly be anything wrong with him from the point of view of this committee.

Mr. KEELE. Well, I think that the committee has tried, I know the staff has, to prevent distortion in this general picture.

We recognize, and it has been repeatedly stated here, that the political and security atmosphere and climate was considerably different in 1943 than it is in 1952, and that it was also different in the thirties from what it is today. We recognize that, and I assume you were making reference to that.

Mr. MOE. That is precisely what I was making reference to; yes, sir.

Mr. KEELE. The point has been made by, I believe, the Rockefeller representatives, that particularly since 1945 they have been giving much greater scrutiny to the political adherence or political views of applicants or organizations with which certain people were identified than they did prior to that time, and I assume that same thing would probably apply in your case.

Mr. MOE. Any good citizen, Mr. Keele, would be bound to do that. Your sensitivity is sharpened on these things obviously, and it has to be sharpened in view of world conditions as they are today.

Mr. KEELE. All right, now you spoke of pressures. I wonder if we could pursue that. By pressures you mean to make grants?

Mr. MOE. Pressures to make grants to certain people. You have a feeling that this fellow isn't all right. In this game you have to play your hunches, and only the future can tell whether or not a fellow like me is any good at it, but this fingertip feel, this thing that you feel in your bones makes you decide, and you pile up the straws of evidence to make the committee decide in the negative. As good Americans, you look at it from the point of view of the good of the country.

Mr. KEELE. Where do these pressures come from, if we may go into that a bit?

Mr. MOE. Well, you have adverted to it yourself, Mr. Keele, the kind of climate of opinion, the writing that went on at the time, a fair amount of correspondence I may say which came right out of Washington in those days, which we looked at very carefully; and, as I have reviewed the record, I am very pleased that we made no grants to certain people in view of what happened subsequently.

Mr. KEELE. The point has been made here, I think Mr. Barnard made it and others have made it, that there was a time when the Administration itself was encouraging at least friendly overtures toward the Soviets, toward the Soviet Government, is that not true?

Mr. MOE. There was a publication of the Department of State to that effect on cultural relations with the Soviet Union.

Mr. KEELE. Did the pressures to which you have referred emanate in part from that general atmosphere?

Mr. MOE. From that general atmosphere, and that is what I am saying, yes, sir.



Mr. KEELE. And I take it from what you have said, that you and your trustees did resist those pressures to some extent?

Mr. MOE. The resistance, sir, was enormous on every case in which we had credible evidence from our point of view which made the thing dubious.

Mr. KEELE. Mr. Moe, I think in fairness it must be said that by the judgment of your peers, that is fellow philanthropoids, it seems unanimously to be their opinion that you have done, your organization has done, a very outstanding job on the creditable side of the ledger. Do you subscribe to that as you look back over the years?

Mr. MOE. If you leave me out of it, yes, sir.

I think the foundation has done a magnificent work for the good of the country. I think this war, the past war, could not have been fought as effectively as it was fought unless some of our fellowship grants had been made which permitted the fellows to do things for the Armed Forces which, without the training the fellowships afforded, they would not have been able to do. I will give you some illustrations if you want.

Mr. KEELE. I think they might be helpful.

Mr. MOE. Well, you can take Dr. Ralph Sawyer, who is now dean of the Graduate School of the University of Michigan who, as a young man, was granted a fellowship to assist him to carry on studies of the spectrographic analysis of metals.

Dr. Sawyer's great contribution to the spectrographic analysis of metals was to reduce the time of analysis. Whereas before Dr. Sawyer it took about 30 minutes to make such an analysis, on the basis of Dr. Sawyer's work, it now takes only about 3 minutes, and the result of that is that steel or any metal can be analyzed while it is in a molten condition, and being thus analyzed, can be tailored to meet the requirements of its particular use.

Now based upon this contribution by Dr. Sawyer, he was in the Navy during the war in charge of the testing of gun steel and armor plate, and I am sure that Dr. Sawyer would testify if he were here, that the fellowship which he had from the foundation when young, contributed considerably to the assistance that we was able to give to our country in the time of our danger.

Mr. KEELE. Mr. Moe, Robert Hutchins gave us a little aphorism in his testimony which went something like this: There was no correlation between political sagacity and academic eminence. I wonder if you would comment on that.

Mr. MOE. I would be glad to comment on that, Mr. Keele, and I would say that I agree with Dr. Hutchins, and I would almost say, and I have said in my more pessimistic moments, that there is a correlation between academic eminence and political naivete—that is, there is a correlation.

I disapprove of these chaps, Mr. Counsel, who use their scientific and other eminence for the purpose of giving expression to views which, if they did not possess their scientific eminence, would not be listened to at all.

Some of them are inclined to express judgments on political matters which they have not studied one-tenth as critically as they study their science. I don't want to single out scientists only in this category.

I object to all professionals, including professors and movie stars and every other category of professionals, who step out of their pro-

fessional roles while using their professional eminence to get a hearing for something that they couldn't get a hearing for if it were not for their professional reputations.

My objections include conscious as well as unconscious, unconscious as well as conscious manifestations of this type. I disapprove of it, but I can't do anything about it, and I wouldn't do anything about it if I could.

After all, it's a free country, and from my point of view everybody has the right to make a damn fool out of himself in his own way if he wants to.

Mr. KEELE. And a number do.

Mr. MOE. And a number do.

Mr. KEELE. Let's see if this is a fair summation of your thought and testimony, namely, that your foundation operates only in the field of assisting individuals?

Mr. MOE. That's right.

Mr. KEELE. Secondly, that you are preponderantly operating on the frontiers of knowledge or assisting those who are operating on the frontiers of knowledge?

Mr. MOE. Yes, sir.

Mr. KEELE. Thirdly, that you are willing to accept the calculated risk of operating in that field and with the type of individual in that field, knowing that some choices are going to be bad, in view of the expected gain that will result from the good choices that you make and from backing those who later produce in a large and significant way.

That is the roster of your more than 2,000 grants, you have many distinguished grantees who have made significant and important contributions, and that you also have a number of alumni of whom you are not proud and where your choices were bad, if you had had hindsight, not only because of the lack of intellectuality perhaps, but also because of political naivete or possibly even something more sinister.

But that in view of proportions you feel the record is a good one and probably you cannot expect, on balance, to improve the percentage very much, even though you continue to use the same judgment you have in the past. Is that a fair statement?

Mr. MOE. It is a very fair statement, Mr. Keele, and I subscribe to it in full.

I would only add one thing, and that is that our list would not be as good as it is unless we were willing to take the risk in the beginning.

If you go back to my statement concerning Dr. James B. Sumner, unless we had been willing at that time to take the risk which we were advised was inherent in that situation—from a scientific point of view I mean only—well, Dr. Sumner would never have gotten any money from us.

Mr. KEELE. What do you think about the requirement of reporting from foundations?

Mr. MOE. Well, sir, as you know, we have made reports from the beginning and we continue to make reports. We not only publish a biennial report, but whenever we have made a series of fellowship grants, we send a list with some explanation of each grant to every daily newspaper in the country, and some weeklies, and then we get up a printed list of these grantees which we send to all the persons who were applicants for fellowships, in addition to those who got the

fellowships, and this printed list is distributed in quantities of about 12,000 every year.

So we are constantly several times in the course of the year, whenever we make a series of grants, informing the public of them, and then we summarize it all with biographies and so on and so forth biennially in our thick reports.

I think that every institution, large or small, that enjoys tax exemption is under the strongest duty to make that kind of a report to the public.

Mr. SIMPSON. Mr. Moe, the committee is really appreciative of your presentation this morning. We thank you for your appearance and are happy to have had you here and to have made the valuable contribution you have.

The committee will now adjourn and meet again at the call of the chair.

Mr. MOE. Thank you very much, Mr. Chairman and gentlemen.

(Whereupon, at 12:25 p. m. the committee recessed to reconvene at the call of the chair.)



## TAX-EXEMPT FOUNDATIONS

MONDAY, DECEMBER 15, 1952

HOUSE OF REPRESENTATIVES,  
SELECT COMMITTEE TO INVESTIGATE TAX-EXEMPT  
FOUNDATIONS AND COMPARABLE ORGANIZATIONS,  
*Washington, D. C.*

The select committee met, pursuant to call at 2:30 p. m., in room 1301, New House Office Building, Hon. Donald L. O'Toole presiding.

Present: Representatives O'Toole (presiding) and Forand.

Also present: Harold M. Keele, counsel to the committee.

Mr. O'TOOLE. The committee will come to order.

Counsel will call his first witness.

Mr. KEELE. Mr. Rosenfeld.

Mr. O'TOOLE. The witness will give his name and address and whom he represents for the record.

### STATEMENT OF MOSES W. ROSENFELD, OF BLADES & ROSENFELD, ATTORNEYS AT LAW

Mr. ROSENFELD. My name is Moses W. Rosenfeld, 1206 Fidelity Building, Baltimore, Md. I am an attorney in general practice, and my firm is Blades & Rosenfeld.

Mr. O'TOOLE. At this point the Chair would like it to appear in the record that both the senior Senator, Senator Herbert L. O'Connor, and the junior Senator from the Free State of Maryland, Mr. Butler, both have been anxious to introduce the witness and his associates.

Both Senators vouch most highly for the witness and for the work that his group have been doing.

All right, Mr. Keele.

Mr. KEELE. Mr. Rosenfeld, the committee has had before it a number of witnesses representing the large foundations, and you are the first witness to appear who represents, shall we say, the smaller foundations; and I think I should set some figure there. I think the representative of the smallest foundation which has been heard here was about a million and a half. I think that was the Whitney Foundation.

Others have run up, ranged up, shall we say, to the Ford Foundation.

Because we knew that you had had a great deal of experience with the formation of the small foundations we were anxious to have your testimony here with reference to your views and the views of your clients relative to the foundation question.

I wish you would tell us something of the number of foundations you have organized, the type of foundation they are, and the purpose for which they were organized.

Mr. ROSENFELD. I have counted the number of foundations that I have organized, and they are 33.

The first one was organized 10 years ago almost to this very date.

They have all been organized, with rare exceptions, for the basic purpose of having philanthropically minded people given a medium through which they could accumulate funds in rich years, in the fat years, so that they would be available for lean years.

I would say, in brief, that was the vital purpose of organizing this large number of small foundations.

Would you like me to give an indication as to what I mean by "small," Mr. Keele?

Mr. KEELE. Yes; and if you would go ahead, you need no questions from me, I am sure, to tell your story.

Tell us, take a foundation that you have in mind, a specific example, and give it a name such as foundation X, and let us have you explain what you mean by the "lean years" and "fat years," the way it operates, and the reason why it is desirable.

Keep to that level and the general lines on which you talked to Mr. Kennelly.

Mr. ROSENFELD. I would say, in the first place, I do not believe that any of my foundations have assets as great as \$100,000. I could be mistaken, but I do not believe they do.

These funds are accumulated, are poured into these foundations, by clients of mine. I suppose most clients these days have corporations, and where there are corporations, all of my clients have been anxious to give the full amount that was deductible.

I do not believe there is an exception among my clients to that generalization.

Now, at the same time they do not want to set a standard that they cannot live up to. I think, without exception, no client of mine has ever reduced a contribution to public philanthropy, once made, unless there was some cataclysmic event which had occurred in his financial set-up that would make it absolutely imperative for him to do so.

In other words, if this man was giving \$10,000 to the community fund in the past, and giving \$10,000 to the community fund this year, I don't think any have ever reduced it.

Now, when a man whose business is incorporated has a particularly successful year he invariably has funds available in his corporation that he can conveniently donate to his foundation, and he has done so, the corporation has done so, to the full 5 percent in every instance that I can recall, in what I call fat years.

Now, there have not been so many terribly lean years in the last 10 years, but someday lean years, I am confident, are going to come and then there will be a fat accumulated.

I would say that almost all the foundations that I organized were conceived of in this spirit of having a reservoir into which funds were to be dumped from corporations and from individuals.

Now, I found this, also, that that original purpose would vary, because my clients being philanthropically minded on the whole, found that while they started accumulating the distributions from their foundations to the various charitable organizations increased so much that many of them, of my foundations, have depleted their resources today by giving away already the fat that they had accumulated, the fat that

they thought they would accumulate or were accumulating for lean years.

Mr. FORAND. Right there, might I inquire: Take the instance that you have cited of a man that normally gives a thousand dollars to the community fund, and he sets up a foundation. Am I to understand that instead of making his contributions directly to the community fund, the foundation makes the gift?

Mr. ROSENFELD. That is almost correct. I would rather rephrase it this way: If a man had normally been giving a thousand dollars to the community fund and his 20 percent of individual deductibility, or his 5 percent of corporate enabled him to give \$5,000 in 1952, he would give the \$5,000 to the foundation; the foundation may possibly increase that to \$1,500, but normally would not increase it from a thousand to \$5,000.

Mr. FORAND. Let me get this straight, now: Instead of making his contribution directly to the community fund he makes it to the foundation, and then the foundation in turn makes it to the community fund.

Mr. ROSENFELD. That is entirely correct, sir.

I would say that clients of mine who have foundations, make no substantial contributions of any sort, except through their foundations.

Mr. O'TOOLE. May I ask a question?

Assume the case that you just enumerated where your client intended to give \$1,000 to the community chest; there was a, what you term "fat year," and he turned \$5,000 over to his foundation. Does the foundation, or is it bound to turn \$5,000 over to the community chest, or can they arbitrarily say, "We will only give \$2,000?"

Mr. ROSENFELD. Theoretically the foundation is not obligated to do anything; theoretically it is a separate legal entity with its own separate board of trustees, but as a matter of practical fact, in almost every instance the real donor is one of the trustees, and either his wife or some business associate or other person or persons very close to him comprise the other members of the board of trustees, so it rather tends to be an academic distinction between one or the other.

Is my answer clear?

Mr. O'TOOLE. Where they have that accumulation in the fat years that has not been disbursed, and then the lean years come along, getting back to our old Biblical days, can the foundation turn back any of that accumulation to the sponsor or the founders of the foundations?

Mr. ROSENFELD. It cannot because the charter, all my foundations are corporations, and the corporate provisions require that these funds can only be distributed to, and then I literally copy in the act, I forget the section of the act, I believe it is 106.

Mr. O'TOOLE. Do any of these foundations have on their payrolls as employees members of the sponsor's family.

Mr. ROSENFELD. No foundation that I have organized has anyone on its payroll. None of them have paid anything for operation, except one that I recall that has paid me perhaps a nominal sum of as much as \$50 or \$100 a year, or some such sum as that, for my work in keeping it going. But except for that one, not another single one has. And there may be one more I don't recall at the moment, but except for that one or possibly two, none of these foundations pay any sum whatsoever to anybody. They have no expense items except possibly the safe-deposit box or a brokerage fee or something of that

sort, have no expenses and make no distributions, with the rarest of exceptions, except to organized philanthropies consisting of charities that are on the accumulative list approved by the Internal Revenue Bureau.

Mr. O'TOOLE. Thank you.

Mr. FORAND. I am to understand they do not sponsor any research projects or anything of that sort, but distribute the funds strictly to charitable groups?

Mr. ROSENFELD. That is entirely correct. No one single foundation, so far as I know, sponsors any activities of its own, or makes distributions to any such, making distributions only to other exempt organizations.

Mr. KEELE. It might help, Mr. Rosenfeld, if you were to tell us the average size, let us say, of these 33 foundations so that we will have some idea of the amounts we are talking about here.

Mr. ROSENFELD. When I speak of "average size," it is a difficult question to answer. I could tell you what the average foundation balance sheets disclose. I don't know at the moment; I brought my papers with me and could tell, but I think it would be meaningless because the question I think you are directing my attention to is—how much the foundation receives in a year and how much it distributes in a year.

Now there I would say the smallest foundation would receive—may I ask my secretary to confirm this?

(There was a brief discussion off the record.)

Mr. ROSENFELD. I would think the smallest would be two or three thousand dollars per year. I think that would be exceptional and very, very low.

The largest, I would guess, without checking my records, would be—the largest one that I recall was \$48,000, and I would say that most of them would run from \$10,000 to \$40,000, in that general field.

Mr. KEELE. Per year?

Mr. ROSENFELD. That is contributions to the foundation per year.

Mr. KEELE. Normally, if there is any norm, how much would they retain?

Mr. ROSENFELD. That is an impossible question to answer for the reason that they started out retaining a large part of these sums, but as the years wore on, and the demands of public philanthropy grew greater, the percentage of distribution grew very much greater, so in these recent years some of my foundations have distributed more than they received.

That was not the spirit in which they were conceived, but the demands made upon philanthropic-minded people had results.

Mr. FORAND. You mean the distribution was such that you were distributing part of the corpus?

Mr. ROSENFELD. Yes, indeed; exactly so.

In other words, when the charitable demands from a community fund, or what not, were made to these foundations these appeals were so strong, and conditions were such that many of these foundations, I wouldn't say most, but at a guess I would say half have distributed more than they have received in the last 2, 3, or 4 years.

That was not true in the preceding 5 or 6 years, by any means.



Mr. O'TOOLE. The Jewish philanthropists have found themselves in a rather unique position, as compared to other groups, due to the persecution in Europe and the separation of families, and the necessity of assisting the refugees—these have all created a great demand upon Jewish philanthropists, have they not?

Mr. ROSENFELD. To a very great extent, to an extent no one could have conceived of in 1942, '43, '44, or '45, and people have been responding wonderfully, it was a great response. People have been reminded to dip deep in making their contributions.

The great benefit to the body politic that I see in these small foundations is, experience teaches me several things: I like to try to be realistic in dealing with people, as I find them, and not idealistic and try to deal with people as they ought to be, but talking about good people, philanthropic people, I find that among such people, they are anxious to give to public philanthropy the full amount that is deductible for tax purposes. They are ready to do it, and do do it.

Now, they don't want to give that directly to the public charities, because it sets a level of giving, and they never want to be in position of reducing that level.

Now, whether that is praiseworthy or not, I make no comment on, but it is realistic, and if they cannot give these funds to their foundations in the rich years, and get these deductions for them, those funds will not be available for the leaner years, in my judgment.

Mr. FORAND. What is the amount upon which a foundation is set up, say, the lowest amount, or the smallest foundation you have? How much did the donor set aside to start his foundation with?

Mr. ROSENFELD. Well, the most normal thing is that sometime in late December, some client of mine will come in to see me and say, "I have had a good year this year, and I find that my 5 percent or my 15 percent then, maybe 20 percent today, will permit me to contribute thirty or forty thousand dollars to charity this year. How quickly can you get a foundation organized?"

It is very simple in Maryland, in Baltimore particularly, when you simply draw up a charter, walk two blocks, file it with the State tax commissioner and are incorporated—these are all stenographically the same charters, and the next minute or the next day, perhaps, Joe Doakes contributes this thirty or forty thousand dollars to this foundation, and the amount has invariably been determined in no other way except the way I describe it.

Mr. FORAND. That has not answered my question.

Mr. ROSENFELD. Sorry.

Mr. FORAND. I want to know how much, or how little some of them start a foundation with—is it \$1,000, \$2,000, \$10,000, or how much?

Mr. ROSENFELD. I would say the lowest would probably be \$2,500 or \$3,000; I would say that was exceptional, that there are very few that low. Most of them, the lowest would start with ten or twenty thousand dollars and none of them, I don't believe—I don't believe any of them started with anything like \$100,000; I can't believe that that happened in my practice.

Mr. FORAND. You would say roughly from \$20,000 up?

Mr. ROSENFELD. I would say from \$15,000 to \$40,000, generally speaking, with exceptions perhaps either way.

Mr. FORAND. Thank you very much.

Mr. KEELE. Now, Mr. Rosenfeld, what is the advantage, if any, other than those you have cited of an individual giving through a foundation which he has organized as a vehicle for his own personal philanthropies?

Mr. ROSENFELD. One very great advantage is that under it, under the impulsion to get money out by a deadline date, the individual, as you know, must make his contribution in cash before the end of the fiscal year, the corporations, since 1951, has, I think it is 60 days if the proper resolution is drawn up, but in the case of an individual, if he is on a calendar-year basis, as most individuals are, he knows much more by late December what his income is likely to be than he does at any other time.

Now, he is concentrating at that time, in his thoughts, on getting into his foundation the maximum amount possible, and at that moment he is not thinking of whether this is to go to the Community Fund or Bureau of Catholic Charities, or the Cancer Fund or the United Jewish Appeal, Associated Jewish Charities, or anything else, he is not thinking about that. He wants to get that twenty or thirty thousand dollars out.

The same thing is true with the corporation, at the end of 60 days they want to get that money out. It would be very difficult for them at that time, in the absence of the foundation, to allocate the ultimate recipients of the funds, or the ultimate charities that are going to get it.

That is a very great advantage.

Mr. FORAND. December is picked out by those particularly who work on a calendar basis?

Mr. ROSENFELD. Yes, sir.

Mr. FORAND. As being the end of the calendar year?

Mr. ROSENFELD. Yes, sir; but almost all individuals do, as individuals.

There are so many advantages.

Another advantage is the facility with which one can donate appreciated assets. Many people, individuals, may have very little cash and have securities with very great appreciation in them.

Now, it is perfectly true that any organized charity that I know of will accept a contribution of a hundred shares of General Electric stock, but if a man only wants to give away 100 shares of General Electric, and wants to divide that up with, say, \$500 here, a thousand dollars there, \$2,000 there, it is mechanically pretty burdensome to try to do that with 6, 8, or 10 different ultimate recipients, whereas, it is extremely simple to turn that over to his foundation and let the foundation sell it and have the foundation make the distribution to the various public philanthropies.

That is another very strong reason.

Mr. O'TOOLE. What are the tax benefits to the individual who sets up a foundation?

Mr. ROSENFELD. The last explanation I gave suggested the tax benefits, in that they can properly avoid paying a capital gains tax on the appreciation. In other words, if an individual has bought a hundred share of General Electric at 50, and today it is 70, and if he sells it over 6 months, he pays roughly 25 percent, or a fraction more, whereas, if he gives it to the foundation, he can legally and properly avoid that

capital gains tax because if the foundation sells it, of course it pays no tax on its income. That is another way by which individuals get more assets into the foundation than they could otherwise afford to do, because among my clients, among this group of clients, the test is how much they can spare, and still be within their 5 percent.

Mr. O'TOOLE. There must be great difficulty in determining the individual's thought, insofar as just what he really wants to give, whether for philanthropic purposes or whether he has a tax-evasion idea in mind.

Mr. ROSENFELD. I could answer that by saying that I see no tax evasion whatsoever in anything that I have indicated.

Mr. O'TOOLE. Perhaps I have used the wrong phrase in that "tax evasion."

Mr. KEELE. "Tax avoidance" might be better, sir.

Mr. O'TOOLE. Yes; tax avoidance.

Mr. ROSENFELD. I have an antipathy toward the word "evasion"; it is an anathema in my ears.

Mr. KEELE. Well, "evasion" puts you in jail, whereas "avoidance" is legal.

Mr. ROSENFELD. I am trying to stay out, and, of course, this is in jest and off the record.

Seriously, you see, if a client of mine with an appreciated security—we will use this General Electric example—it cost him 50, and he can sell it today for 70 if he wants to, if he sells it—if he is minded to turn it over to the foundation, and wishes it to go to charity, then charity gets \$7,000, whereas if he sells it himself and gives the whole proceeds to charity, after taxes, he will give less to charity, although he will have parted with the same amount.

Is that clear, sir?

Mr. O'TOOLE. You say you represent about 30 or 33 of these foundations?

Mr. ROSENFELD. I didn't mean to say that. I organized 33; I represent most of them now, but not all.

Mr. O'TOOLE. To your knowledge, are there many more of this type foundation in Baltimore?

Mr. ROSENFELD. I don't like to say, of my own knowledge, but I am strictly confident there are quite a number more.

Mr. O'TOOLE. Do you have any idea of the extent of the number?

Mr. ROSENFELD. From what I can learn, I believe I have organized—that is an understatement—I know I have organized more than any one person, and I am inclined to believe that I may have organized as many as all the other lawyers in Baltimore together, perhaps. I don't know why, except that I do represent a lot of people who are very philanthropic-minded.

Mr. O'TOOLE. That is all.

Mr. KEELE. I would like to ask a question, Mr. Rosenfeld: At what figure does this hypothetical philanthropist turn in that appreciated stock to his foundation?

Mr. ROSENFELD. At market value on the day of the gift.

Mr. KEELE. In other words, he buys it at 50, he turns it in to the foundation at 70, and takes that 70 points, or 70 on as many stocks as he turns in, or shares, as against his 20-percent deduction?

Mr. ROSENFELD. That is right; exactly right.

Mr. KEELE. Then, the foundation sells the stock, if it chooses to do so, and gets the 70 points, but the client, your client, the philanthropist in this case, would not have to pay the capital gains tax on that?

Mr. ROSENFELD. That is correct.

Mr. KEELE. Which is a perfectly legal procedure, let us say, there is no question about that.

Mr. ROSENFELD. It is not only legal but, in my judgment, it gets more money into public philanthropy than would otherwise go into public philanthropy.

I feel very strongly that the body politic benefits by getting money into private philanthropies. I don't feel the taxpayers lose by that at all, and I say that to you emphatically, for several reasons.

Firstly, I am convinced—and I have no statistics, but I am convinced—that private philanthropies are more economic, more efficient than those administered by any governmental agency can possibly be.

I am likewise convinced if private philanthropies did not support our hospitals and other social welfare agencies, your city, State, or Nation would have to, because we are not going to close our hospital doors for lack of funds.

Broadly speaking, in this way we are getting a maximum amount of money into not only directly into the hospitals' hands, but also, in the fat years, into a reservoir into which diggings can be made in those lean years when the Ways and Means Committee is going to find it very difficult to raise funds.

The Ways and Means Committee has not found it too tough in the last 10 years, from the standpoint of earnings being available for taxation; so today I think all of us agree that can well happen and when that year comes, it is going to be difficult, and that is going to be the very year when there will be great demands on public charities.

Mr. O'TOOLE. Wouldn't the same situation exist, as far as these foundations are concerned, when there are lean years for the Ways and Means Committee, there will be lean years for the foundations?

Mr. ROSENFELD. Of course there will be, but they will have accumulated fat for those lean years, and that is exactly what I wish to urge upon this committee.

Mr. O'TOOLE. The witness just testified that sometimes the foundations today, in fat years, have given more than they have on hand.

Mr. ROSENFELD. That is correct, and I say that is not the spirit in which they were conceived, and that was the result where it was pointed out that abnormal demands were made in recent years upon these particular foundations in which these philanthropists were interested, but the whole plan and purpose and scope of the idea of small foundations is to get into them in the rich years and the fat years the maximum deductible sum, so that they will be available in the lean years.

I also said that was only true of some of the foundations, not all, perhaps half, I wouldn't know the exact percentage, but certainly a large percentage of the foundations I have created still have substantial funds in them, relatively speaking, of course.

Mr. O'TOOLE. Does the witness believe that in the lean years a great number of these foundations will disappear, and when I say "lean year," I mean the economically lean years?

Mr. ROSENFELD. I don't believe they will disappear, but I believe they will dissipate the bulk of their assets in lean years. I think they will have something in lean years, I think people will make some con-

tributions to them in lean years, but I think that there will be more, I am confident, as confident as I can be, that there will be far greater distributions than contributions in the lean years.

Mr. O'TOOLE. I don't see how the witness can talk about the lean years. I have just listened to the speakers for the two major political parties in the last campaign and their statements have been that regardless of who was elected they were going to be the fattest years the country ever had.

Mr. ROSENFELD. Am I asked to comment on that, sir?

Mr. O'TOOLE. Not yet; but 4 years from now.

Mr. ROSENFELD. I would like to point out one other aspect of this question of appreciation and giving appreciated securities and what you characterize, sir, as a proper tax avoidance.

The gift of appreciated securities is not limited to gifts to foundations. I said, a few moments ago, that if a donor wanted to give a hundred shares of General Electric he could give 2 shares to this charity, 3 to that one, and 40 to another one, and he would get the same tax-avoidance benefit. That is perfectly legal and proper. The only relationship of a foundation to that problem is that it is a convenient way of doing it because it simplifies the mechanics of the thing.

I would like to urge, for your consideration, I don't know whether this is the proper forum or not, but I was deeply gratified at the recent increase from 15 to 20 percent in the amount of allowable contributions, and I was awfully sorry that a similar increase was not made in corporate contributions.

As you know, of course, that is limited to 5 percent, and it would seem to me that this increase from 5 to 10 percent would be of inestimable value to these foundations and a gain to the body politic in making that much more money available for these lean years that I still say, in my judgment, are one of these days coming along.

I am perfectly confident that the vast bulk of corporations that I represent would, at all times, be happy to contribute the maximum amount that was deductible for tax purposes to a foundation, so that they could build these foundations for lean years.

Of course, these accumulations are not exclusively and necessarily for lean years. The accumulations, when they reach a certain point, can be used for endowment purposes. If one of these foundations accumulated in the course of 5, 10, or 15 years \$100,000 or \$150,000 it may well see fit to endow some room or bed or what not in a hospital or other philanthropic institution.

In other words, I would like to emphasize as strongly as I know how, I do not believe that the taxpayers' money is being wasted or dissipated in any sense by increasing this deduction from 5 to 10 percent. On the contrary, because I so sincerely believe that private philanthropy as administered is so much more economical than any philanthropy sponsored by any governmental agency could possibly be, that the taxpayers ultimately benefit from the larger amount of money that can be diverted to private foundations.

Mr. KEELE. Let me see if I can correctly sum up your argument—

Mr. ROSENFELD. May I interrupt before you sum up, Mr. Keele, as to one question?

Mr. KEELE. Yes.

Mr. ROSENFELD. Would you like to discuss or like to have me discuss my views on the question of publicity of these returns?

Mr. KEELE. I was coming to that, but thought that before we got to that point we might just say this: As I understand it, these small foundations to which you have been testifying are created as the vehicle for the philanthropic giving of individuals, that is, shall we say a family, an individual in his family, who would normally give 20 percent of the income for charitable purposes. If they have a corporation which they control, which they own, that corporation would give 5 percent normally of its income to charitable purposes.

Now, with no tax saving to them, but for other reasons which I shall come to, a foundation is created and the individual retains for tax purposes control of that foundation and he transfers into the foundation those funds for which he takes a deduction up to 20 percent as an individual, on an individual basis, and 5 percent on a corporate basis. The only advantages are those which flow from the operations of a foundation as against the operations of an individual. There is no tax saving to the man up to this point, is there?

Mr. ROSENFELD. There is no tax saving to the man.

Mr. KEELE. All right.

Mr. ROSENFELD. There is an equalization over fat and lean years.

Mr. KEELE. Now we come to the advantages. The tax incidence are precisely the same, so far as the individual is concerned.

Mr. ROSENFELD. That is even—that is unquestionably correct.

Mr. KEELE. But the foundation has these advantages:

One, it can accumulate income, or rather, it can accumulate and hold the gifts which it receives from the individual, which the individual cannot do, and get his tax exemption; isn't that right?

Mr. ROSENFELD. That is correct.

Mr. KEELE. In other words, the individual must actually make his expenditures on a charitable basis in order to take his exemptions within the taxable year; is that not right?

Mr. ROSENFELD. That is right, or the corporation, within a short time thereafter.

Mr. KEELE. But the corporation, the foundation need not expend the money it has received from the individual; isn't that right?

Mr. ROSENFELD. That is correct.

Mr. KEELE. Because it is not income and, therefore, it does not come under supplement U.

Mr. ROSENFELD. That is right.

Mr. KEELE. Therefore, the foundation can take its time in selecting the proper objects of its giving, whereas the individual would be forced to make his decision rapidly when he learns toward the end of the year exactly what he can afford to give; is that right?

Mr. ROSENFELD. That is entirely right.

Mr. KEELE. Now then, aside from that and aside from the fact that the foundation offers a convenient way for obtaining the gain on appreciated securities, let us say, what other advantages are there in the foundation over the individual, so far as you view it from a charitable point of view, or philanthropic point of view?

Mr. ROSENFELD. Aside from what you said to me, the greatest advantage is as I mentioned before, if Mr. Jones has been giving a thousand dollars a year to the Community Fund and he has a year—assuming that his only contribution is that—and he has a year when he could deduct \$5,000, he is I was about to say, reluctant, but I will go further than that, I will say in most cases he is unwilling to increase

his contribution from a thousand dollars to \$5,000 because the champions of the charity will want him to maintain that \$5,000 contribution in future years, and it is very embarrassing to him, he fears the embarrassment of, once having raised it to \$5,000 of saying, "I can't afford to pay \$5,000 any more."

He is happy to part with the \$5,000, but he does not want to be burdened with a continuing obligation, and to most of these people there is an utter unwillingness ever to reduce a contribution to charity, as distinct from that contribution to his own foundation.

Mr. KEELE. And you feel that is a real psychological hazard against their giving to the limit, lest they be held to this point year after year when they could not properly afford it?

Mr. ROSENFELD. I agree, but—

Mr. KEELE. I say, you do consider that a real psychological hazard?

Mr. ROSENFELD. I agree with your statement, but think it is an understatement.

The words "psychological hazard" has a very real meaning and in layman's language I would say I just know that people are not going to do that; they are not going to contribute on the scale I just mentioned, of \$5,000, if they have been on a \$1,000 scale, just because they could deduct it the one year. I know they are not. There is no question in my mind about it. And these gentlemen who are here with me, who have been, well, one is the president of the Associated Jewish Charities of Baltimore, and one is a past president, they could tell you that more convincingly than I. They have the job of going out to raise funds for public charities.

Mr. KEELE. We are going to ask them to testify, Mr. Rosenfeld. I am not challenging your statement, I am not critical, but merely asking for information.

Mr. ROSENFELD. All right.

Mr. KEELE. Now, what about the requirements for reporting and public accountability. I think we have had some discussion, and Mr. Kennelly has had some discussion with you about it, and you know I am sure by this time, that the large foundations whose representatives have appeared here, had said to those representatives that they favored public accountability, and by this they have indicated that they would go so far as to say that they should show their assets, listing their securities even, they would show their disbursements, both administrative expenses, with a breakdown there of administrative expenses, and their grants by items, that is, their gifts; the purpose of each gift as well as the donee to which it goes.

Further, that that material should be readily available, not only to the taxing authorities but should be available to the public.

Now, with those statements in mind, would you comment on the view that you take in connection with the organization representatives of these smaller foundations to which you have been addressing yourself?

Mr. ROSENFELD. I think it would be extremely unfortunate if the records of the smaller foundations were required to be made public, and when I speak of "records," I would like to divide them into two categories: First, I would like to speak about the contributions to the foundation.

Most of the people that I represent are recognized in the community as being philanthropists, and being philanthropic-minded, and the

public would assume, rightly or wrongly, the public would assume that these people were giving their full 5 percent and/or 20 percent, and if Mr. Jones' corporation gave \$5,000 to his foundation in a particular year, the public would be convinced that the earnings of the corporation were \$100,000 that year. If his corporation gave \$50,000 to his foundation, and that were public, the public would know that he had made a million dollars that year, and most of the Mr. Joneses that I represent are unwilling to have their earnings made public.

There is no requirement for it today in our system, in our economy.

I think that they feel that so long—they feel strongly that a law requiring small foundations to make public their contributions, if such a law were passed, I believe that they would dry up. I believe that my foundations would cease to exist because it would be too ready a way by which people could form a very accurate guess of the incomes of the individuals, which they are not required to disclose anywhere for public information.

Mr. O'TOOLE. How would you distinguish between a large and a small foundation?

Mr. ROSENFELD. I would think it makes no difference, from the standpoint of contributions to the foundation. I do not see what public interest can possibly be adversely affected by funds given to a foundation. I don't think that the public should be interested.

Mr. O'TOOLE. I agree with you on that, but several times you have used the phrase "large and small foundations." I was just wondering how you determine which is a large one and which is a small one.

Mr. ROSENFELD. Well, I make no mathematical distinction, but certainly a foundation with gifts, or rather, with contributions to it of ten, twenty, thirty, forty, fifty thousand dollars in a year, to my mind is certainly small; and one with assets of \$2 million and contributions of two or three hundred thousand dollars a year, to my mind is large.

I agree that that is an arbitrary definition, but that is the way I am using my English.

Now, as far as distributions by the foundations are concerned, I can see, and particularly in view of what Mr. Keele has told me about certain abuses that are suspected, I can see a different problem.

In all my foundations, as I said, there are no salaries, no expenses of any kind, except these utterly insignificant things.

Mr. FORAND. At that point, would you tell us how many trustees those foundations have, under the system you use in setting them up?

Mr. ROSENFELD. I would say, not less than three and no more than seven. I would say most of them probably have five, but—three to seven would be it.

Mr. FORAND. Does the donor or creator of the foundation exert influence over the trustees, or do the trustees act independently?

Mr. ROSENFELD. That is a very difficult question to answer categorically. Certainly the suggestions of the creator of the foundation bear great weight, but in most cases, there is certainly no compulsion, and the trustees decide what is to be done, and do it.

Mr. FORAND. What prompted that question was what we discussed before, relative to this man who was in the habit of contributing a thousand dollars annually to a charitable fund, the community chest or something and now, if he is going to discontinue making those contributions himself and the foundation is expected to take care of those



gifts, there must be some understanding with the foundation that he wants the foundation to consider so much to be contributed to this, or that, or the other.

Mr. ROSENFELD. I had rather answer that by an illustration.

If you two gentlemen and I were members, were trustees of a foundation that I created, and as a courtesy to me, you consented to act as trustees—

Mr. O'TOOLE. I am very happy you said that you created it, because we won't be able to do it.

Mr. ROSENFELD. That was purely a hypothetical illustration. I mean, it was created for a client of mine, I did not mean that it was created for myself.

Well, let me put it in the first person, simply to illustrate my point.

If I created it, and if I contributed, and I will be utterly fantastic, say, \$10,000 to that foundation this year, and we were to meet around a table and say, "what shall we do with this money this year?"

If I would say to you gentlemen, "I would like to give a thousand of this money to the Cancer Society, out of it, and \$2,000 to the Associated Jewish Charities, \$500 to the community fund—I think you gentlemen would probably be most inclined to follow my suggestions.

There would be no compulsion on you to do so.

That is the actual way in which this thing works.

Mr. FORAND. Actually the donor's influence is felt in these smaller corporations to a marked degree; is that not correct?

Mr. ROSENFELD. That is certainly true, certainly true.

Mr. O'TOOLE. In any of these foundations, are the trustees relatives or employees of the creator?

Mr. ROSENFELD. I recall no instance of there being an employee, and in almost every instance I would say there are some relatives.

Mr. O'TOOLE. Let me ask this question: Has it been the custom in the creation of these foundations, to have the creator's attorney a member of the board of trustees?

Mr. ROSENFELD. There has been no uniformity. I believe that I am probably a member of the board of trustees of half of them, and that is simply a guess.

Mr. O'TOOLE. I did not mean you, specifically, I meant was that the custom?

Mr. ROSENFELD. When you say, "the attorney," I am the only attorney in the office that would be, and in perhaps a half I am a member of the board of trustees.

Mr. FORAND. The trustees serve without pay, do they not?

Mr. ROSENFELD. I made that one qualification, as I recall, that nominal fee for one, and except for that, nobody gets any self-benefit from these foundations at all, not one cent.

Now, on the question of publication of distribution of foundations, I would not like to see that required, although I feel less strongly about that than on the subject of publication of contributions to the foundations.

I would hope, if a law is ever passed requiring that distributions by the foundations be made public, there could be an exception, if the trustees certified under oath that all distributions are made to organizations on the approved list, and that there are no salaries or expenses of any kind, or perhaps no expenses in excess of a hundred dollars a year of any kind, to take care of a safe-deposit box or what not, it

would seem to me if the trustees of a foundation certified that there are no expenses of any kind, except a hundred dollars a year, and that there are no contributions made except to other exempt organizations, it would seem that there would be no possible harm done to the body politic by not having these things made public.

I find a great many philanthropists are modest people. They don't like the publicity attendant upon proclaiming large-sum gifts to charity. Certainly we see plenty of anonymous contributions made from time to time, and the very fact of that seeking after anonymity sets forth the psychological factor that compels most of my clients in seeking to avoid publicity, to prevent their names from being mentioned in the contribution, or they won't do it.

Mr. FORAND. It isn't that so much as it is a matter of setting their name up as a target for anyone seeking further contributions—

Mr. ROSENFELD. In the language of the streets, they don't like to be on the "sucker list."

Mr. O'TOOLE. I have never seen such a display of backwardness at the fund-raising dinners.

Mr. ROSENFELD. Well, I would rather let my associates explain that, because they are the fund raisers, and they can tell it more directly than I can, in answer to that question.

Mr. KEELE. Mr. Rosenfeld, have you examined with any degree of care, pages 3 and 4 of Form 990-A, which is the return—I will give you a sheet of it in a moment, of organizations exempt from tax under section 101-6 that has to be made available to the public in the office of, formerly the collector of internal revenue, where they are filed?

If you will examine that, I believe you will agree with me that anyone interested in checking that will be able to tell, in the case of a foundation, of such type as you have testified to, precisely what is being given.

Mr. ROSENFELD. May I examine it half a minute?

Mr. KEELE. Certainly.

Mr. ROSENFELD. Do you have the 990-A Form there?

Mr. KEELE. I will be glad to show you this [indicating volume]. You sit right there, and I will bring it to you.

It is the second and detachable sheet here, 990-A.

Mr. ROSENFELD. Just a second.

I point out to you, Mr. Keele, this confirms my recollection but I wanted to see it first, the page of Form 990-A, the original page and the client's office copy has 25 items on it. The sheet that is available that you just described has 24 items on it and omits the twenty-fifth item; and the twenty-fifth item is "Contributions, gifts, grants, et cetera, received."

In other words, I point out to you, sir, that the form that is now available for public inspection does not show the receipts of the foundation.

Mr. KEELE. But, if I know that a foundation, through public knowledge, is the creation of a certain individual, and if I take the time and trouble to check that sheet from year to year, I can tell pretty nearly the very thing which you say the individual wants to conceal, can I not?

Mr. ROSENFELD. I think you can, if you take the trouble to do it, but I want to make it difficult for people to do it, and not easy, not tempting.

Mr. KEELE. The information is available to the public now, is it not, on this type of foundation, if they want to follow it?

Mr. ROSENFELD. Available after a fashion.

There is nothing available to the public today, as to who makes the contributions to the foundation.

Mr. KEELE. No, but if they know that it is a vehicle of a certain family or of a certain individual, and that does become known, does it not?

Mr. ROSENFELD. It does become known, yes.

Mr. KEELE. Within a group, we will say.

Mr. ROSENFELD. Unquestionably it becomes known.

Mr. KEELE. And then, they follow it as it acquires the assets, and the disbursements shown there, and they can pretty nearly tell what contributions are being made, can they not?

Mr. ROSENFELD. I have to answer that with qualifications to this extent—it would not show from whom, or from how many corporations it came, or from how many individuals it came, and there would not be the ability to capitalize on the 5 percent or 20 percent to disclose the information as to what the corporate income was or what the individual tax was.

Mr. KEELE. I think that follows. I think that is right. It does tend to conceal it to some extent, that is, the amount that may be given by a corporation, the amount that may be given by an individual, or it might be in varying amounts that might be given by a number of individuals.

Mr. ROSENFELD. That is right, and I would like to keep that concealed.

It makes the preparation of a sucker list more difficult.

Mr. KEELE. What regulations are there in the State of Maryland with reference to making public, or at least filing where the public may see it, returns of any kind from a foundation such as this that you have been talking of.

Mr. ROSENFELD. You embarrass me. I don't really know. I don't believe that there are any, but I would hate to assert that negatively, sir. We file a report with the State Tax Commission of Maryland, but it shows extremely little, and I am confident, I could be wrong, but I am quite confident that the State of Maryland has no method of learning of these contributions, certainly not of disclosing them to the people.

Mr. KEELE. Well, I gather that the net of what you have said here with reference to public accountability is this: That in your opinion, based upon your experience and your knowledge of the individuals involved, with reference to this group of corporations which are foundations, to which you have testified, there would be a tendency to dry up those foundations or corporations if the law required them to set forth the contributions made each year.

Mr. ROSENFELD. I consider that an understatement.

Mr. KEELE. And that purely on the basis that the individuals would not want disclosed to the public their annual contributions to charities.

Mr. ROSENFELD. Purely on that basis.

Mr. KEELE. What is the basis, then, the motivation for the giving by these individuals who do place moneys within these foundations for distribution, what are their motivations?

Mr. ROSENFELD. I think it is very natural and normal and wholesome, and that is to do an act of charity.

Mr. KEELE. If one really wants to do an act of charity, would the question of satisfaction of approbation have anything to do with it?

Mr. ROSENFELD. I don't think my clients are perfect. I take them as I find them.

Mr. KEELE. Yes, or no; you are evading the question. You don't mean to, I am sure, but do you think that social approbation enters into philanthropic giving, if one is motivated entirely by the desire to give?

Mr. ROSENFELD. I think that question is almost a contradiction in itself, sir. I think that public approbation enters a large part of philanthropic giving.

Mr. KEELE. Well now, the public approving of philanthropic giving—that is well-known, is it not?

Mr. ROSENFELD. Of course.

Mr. KEELE. Then why not the more one gives, the better, so far as public approbation is concerned?

Mr. ROSENFELD. So far as public approbation is concerned, the more one gives, the better, no question about it, but it has two consequences.

Mr. KEELE. What are they?

Mr. ROSENFELD. They have the sucker list consequence, as one, and the other is, from the standpoint of public approbation the great disinclination anyone has to ever reduce the amount of an annual contribution.

Mr. KEELE. From what does that stem? That, I could not understand.

Mr. ROSENFELD. I can speak from personal experience there; I can speak very personally. I am not a rich man, by the standards of my own clients even, but I can never recall having reduced a contribution to any charity that I make. It just would go against my grain. That is my reaction; that is my nature. I think that is the nature of my clients.

I think my clients, generally speaking, and barring some, I think I used the words "cataclysmic event" in their business life, barring such event as that, my clients do not reduce their annual contributions, they do not do it and do not do it for the reason that I do not—it goes against our grain to do it; we don't want to do it.

Mr. KEELE. Well, you may not want to do it, but again I think you must be referring to the question of social approbation or social pressures.

Mr. ROSENFELD. A combination of social approbation plus the unwillingness to publish to the world that the donor's resources have radically changed.

Now, maybe in your definition that is a phase of public approbation, I don't know, but if I have been giving, illustratively, a thousand dollars to the community fund each year, and I would cut that down next year to \$500, I believe the people would feel that I was not able to give that much money and perhaps I am vain not to want that to happen.

I think that expresses the attitude of my clients.

Mr. KEELE. Well, it is not for me to sit here in criticism or judgment, but I begin to question the motivation of a philanthropist, which hinges upon social approbation, or personal pride.

Mr. ROSENFELD. I think they are all wrapped up together in this crazy world of ours. They are inextricable, and I don't think you could get them in the pure form, such as you could in a laboratory, for example, in reference to a chemical.

Mr. KEELE. If a man wants to give, what has the 20-percent deduction got to do with it?

Mr. ROSENFELD. It affords a very great inducement for him to give a maximum amount in the year when he is having a good year.

Mr. KEELE. Then, I suppose we ought to give greater credit, then, to men such as Rockefeller and Carnegie, who made vast donations in a time when there was no such thing as a tax allowance in connection with it; there was no income tax at the time they set up their great philanthropies.

Mr. ROSENFELD. Well, with all respect to you, Mr. Keele, I don't think that is pertinent to the issue here. That doesn't apply to the type of people we have been discussing.

I don't know how much Mr. Rockefeller was worth, but if he was worth 500 million, by sharing 25 million, that was still a very much different kind of thing than my contributing a thousand dollars to a community fund. It is a different kind of a pain.

Mr. KEELE. Your money was not as important to your client as it was to Rockefeller, judging by the relative amounts they accumulated. Shall we put it that way?

Mr. ROSENFELD. That isn't the point I meant to emphasize.

Mr. KEELE. Mr. Rosenfeld, now considering the possibility of abuses, and I think we discussed the possible abuses, and I am willing to concede there are no such abuses, as I understand it, in these foundations which you have organized, what do you think about the over-all advisability of public accountability to avoid those abuses?

I am not asking you now about your group generally, but thinking now of the over-all picture.

Mr. ROSENFELD. I repeat, Mr. Keele, I see no relationship between abuses and contributions to the foundations at all. I see no relationship there.

Therefore, I think that public listings of contributions to a foundation is a needless prying into the private lives of individuals and corporations which I individually think, I don't want to say that, which I individually am confident will result in lesser funds being made available to public philanthropy. I do see the possibility of abuses, of course, in distributions by foundations, and I have no adverse comment to make whatsoever upon any requirement for public listings in connection with such distribution, except that I would like to ask that where you can certify that all of the distribution has been made to approved organizations, and where the total expenses is less than so much, say a nominal sum such as a hundred dollars, that they be given an exemption from that.

Mr. KEELE. I think that is all for Mr. Rosenfeld.

Mr. FORAND. I have no more questions.

Mr. KEELE. Have you any other thoughts you would like to give the committee on the question of foundations?

You mentioned the fact yourself that you felt it would be highly desirable if the Ways and Means Committee should increase the corporate exemption to 10 percent, shall we say?

Mr. ROSENFELD. Yes.

Mr. KEELE. Anything else that you would like to say at this time?

Mr. ROSENFELD. I think I have talked a lot. I hope I have left a message with the committee.

Mr. KEELE. Thank you very much on behalf of the committee. I feel sure the committee appreciates this.

Mr. FORAND. Do you have another witness?

Mr. KEELE. Yes.

Mr. Myers, would you come forward, please.

Mr. Myers, would you state for the record your name and your residence, please?

**STATEMENT OF ELKAN R. MYERS, PRESIDENT, ASSOCIATED JEWISH CHARITIES OF BALTIMORE, BALTIMORE, MD.**

Mr. MYERS. Elkan R. Myers, 6608 Park Heights Avenue, Baltimore.

Mr. KEELE. Mr. Myers, I have what I sometimes refer to as an obituary here, which reveals the fact that you are president of the Associated Jewish Charities of Baltimore.

Mr. MYERS. Right.

Mr. KEELE. And as of tonight, you will become chairman of the Baltimore Chapter of the American Red Cross?

Mr. MYERS. It looks that way, sir.

Mr. KEELE. And you are vice president of the Baltimore Hebrew Congregation?

Mr. MYERS. Right.

Mr. KEELE. And a member of the executive committee and board of the Community Chest of Baltimore?

Mr. MYERS. Right.

Mr. KEELE. And a board member of the Baltimore Council of Social Agencies?

Mr. MYERS. Right.

Mr. KEELE. And the past president of the Jewish Welfare Fund of Baltimore?

Mr. MYERS. Right.

Mr. KEELE. And a board member of the Baltimore Association of Commerce?

Mr. MYERS. Right.

Mr. KEELE. And a board member of the Better Business Bureau?

Mr. MYERS. Right.

Mr. KEELE. Aside from that, I take it that you are also a businessman, is that right?

Mr. MYERS. Right.

Mr. KEELE. The reason I have taken you through that list of organizations was so that we might have here on the record and for the benefit of the committee and the staff the extent of your experience in philanthropy. That is the only reason for it, I assure you.

Now, you have heard, or were you able to follow the discussions that went forward here?

Mr. MYERS. Pretty well.

Mr. KEELE. Mr. Myers, will you just give us your views—I do not think that I need address any more than a general question to you—you have heard the discussion here. Tell us what you think about these various points that we have been discussing.

Mr. MYERS. I think that I was possibly invited here because of my enthusiasm in the presence of Mr. Kennelly for these small foundations.

There is hardly a week or a month that passes but what I do not try to talk someone into starting a charitable foundation. I would like to tell you of one or two instances so that you can see for yourself how marvelous it has been. A friend of mine, who was in business, and whose business had not been so good—I happen to be a stockholder with him—we had lost about half of what we were worth, up through 1939 to 1942.

The business started to do well in 1943. In 1944, he dissolved this corporation, and it became a partnership. I was not in it. He made a considerable amount of money. He started a foundation and put about \$120,000 on the basis of 15 percent of their entire earnings.

And the next year, he put a like amount in. In the meantime, his wife passed away. Because he had something in that foundation, he wanted to do something in memory of his wife. I happened to be president of his foundation. We went to the Cornell Medical Center in New York. We made arrangements with them to start a research laboratory.

We made a contract with them to pay them \$20,000 a year for 10 years, and this research is still going on out of money that was made in 1943, 1944, and 1945. In 1946 the man went out of business and has had a very small opportunity to put in any more money into his foundation.

He took it out of the fat years that Mr. Rosenfeld has told you of, and is able to continue to give to this wonderful research work at the Cornell Medical Center.

That was one example of a foundation, showing you the marvelous good it did.

Mr. KEELE. May I interrupt you just to ask, now, in your opinion, would he have made that contribution to charity or to philanthropy in the year that he had made the contribution?

Mr. MYERS. Without the slightest hesitancy, the answer is "no."

Mr. KEELE. Why wouldn't he, if you will tell us that?

Mr. MYERS. Because there was nothing that he could give that kind of—yes, he could have gone to Cornell University and turned over to them the first year \$120,000. But he had not made up his mind then.

When he made the \$120,000, he had no idea what he was going to do with it. He just had in mind that he wanted to do something—I do not think that his wife had died then. His wife died the second year. And after she died, he knew that he wanted to do something in her memory.

There is a portrait of his wife at the entrance to the laboratory, and it bears her name—the research laboratory.

Mr. KEELE. Your point is that, not having in mind precisely what he would do with that money, if he did give it, he probably would not have given it to the extent, anyway?

Mr. MYERS. There is not any question about that. There is not the slightest doubt that this money was saved for charitable purposes because he was able to start a foundation and put his money in. He would not have thought of giving it to any particular charities.

Mr. KEELE. All right. Now, tell us your opinion, based upon your experience, as to whether the establishment of foundations, such

as we have been talking about here, tends to produce more money for charitable or philanthropic giving than would otherwise be the case.

**Mr. MYERS.** I do not think that there is the slightest question about it. This is an instance in which it produced about \$200,000 for medical research. I can tell you of another instance in 1944.

I happened to be on the board with the gentleman. I think that up until that time he had not made any money particularly. This particular year was a wonderful year for him. He had made a little fortune. His charities amounted to \$1,000 or possibly \$2,000, all told.

I called on him near the end of the year, in December, sometime, to get his pledge for the coming year, because I wanted to get the money out of the year he was earning it.

I called on him even before the drive was on, and suggested a larger amount to him, \$20,000, to give, and he said, "I couldn't do that. What am I going to do next year when I don't earn as much? I cannot give \$20,000 this year and cut it next year"—the very thing that Mr. Rosenfeld was trying to impress you with.

I know for a fact that that is so, because I have been soliciting money over 30 years, possibly 40, since I was 18. And people hate to work themselves up and then have to cut off.

They feel that the public thinks that they are a failure in the particular year, or what not.

Now, there are some people that have to do it, because they have given so generously. But this particular person would not have considered it.

I finally got \$5,000 for this particular cause. He had given \$1,000, or \$1,200 the year past. So I said to him, "You are having a marvelous year." It was he and his brother and his father. "Why don't you put the rest of the money into a charitable foundation?"

"What are you talking about? I have never heard of one."

So I explained to him thoroughly that he could put his money in this year to a charitable foundation, with the understanding that not one cent could ever come back to him. It had to be given to charitable organizations, and he could give it over a period of 5 years, 8 years, or 10 years and assure himself that he could keep up his charities.

And this was on a Friday, and the following Tuesday he called me up and he said, "Elkan, I know that you will be happy to hear that we started a foundation, and we put \$90,000 in it."

Now, there was \$90,000 found for charities that had been given to the Red Cross, the community chest, hospitals, to Hopkins, in Baltimore, and other organizations that never would have been, because the man would have given his \$5,000 and that is all. He is the type of person who is an introvert. He would not have thought of having the public know—he told me in confidence—that he was making that kind of money and was able to give it away.

The following year, he put in a like amount. The next year they went out of business and have not been able to put, maybe, \$5,000 or \$6,000 a year into the charities, but they have been able to do very nicely for the charities because of what they put in in 1945 and 1946.

**Mr. KEELE.** What do you think, Mr. Myers, about the effect of public accountability upon foundations of the type that you have been testifying to?



Mr. MYERS. I think there are many people who would object to having it known that Mr. X put into his foundation this year \$12,000, and maybe his wife put in a certain amount and his brother so much, and the corporation so much. But I certainly feel that if there are abuses of it, which you want to stop, it would be not at all harmful to list every penny, not only contributions, but any set expense.

Now, it happens that I have a very small foundation. There has never been 1 cent of expense since 1944 of any kind, and the foundation has given only to organizations that are in the books of exempt organizations.

Mr. KEELE. I take it that you yourself take out the expense, if there is any, connected with the giving of the money?

Mr. MYERS. There just is no expense. I do the work, and there is no expense. It is very small. It is only a question of putting the two or three checks a year in, depositing them. And if you have securities, getting the dividends and depositing them. There is no work of any kind.

Mr. KEELE. In other words, you do it yourself?

Mr. MYERS. That is right.

Mr. KEELE. And that is entirely possible and feasible with small foundations, is it not?

Mr. MYERS. That is being done by every foundation that I know of. I have never heard of a foundation in Baltimore, those that I call on, and during the course of a year I call on a minimum of 300 to 500 firms—I work just as hard for the Red Cross as I did for the community chest. There is not a drive in the past 20 years that I have not worked on, for all of them.

And there is not a foundation that I know of that has a set expense—I do not know of any—of these small foundations.

I am not talking of Rockefeller or Carnegie or any of these others. I am talking of the small foundations that we are talking about, when a man put in \$3,000, \$4,000, or \$50,000 when he has his good years.

Mr. KEELE. Mr. Myers, I recall that Mr. O'Toole, I think it was, asked Mr. Rosenfeld of how many foundations there were of this type that he knew of in Baltimore. How many would you say there were?

Mr. MYERS. I would guess 75. But that is only a guess. I would say that possibly all Baltimore attorneys have set up as many as, maybe, Mr. Rosenfeld.

Mr. KEELE. Are these small foundations of this type that we have been talking about here of recent development, Mr. Myers?

Mr. MYERS. I would say since people started to make a lot of money in 1942, 1943, and 1944. Where businesses used to make a \$30,000 or \$40,000 profit, in the war years they made \$100,000.

Mr. KEELE. Your testimony checks with what our statistics show, from a study of these questionnaires. There was a great upsurge in the number of small foundations in 1942, 1943, 1944, and 1945.

Mr. MYERS. That is right.

Mr. KEELE. But there has been a tendency, I believe the figures show, although I do not want to be held to this, to be a falling off of the rate of increase about 1945 or 1946.

Mr. MYERS. That is right.

Mr. KEELE. Would that be your experience, Mr. Myers?

Mr. MYERS. That is because I have not been so successful in getting them to start more. I have tried hard. That is, in Baltimore anyway.

I want to say here, because I want to put it over, that if any of you have any influence to have our Congress allow a 10-percent deduction for corporations, it will help every hospital in the country; it will help all charities. Now, Bethlehem Steel and United States Steel and others are not going to give any more, because most of them do not give their 5 percent. But it is the smaller people who support our charities in Baltimore.

When you go to your Red Cross, it is not the Bethlehem contribution—and they are largest employer—that supports your big charities. It is the number of smaller people that earn \$15,000 or \$20,000, and give \$300, \$500, and \$1,000, that support your Red Cross and your community chest.

And later the people who would be happy to give 10 percent of their corporate profits—

Mr. FORAND. I am glad, Mr. Myers, to have permitted you to get that into the record, although this committee will have absolutely nothing to do with that phase of it. But I think that you should make your plea to the Ways and Means Committee, which has jurisdiction over that particular phase.

Mr. MYERS. I would love to, if I could be invited to a meeting.

Mr. FORAND. I think that you may well be if you address a communication to the chairman after the new Congress meets, setting forth what you have in mind and asking for a hearing. That would be the approach.

Mr. MYERS. Thank you.

Mr. FORAND. And as a member of that committee, I assure you that I shall do what I can to give you a hearing.

Mr. MYERS. I shall be happy to be there.

Mr. KEELE. Have you any other questions?

Mr. FORAND. I have no further questions.

Mr. KEELE. I think that answers most of the questions we had. But, Mr. Myers, if there is anything else that you would like to add here, we would be very happy to have the benefit of your experience.

Mr. MYERS. I do not know of anything, except to say this, that to give you a very concrete example of how foundations help, we formed our foundation in 1944, and we had pretty fair years in 1944, 1945, and 1946, and our corporation put in just over the 5 percent every year, so that we would be sure that it was 5 percent. And I put in just over my 15 percent into the foundation, and an associate of mine put some in. And because they were pretty fair years, we accumulated some money. That was not all given away. We happen to have 4 years in the red of the last 5.

In 1947, 1948, 1949, 1950, and 1951, our firm lost money 4 years. They have not put one cent into the foundation. I personally have accepted the responsibility of our charities in those years. I put in as high as 40 percent of my net income some of the years, and we were able to not keep up the amounts that we had given in the big years, but to give creditably to charities.

If it had not been for our foundation, we could not have done it. In other words, the amount that I gave—we gave away more every year from 1946 on, possibly, than was put into the foundation. We gave

out of the cushion that we had created in 1944, 1945, and 1946. There was no question. I have given to Johns Hopkins, for me very liberally, to the other hospitals, and to the other charities, and if it were not for the fact that it was put away in 1944, 1945, and 1946, we could not have done.

That is the reason that I tried so hard to get everyone—I would like to give you an instance of the type of thinking. At a Christmas party in 1945 or 1946, a friend of mine—I happened to be on a board with him—said, “Can you imagine, Elkan, I have to pay \$80,000 excess-profits tax this year.” He said, “A small firm like me.”

I made a mental note of it, and the next morning called the Red Cross and asked, “How much did so and so give to charities?”

“Five dollars.”

“And how much does he give to the community chest?”

“Five dollars.”

So I had them write me a letter that possibly if I called on him, I might be able to do better. I called on him to try hard to get him to establish a charitable foundation in that particular year, so that he could put in 5 percent of his \$120,000 that he was making, with \$80,000 going to excess-profits tax.

On most people you can get them to do it, and they can then give more than their \$5 to the Red Cross and the community chest.

Mr. FORAND. We thank you very much for your contribution.

Mr. MYERS. I thank you for the opportunity.

Mr. FORAND. Do you have another witness, Mr. Keele?

Mr. KEELE. I think we ought to call Mr. Katzner, who is here, who is also a man who devotes a great deal of his time.

#### STATEMENT OF J. BENJAMIN KATZNER, BALTIMORE, MD.

Mr. KEELE. Will you state your name for the record, and your address, Mr. Katzner?

Mr. KATZNER. J. Benjamin Katzner, 2700 Queen Anne Road, Baltimore, Md.

Mr. KEELE. All right. Suppose you tell us the basis of your experience in philanthropic giving.

Mr. KATZNER. My experience has not been nearly as vast as Mr. Myers'. In fact, Mr. Myers has been my teacher, and he has been a source of great inspiration to me over a fairly long number of years.

I think that the advantages to communities and to the public charities in communities of foundations are very important to the public philanthropists. I would like to cite some examples.

I think examples always prove a point more readily than perhaps just generalizations. I happen to be chairman of the fund-raising committee for the Jewish Medical Center. The Jewish Medical Center is engaged in building or raising the funds at this time to establish a medical center on a nonsectarian basis that will cost \$16,000,000. A campaign has been under way intermittently for 4 years.

The Jewish community generally is aware of this campaign and has been aware of it, even though it did not start until 4 years ago, and had been aware that it was going to be started perhaps as far back as 7 or 8 years ago.

There was a certain gentleman who knew about it. He was not particularly generous in his giving to most community things. But

this hospital idea appealed to him, and he organized a foundation some few years ago and began to put money away in it without hardly anybody knowing about it. I know that I did not, although I know I called on him fairly often.

Just last week, I was able to get from him a gift of \$100,000 toward this medical center which he had accumulated over a period of good years that he had, similar to the experience that Mr. Myers has told you about.

Now, I think that if foundations were not permitted or were obstructed in some way by some inhibitions, this \$100,000 would never have been made available to this particular medical center.

And I think we could go on and cite experience after experience along these lines.

It is for this reason that I thought publicity, unnecessary publicity that does not accomplish anything, would be nothing short of disastrous to many philanthropic organizations. I think that if we publicized the gifts to these organizations, or to the charities, it would be very harmful, and I believe that institutions, universities, hospitals, and welfare agencies all would suffer in that process. They would have to.

I just hope that out of this will come some other method of eliminating the evils that go with these foundations. I hope that some other method can be found so as not to make it necessary to publicize particularly the giving side. The paying side is another thing.

Mr. KEELE. It is the contributions that you feel should be kept from being published?

Mr. KATZNER. Yes. Mr. O'Toole happened to comment on the fact that he did not see any reticence, before he left, on the part of people to announce gifts at fund-raising meetings. I happen to attend a lot of those fund-raising meetings. In fact, I very often am at the head table calling people by name and asking them to stand up and say how much they will give. And there is great reticence. We have to fight with people and urge them please to do it, because their gift, by example, might help others to do the same thing.

Mr. FORAND. Do you just invite them?

Mr. KEELE. That is sort of packing the caucus.

Mr. KATZNER. It packs the caucus a bit. But by the same token, there are many people in the community who refuse to announce publicly or refuse to permit us to announce publicly whatever gifts they may give.

It may be a sense of modesty. It may be for many reasons. Nevertheless, publicity, in my opinion, would do a whole lot more harm than the good it could do. It seems to me that there ought to be a simpler way of finding out where the abuses lie and stopping them than publicizing these things.

Mr. KEELE. I take it that you subscribe to all the points that have been made here by Mr. Rosenfeld and Mr. Myers?

Mr. KATZNER. Very wholeheartedly, with particular emphasis on the two points, the publicity and the—

Mr. KEELE. Your testimony would be much the same if we had put the same questions to you?

Mr. KATZNER. I think so, particularly on the two points with regard to publicity and the possible increase, by the Ways and Means Committee to a 10-percent limitation on corporate deductions.

Mr. KEELE. I think that is all. Thank you very much.

I would like to read into the record, with the chairman's permission, a correction of the testimony of Mr. Rusk, on behalf of the Rockefeller Foundation, and he himself requests that it be read in.

Mr. FORAND. Without objection, it is so ordered.

Mr. KEELE. Very well. This is a letter on the stationery of the Rockefeller Foundation, dated December 11, 1952:

DEAR MR. KEELE: I have carefully examined the typewritten transcript of that portion of the hearings of the select committee which covers the testimony of the Rockefeller Foundation in order to insure that, through inadvertence, no incorrect impression was left with the committee by such testimony. In two instances, it seems to me that a further comment might serve to avoid possible misunderstanding.

## I

First, in my testimony appearing at pages 1073, 1074, 1079, and 1082-1085 (transcript), I may not have sufficiently appreciated that the terminology employed within the Rockefeller Foundation's own organization might be confusing to others, particularly since we have "trustees" on our governing board and "directors" as the executive heads of our component divisions. Many organizations use the term "directors" where the foundation uses "trustees" as members of the governing board. The following outlines grant-making responsibility in the Rockefeller Foundation.

(1) The board of trustees may make grants without limit in amount, from either income or principal. Approximately 60 percent of all funds appropriated by the foundation are appropriated by the full board of trustees.

(2) The executive committee of the board of trustees consisting of seven members and two alternate members (all trustees) may make grants from either income or principal, subject to the following limitations:

(a) Each grant must be in accordance with the general policies approved by the board;

(b) No grant may increase by more than \$500,000 a grant previously made by the board;

(c) No new grant may exceed \$500,000; and

(d) Total grants by the executive committee between meetings of the board may not exceed \$5,000,000 unless authorized by the board.

Approximately 25 percent of all funds appropriated by the foundation are appropriated by the executive committee.

(3) The officers of the foundation are authorized by the trustees to make grants-in-aid and fellowships from funds appropriated annually by the board of trustees specifically for these purposes. Grants made by the officers pursuant to such authorization amount to approximately 15 percent of all funds distributed by the foundation. Each grant-in-aid is limited to \$10,000. Total allocations to a project may not exceed \$10,000 in any one year, and support to a project through grants-in-aid may not extend beyond a 3-year period. The average grant-in-aid is about \$3,000; not more than 4 percent are for as much as \$10,000.

It should be noted that while the small grants made by the officers under the grant-in-aid and fellowship appropriations described above represent approximately 75 percent of the number of grants, they represent from year to year about 15 percent of the total amounts appropriated by the Rockefeller Foundation. These grants are made within the policies established by the board of trustees and are reported promptly to the executive committee and are included in the annual report.

Grants made by the officers are made after full staff conference and represent a group judgment; thus the exercise of this discretion is carried on with the full knowledge of one's colleagues and with prompt reporting to the trustees. Formal actions making these grants bear the signatures of the director of the division concerned, the president or vice president, and the comptroller.

## II

The second instance has to do with your question which appears at the bottom of page 1248 of the typewritten transcript. Your question was: "I would like to ask whether, in your opinion, you know any instances in which the Rockefeller

Foundation or any other foundation has knowingly contributed to any Communist-dominated organization or any Communist individual?"

My answer was entirely accurate, to the extent that the question was directed toward subversive organizations or individuals. I know of no instance when the Rockefeller Foundation, or any other foundation, has contributed to any organization or individual known at the time to be subversive. Further, to the extent that the question was directed toward Communist organizations or individuals, my answer was entirely accurate with respect to the recent and present policy of the Rockefeller Foundation regarding such organizations or individuals. (See the excerpt from the foundation's reply to the questionnaire, quoted at pp. 1139-1140 of the typewritten transcript.) To avoid the possibility of any misunderstanding, however, I should point out that I did not construe your question as intended to include instances of grants made to known Communists at a time when, because of the official policy of the United States, such grants seemed clearly not to involve considerations of national security or subversion. In the interests of complete frankness, therefore, your attention is invited to the following:

(1) I testified at pages 1206-1209 of the transcript regarding the Rockefeller Foundation's grants to University College, London, during the years 1935-47 in support of research in genetics under the direction of Prof. J. B. S. Haldane, the eminent British geneticist, whose affiliation with the British Communist Party has been well known since 1943.

(2) During the late 1920's and early 1930's the Rockefeller Foundation awarded certain fellowships to Russians in the fields of medicine, public health, and the natural sciences, and made certain small grants to Russian medical institutions toward the purchase of medical publications and small pieces of medical laboratory equipment. The principal recipients of such grants were the University of Leningrad (\$3,272.80), the University of Moscow (\$2,166.75), Second Institute of Medicine, Moscow (\$4,851.92), the University of Kiev (\$1,453.26), and the Soviet Ministry of Public Health (\$12,399.55). These fellowships and grants were made at a time when United States policy encouraged trade with and engineering and technical assistance to the Soviet Union. (See my testimony on pp. 1246-1247 regarding the State Department publication, Cultural Relations Between the United States and the Soviet Union.) During World War II the Rockefeller Foundation made a grant to enable two Russian public health experts to visit the United States. As a result of this visit the foundation made a grant of \$4,700 in 1944 to the All-Union Institute of Epidemiology, Microbiology, and Experimental Medicine for the purchase of medical books and periodicals and small pieces of equipment for its medical laboratory. The foundation has made no subsequent grants to any Russian individual or institution.

(3) Further note should be made of the special problem of Yugoslavia, a Communist country which the legislative and executive branches of the United States Government are supporting, presumably as a country not a part of the international Communist conspiracy directed by the Soviet Union. Since 1951 the Rockefeller Foundation has made several small grants in Yugoslavia, principally to the University of Zagreb for public health publications and laboratory equipment.

I appreciate this opportunity to clarify the above points.

Sincerely yours,

DEAN RUSK.

Mr. FORAND. That will be made part of the official record.

Mr. KEELE. There is one other correction from Paul Hoffman, if I may, which I would like to read.

Mr. FORAND. Proceed.

Mr. KEELE. This is on the letterhead of the Ford Foundation, 914 East Green Street, Pasadena, Calif., dated December 12, 1952:

DEAR MR. KEELE: I would like to qualify an impression which my testimony before the committee may give with respect to governmental support for studies of human behavior. (See pp. 484-485 of the hearing transcript.)

The opinion I intended to convey was that it might be politically difficult for the Congress to justify appropriations for long-range, highly experimental research on subjects of human behavior, until, as in the case of the physical sciences, the wisdom and promise of such support has been demonstrated. I did not intend to criticize any current appropriations or to discourage future

governmental support for scientists and scholars seeking to improve our capacity to understand and to cope with problems of human behavior.

Sincerely yours,

PAUL G. HOFFMAN, *Director.*

Mr. FORAND. That, too, will be made a part of the record, without objection.

Without objection, there will be included in the record a copy of the letter sent to Chairman Cox by Mr. Solomon Barkin, director of research of the Textile Workers Union of America.

(The letter referred to is as follows:)

TEXTILE WORKERS UNION OF AMERICA,  
New York, N. Y., December 10, 1952.

HON. EUGENE COX,  
House Office Building, Washington, D. C.

DEAR CONGRESSMAN COX: We would like to present several aspects of the problem of tax-exempt philanthropic foundations which have not been stressed in your current hearings.

Our interest in tax-exempt foundations originated with the operations of Textron, Inc., in Nashua, N. H. It was largely at the instance of the Textile Workers Union of America, that an investigation was initiated by a subcommittee of the Committee on Interstate and Foreign Commerce of the United States Senate in 1948. We also testified before the House Ways and Means Committee in connection with the Revenue Act of 1950 (pp. 780-802).

We have been most interested in promoting the improved discharge of the State's responsibilities in the supervision of charitable trusts and have submitted proposals for the development of special offices within each of the States to assure the realization of the public purposes for which such foundations have been established. We were responsible for the introduction and passage of such a law in the State of Rhode Island.

Our concern is to secure the correction of the abuses occurring in the operation of these trusts and foundations and their restoration to their primary functions. Trusts and foundations are truly private bodies for the administration of public funds. The funds must be used as carefully and prudently as other public funds and for the purposes for which they were intended. The public interest must be protected against the speculative use of these funds, their diversion to improper purposes, excessive administrative costs and their use to control business enterprises.

We look forward to an evaluation of the legislation passed in the Revenue Act of 1950 to determine whether that measure accomplished its purpose.

As a result of our study of this problem, we offer the following observations:

1. The committee should consider the specific qualifications which would entitle foundations and trusts to the tax exemptions provided in the law. State supervision is practically non-existent since only New Hampshire and Rhode Island have specific agencies for supervision. The attorney generals of most States have shown little, or at best, rare interest in the foundations and trusts to insure the protection of the public interest. Trustees have no clear guides for the discharge of their responsibilities.

The more common abuses appear to be the following: (1) failure to make contributions; (2) dormancy of trusts; (3) payments to improper purposes particularly in the case of "family foundations"; (4) excessive diversion of funds to administrators and administrative agencies and operations, including excessive fees; (5) inefficient administration; (6) lack of accounting; (7) reversion of trust property to donors by virtue of noncompliance with conditions of the grant; (8) sale of assets at unfair prices; (9) changes in trust indenture to nullify the charitable intent; (10) use of funds for the widest participation in business activities; and (11) use of charitable foundation for unapprovable political practices.

The opportunities for abuse by the family foundations are carefully spelt out in an article by J. K. Lasser and William J. Casey in the *Dun's Review* (August 1951). They list the following: (1) "the foundation can keep for the donor many of the attributes of wealth"; (2) "can keep income in the family"; (3) "can aid employees of the donor's business and therefore contribute to its productivity and goodwill"; (4) provide "funds" "for use in new ventures in business"; (5) escape

taxes on property during donor's lifetime; (6) use money in years when it can do the most good for the beneficiaries.

The concentration of the control of these foundations in the hands of the business community has obviously promoted research, writing, and educational activities designed to advance the views of this segment of our population without comparable opportunities to other groups. Similarly, the influence of these groups in the social, welfare, educational, research, and communal institutions has risen markedly with their increased reliance upon contributions from tax-exempt foundations. The promotion of the "5 percent" contributions by corporations is built upon the argument that such aid would strengthen the "public faith in its (business') good judgment and motivation."

2. One of the truly serious problems is the deliberate use of these funds to control specific business organizations. We have proposed, and do urge upon you, further consideration that charitable trusts and foundations should divest holdings in excess of 10 percent of a business enterprise. Similar action was taken by the Conservative government of the Province of Ontario. We commend the Ontario Charitable Gifts Act of 1949 to your committee as providing an appropriate line of action in this connection.

3. Among the specific steps which we urge your committee to consider are:

- (a) The payment of current income of a charitable trust to the beneficiaries.
- (b) The limitation of charitable trusts and foundations to a 25-year period.
- (c) The limitation on the types of investments appropriate for tax-exempt trusts and foundations.

The basic documentation for these views may be found in our testimony before the House Ways and Means Committee in 1950.

Very truly yours,

SOLOMON BARKIN.

Mr. FORAND. The committee will now be in recess until 10 o'clock Wednesday morning.

(Whereupon, at 4:05 p. m., a recess was taken until Wednesday, December 17, 1952, at 10 a. m.)



## TAX-EXEMPT FOUNDATIONS

WEDNESDAY, DECEMBER 17, 1952

HOUSE OF REPRESENTATIVES,  
SELECT COMMITTEE TO INVESTIGATE TAX-EXEMPT  
FOUNDATIONS AND COMPARABLE ORGANIZATIONS,  
*Washington, D. C.*

The select committee met, pursuant to recess, at 10:10 a. m., in room 1301, New House Office Building, Hon. Aime J. Forand presiding.

Present: Representatives Forand (presiding), O'Toole, and Simpson.

Also present: Harold M. Keele, counsel to the committee.

Mr. FORAND. The committee will be in order.

Mr. Keele, will you call your first witness, please?

Mr. KEELE. Mr. Kohlberg, will you take a seat, please.

Mr. Kohlberg, will you state for the record your name and your place of residence?

### STATEMENT OF ALFRED KOHLBERG, DIRECTOR OF THE AMERICAN CHINESE POLICY ASSOCIATION AND OFFICER OF THE AMERICAN JEWISH LEAGUE AGAINST COMMUNISM

Mr. KOHLBERG. My name is Alfred Kohlberg. I reside at 84 Delwood Road, Bronxville, Westchester County, N. Y.

Mr. KEELE. Mr. Kohlberg, you are an officer, a trustee, or member of a number of nonprofit corporations, are you not?

Mr. KOHLBERG. Yes, sir.

Mr. KEELE. Or associations. Will you tell us something of your membership in those organizations?

Mr. KOHLBERG. At the present time I am a director of the American China Policy Association. I am an officer of the American Jewish League Against Communism. That may be all the nonprofit ones at the present time.

In the past I have been a member or officer of others, including the Institute of Pacific Relations, the American Bureau for Medical Aid to China, the Foreign Policy Association, and possibly others I don't recall at the moment.

Mr. FORAND. Did I understand you to say you were a member of the Pacific Institute at one time?

Mr. KOHLBERG. Yes; I was a member and also a member of their finance committee.

Mr. KEELE. Are you presently a member of that organization?

Mr. KOHLBERG. No; I resigned in 1947 after they voted not to investigate my charges.

Mr. KEELE. Will you tell us something of that incident, namely the making of charges against the IPR, and particularly as that relates to the Rockefeller Foundation?

Mr. KOHLBERG. I had been a member of that Institute of Pacific Relations since 1928, but like most businessmen of no greater brain capacity than myself, I seldom read anything they put out, and didn't really know what they were doing, although I was on the finance committee, but I was in China on a mission in 1943, and there discovered some strange things going on, and when I came back, I made it my business over a period of about 6 months in 1944 to read all their publications on China for the past 7 years, and also to read the publications on the same subject in the Communist, a monthly magazine of the Communist Party, and the New Masses, a weekly magazine of the Communist Party, and I discovered a strange similarity of line and a strange shifting of line pro and anti Chiang Kai-shek at certain periods.

I made a study, prepared a study of their material and other Communist material which are published and sent to Mr. Carter, the head of the institute, and copies to the trustees and others that I was acquainted with that were members and included in that, and because of that, the Rockefeller Foundation vice president, Mr. Willetts, got in touch with me or I with him—I have forgotten now which—and I sent him copies of that material, and then called on him by appointment and went further into the matter verbally with him and with a Mr. Evans, apparently his assistant.

A little bit later in the summer of 1945, Mr. Willetts proposed that the institute and I get together and agree on a committee of three impartial persons to hear my charges and evidence, and hear the institute's side, and make a report to the institute and to the Rockefeller Foundation.

Much of our discussion of this was over the telephone as I was spending the month of July 1945 at a resort on the Jersey coast. But some of it was in writing.

I have looked up the parts of it that were in writing, and have them here, and they have helped to refresh my memory as to what occurred. What occurred was that Mr. Willetts and I and apparently the institute to whom he was talking but I was not, agreed on the names of three persons to form this committee, and agreed tentatively on the terms of reference.

Mr. KEELE. May I interrupt you a moment, Mr. Kohlberg. Now that was with reference to the charges which you had made directly to the IPR, is that correct?

Mr. KOHLBERG. That is correct, sir.

Mr. KEELE. You had submitted a letter and, as I recall it, some 80 pages of documents consisting primarily of clippings from the publications of the IPR and parallel clippings or cuttings from the New Masses and other Communist papers, is that right?

Mr. KOHLBERG. That is correct.

Mr. KEELE. And you drew attention of the IPR through your letter to the parallelism both of the line taken and of the shifts made between the Communist publications and the IPR publications. Is that substantially the situation?

Mr. KOHLBERG. That is correct.

Mr. KEELE. And then in talking with Mr. Willetts it was proposed that three independent persons, that is persons independent of the IPR or of the Rockefeller Foundation, be named to examine into and investigate those charges. Is that the situation?

Mr. KOHLBERG. Yes.

Mr. KEELE. All right. Now will you go ahead from there?

Mr. KOHLBERG. I thought at that time that we had come to an agreement that there would be such a committee. As a matter of fact, I have a memorandum here from Mr. Willetts in which he puts down the terms of reference and the methods of procedure. He says this:

The following statement represents an attempt to set down the points of agreement with respect to an impartial committee of inquiry to hear and examine the charges made by Alfred Kohlberg against the Pacific and American councils of the Institute of Pacific Relations.

This statement covers my tentative understanding of the points of agreement as to the charges, terms of reference, and methods of procedure as reached in separate conversations with Alfred Kohlberg on the one hand and with Raymond Dennett, of the IPR, on the other.

JOE H. WILLETTS.

Shall I read you the rest of this, sir?

Mr. KEELE. I think you better.

Mr. KOHLBERG. The next is headed "Charges":

Mr. Kohlberg charges an anti-Chungking pro-Communist bias in the IPR's attitude toward China as evidenced by:

1. Distorted and inaccurate articles on China and the Chinese Government appearing in the publications of the Institute of Pacific Relations. Mr. Kohlberg charges that this attitude has changed from time to time to correspond with attitudes reflected by articles appearing in Communist publications such as the New Masses, the Communist, and the Daily Worker.

2. Membership of staff writers on China of the Institute of Pacific Relations, both American and Pacific councils, at some time in the last 8 years in Communist or Communist-front organizations or employment by them.

Terms of reference: The committee of inquiry is charged with responsibility for examining the charges of bias in the publications of IPR and rendering an opinion thereon.

Method of procedure: It is agreed by both parties that:

1. The membership of the committee of inquiry shall consist of three persons mutually agreed to by both parties.

2. The inquiry shall embrace both the Pacific and American councils.

3. The committee of inquiry shall be free to determine its own procedure and search for evidence as it sees fit and to decide also what testimony is relevant.

4. The hearings shall not be public.

5. Each party to the dispute shall within reasonable limits be free to bring such assistants and advisers to the hearings as he may wish. The committee of inquiry shall determine what constitutes reasonable limits.

6. Each party to the dispute binds himself and his organization to keep the proceedings secret, and specifically to give no report of the proceedings to the press.

7. A complete transcript of the proceedings shall be made, and one copy each furnished to Mr. Kohlberg and the IPR. Other copy or copies shall be the property of the committee of inquiry.

8. Each party shall limit its presentation of testimony to 2 days' time.

9. Mr. Kohlberg agrees to drop his court suit against the IPR and not again to revive it in case the committee of inquiry comes into being and reports.

10. The expenses of the committee of inquiry shall be provided equally by the two parties to the issue.

11. A copy of the report to the committee of inquiry shall go to each member of the American council.

That is the end of that.

Mr. KEELE. What is the date of that, Mr. Kohlberg?

Mr. KOHLBERG. It doesn't bear a date, but the letters show, I believe, that it was during the month of July. No, I have a covering letter I find dated July 26, 1945.

Mr. KEELE. That was some months after you had written to the IPR in November of 1944, was it not?

Mr. KOHLBERG. Yes, sir.

Mr. KEELE. And submitted your charges and your documents in support of them; is that correct?

Mr. KOHLBERG. That is correct, sir.

Mr. KEELE. Now mention is made there of a lawsuit. Will you tell us something of that lawsuit?

Mr. KOHLBERG. The lawsuit was an action brought by me against the Institute of Pacific Relations to seek to obtain from them the list of my fellow members of the institute. That suit was not successful. I did not get the names of my fellow members.

Mr. KEELE. Now what happened after you received this communication from Mr. Willetts?

Mr. KOHLBERG. Within a few days after that—I might say that we had come to what I thought was agreement on the three members of the inquiry committee, but a few days later—either late July or early August, he called me on the telephone and said that Mr. Carter of the institute had asked him to withdraw as a mediator in this matter and to leave it to him, Mr. Carter, who would take it up with me directly and proceed from there.

Mr. Carter did not take it up with me directly, and no further attempts were made to carry out this tentative agreement.

Mr. KEELE. Now for what reason if you know did Mr. Willetts evince interest in having these charges investigated?

Mr. KOHLBERG. He was interested because the Rockefeller Foundation, almost from the inception of the IPR, had supplied roughly half its budget year after year, and therefore was very much interested in the work it was doing.

Mr. KEELE. Did you ever discuss with Mr. Willetts other than the discussion you have just told us about over the telephone, his withdrawal as a mediator?

Mr. KOHLBERG. No. He seemed very anxious at that point to get out of it, thinking apparently that Mr. Carter would carry on and we would complete this understanding.

I find here a letter to Mr. Willetts from me dated September 11, 1945, which apparently covers that conversation that I remember. It says:

DEAR MR. WILLETTS: I desire to take this occasion to thank you for the time and effort spent in attempting to arrange for an impartial hearing of the charges I have preferred against the management of the Institute of Pacific Relations. In our future relations with the nations of the Pacific Basin, the institute should play an important part.

As I understood you over the telephone yesterday, the institute will take up directly with me the question of a hearing on my charges and have asked you to withdraw from a part in such arrangements. As I understood it, I will hear from the institute in due course.

Your fairness, impartiality, and patience I hope will bring about a satisfactory investigation which will result in strengthening the institute as an organ of international good will.

I might add that, of course, my objective at all times has been to clean out the Communists and strengthen the institute in its work.

Mr. FORAND. For my benefit will you clear up who is this Mr. Willetts and what are his connections?

Mr. KOHLBERG. Mr. Joseph H. Willetts was vice president of the Rockefeller Foundation.

Mr. FORAND. At the time?

Mr. KOHLBERG. At the time. I think still is as far as I know.

Mr. FORAND. Now the next question I want to clear up, is that document that appeared to be a sort of an agreement upon the operation of this committee—who drew up that document?

Mr. KOHLBERG. Mr. Willetts.

Mr. FORAND. Mr. Willetts drew it up?

Mr. KOHLBERG. Yes. He sent it to me and I understood that he sent a carbon copy to the Institute of Pacific Relations.

Mr. FORAND. Thank you, sir.

Mr. KEELE. Was any investigation ever made into the charges which you preferred against the IPR, by the IPR itself?

Mr. KOHLBERG. Never.

Mr. KEELE. What was done, Mr. Kohlberg?

Mr. KOHLBERG. Finally by court order in that action I brought for the membership list, it was agreed that they would send out a statement by me to the membership and hold a special meeting, at which a resolution for investigation was introduced by me.

That meeting was held, the resolution was introduced and it was voted down by a very heavy vote, and there was no investigation, and as far as I know, to this day there never has been an investigation by them.

Mr. KEELE. That is by the IPR itself?

Mr. KOHLBERG. By the IPR itself. I resigned after that meeting.

Mr. KEELE. They have been investigated, I believe.

Mr. KOHLBERG. Well, they have been investigated by the Internal Security Committee of the Senate.

Mr. FORAND. Now all this was brought about as a result of your mission to China that you referred to?

Mr. KOHLBERG. No, only my part of it came as a result of that. I had nothing to do with the later investigation.

Mr. FORAND. For the benefit of all of us, will you tell us whether this mission was a Government mission, a private mission, or just what it was. Just leaving it in the record as a mission to China may leave that open to question.

Mr. KOHLBERG. Yes. Well, at that time I was chairman of the executive committee of the American Bureau for Medical Aid to China, which was dispensing about \$2,000,000 a year for medical aid in China during the war, and we heard stories of incompetence and worse, and I went out there to check on the spot. That was the purpose of my mission.

Mr. KEELE. What was the nature of that board or group that was doing that? Was it a governmental agency or was it a private agency?

Mr. KOHLBERG. No, it was a private agency, and at that time in 1943 it was one of the member agencies of United China Relief.

Mr. KEELE. Did you ever have an occasion to discuss with any of the representatives of the Rockefeller Foundation the dropping of these charges against the IPR?

Perhaps that is not a correct statement. I will withdraw that question.

Did you ever discuss further with Mr. Willetts or anyone else the investigation of these charges against the IPR after the time that you heard from Mr. Willetts and he said he was withdrawing from it?

Mr. KOHLBERG. Well, no, I recall no further discussion, but I find that I wrote him in April 1947 and that he replied to that letter by telephone. I have a notation made at the time I took his telephone message. That was in 1947, and I believe it is the only communication I have had with him since 1945.

Mr. KEELE. And did that refer to the IPR matter?

Mr. KOHLBERG. Yes.

Mr. KEELE. What was the nature of the communication between you at that time?

Mr. KOHLBERG. Well, I wrote him about a statement made by the Institute of Pacific Relations, and I quoted that statement, and the statement said:

If Alfred Kohlberg's charges were true, it is difficult to believe that the Rockefeller Foundation would have recently described it as the most important single source of independent studies on the Pacific area and the Far East.

I said:

I am writing to ask whether the quotation from you is correct, and if so, the date of this statement by you and whether they had your permission to use this statement.

There is more to the letter, but that is the important part. Oh, no, I also quoted another statement that the IPR made which read:

If Alfred Kohlberg's charges were true, it is not likely that the Rockefeller and Carnegie Foundations would have materially increased their annual grants amounting to many thousands of dollars for the support of the institute this year.

You see, that was in 1947. And he telephoned me on April 23 and said that the quotation from the letter of the Honolulu branch of the institute was from page 180 of the annual report of 1943. You see, they had called it a recent statement in 1947.

Mr. KEELE. In other words, the IPR was trying to argue, as I understand by that quotation, that if there were any truth in your charges, the Rockefeller Foundation would not be making grants to it.

Mr. KOHLBERG. That was their argument; yes, sir.

Mr. KEELE. And Mr. Willetts brought it to your attention that that statement they had taken from a 1923 report?

Mr. KOHLBERG. No, 1943.

Mr. KEELE. I beg your pardon.

Mr. KOHLBERG. 1943 report. And then he went on to say:

The annual grant to the IPR had not been increased as stated by the IPR but in fact was being decreased over the next 5 years.

And that they had arranged with the IPR for such a decrease to take effect in this way: For 3 years at the existing rate, for 2 years at a decreased rate, and then to cease completely, and that the IPR had not asked permission to use the statements which they did use.

Mr. KEELE. Did they give any reason for the program of reduced and terminal support for the IPR by the Rockefeller Foundation?

Mr. KOHLBERG. Well, trusting my memory, I think he said that they felt that after a considerable length of time institutions of that sort should get along on their own, and that that was their reason.

Mr. KEELE. Have you anything else to add to this situation that we have been talking about here with reference to the IPR?

Mr. KOHLBERG. Well, I have given you, sir, the copies of the letters, public letters that I sent out in those 2 years from '44 to '47 when the election was held, and all of those were sent to the Rockefeller Foundation by Mr. Willetts, but I want to call attention here to something which was sent out early in 1945 and is among those papers I have given you, but this is the original photostat of it.

This is a list of officers and writers for the Institute of Pacific Relations, and along here is a list of Communist fronts, and down here, where the lines cross, I have an X showing the connections with Communist fronts of each of these officers. And the names on this list are T. A. Bisson, Edward C. Carter, Frederick Vanderbilt Field, and in parentheses after his name I have "Communist Party member."

Y. Y. Hsu, and in parentheses after his name I have "Editor of the New York Chinese-language Communist Daily and leader of the Chinese Communists in the U. S. A."

Philip J. Jaffe, and after his name I have "Communist Party member."

Owen Lattimore, Harriett L. Moore, and after her name I have "Communist Party member." Maxwell S. Stewart, and after his name I have "Communist Party member."

Mr. O'TOOLE. May I interrupt the witness at that point? I did not hear you say whether or not you had a notation after Mr. Lattimore's name.

Mr. KOHLBERG. No notation. I am reading all the notations there are, sir.

Edgar Snow, and then Anna Louise Strong, and after her name I have "Communist Party member."

Now I might say that I do not believe that Owen Lattimore was a member of the Communist Party. I did not believe it then and I do not think so now.

Mr. O'TOOLE. I do not know. I was merely interested whether you had a notation of any kind. I thought maybe you had overlooked it.

Mr. KOHLBERG. Yes. Well, I call attention to this because it was introduced in the Supreme Court of the State of New York in a hearing on my suit for membership list, and the attorney for the institute said that if this was published, he charged it was libelous and said if it was published it would lead to at least a dozen libel actions.

I thereafter did publish it and there were no libel actions brought and a copy of it was sent to Mr. Willetts. I think that covers all I had to do with the Rockefeller Foundation.

Mr. KEELE. I take it your efforts in this connection were to draw attention not only to the membership of the IPR but to the Rockefeller Foundation, of your belief that the IPR was becoming an instrumentality of Soviet propaganda?

Mr. KOHLBERG. That is correct, and unless it were changed and cleaned, that it would be a factor in leading to disaster in the Pacific. Those were my statements at the time.

Mr. KEELE. Now I believe you had some communications with members of the board of trustees of the Carnegie Endowment for International Peace with reference to the nomination and intended election of Alger Hiss as president of that organization; is that correct?

Mr. KOHLBERG. Well, that is not quite correct, sir.

Mr. KEELE. Will you correct it for me and state the facts?

Mr. KOHLBERG. Yes, sir. I happened to be slightly acquainted with Mr. John Foster Dulles, and with Maj. Gen. David P. Barrows, who lives in Berkeley, Calif., who is also a trustee of the Carnegie Endowment, and in December 1946 I learned that Mr. Hiss had been elected president of the Carnegie Endowment. At that time I was publishing a magazine called Plain Talk, the editor of which was Isaac Don Levine.

Isaac Don Levine happens to be the man who took Whittaker Chambers to Adolph Berle in September 1939 when Chambers confessed, made that long confession to Adolph Berle, and I knew in general the story of the Chambers' confession from Levine. In fact, we had discussed the possibility of publishing it in 1946, but having no documentation to support Chambers' story, we felt it was unsuitable for publication.

But when I saw that Mr. Hiss had been elected president of the Carnegie Endowment, I felt that, knowing what I did, I was under some obligation to warn Mr. Dulles about it. So I wrote him a letter, and the letter is dated December 31, 1946. Shall I read you that letter, sir?

Mr. KEELE. We would like you to, please.

Mr. KOHLBERG. It is addressed to Mr. John Foster Dulles at his office, 48 Wall Street:

DEAR MR. DULLES: I am informed Mr. Alger Hiss has been appointed the new head of the Carnegie Endowment, and that you are a trustee of same. When in San Francisco on my way to China last October, I had dinner with Gen. and Mrs. David P. Barrows, also a trustee of the endowment. General Barrows at that time had hoped to attend the December meeting, but ill health prevented his coming east. He has written me:

"I have information of the utmost importance which I cannot put in writing but can tell you about in a few minutes' discussion, and would be pleased to call at your early convenience."

I am sending copy of this letter to my friend, General Barrows, and hope that you may find time to receive me.

Very sincerely yours.

P. S.—Under separate cover I am mailing you a copy of blueprint for world conquest containing Communist documents which I supplied to you in galley-proof form last summer.

Mr. KEELE. Do you have any answer to that letter?

Mr. KOHLBERG. Yes. You see, this letter was dated December 31, 1946, and on the first business day of 1947, either the 2d or 3d of January, I have forgotten which, Mr. Dulles called me up and asked me if I could come down to his office, and I went down there in the late afternoon and I asked him who had recommended Mr. Hiss to his board of directors, and he said he had. This rather surprised me and I said:

"But haven't you ever heard anything about him, Mr. Dulles?"

And he said: "Oh, yes; several people told me he was a sort of fellow traveler, but they had no first-hand proof, and I do not condemn a man without first-hand proof."

So I said: "I know of first-hand proof. Would you be interested?"

And he said: "I very certainly would."

I said: "Well, I will have to look into it a little farther and I will contact you again."

So immediately thereafter I got in touch with Mr. Levine and asked him if it would be possible to get Mr. Chambers, whom I did not know, to go down and talk privately to Mr. Dulles, and he said it



might be possible though he doubted it after all those years, and then he went into great detail about the meeting with Assistant Secretary of State Adolph Berle and what had happened thereafter, and he said, he described Chambers to me in not too complimentary a way as far as his outward impression went, and said:

"Now suppose we could get him to go down and he would tell his story and he has no proof other than his own word, no documents, and then Mr. Dulles spoke to Mr. Hiss as he properly should. Who do you think he would believe?"

Oh, no. He said: "Who would you believe in those circumstances?"

And he described Mr. Hiss, whom I didn't know. Well I said: "I think I would believe Mr. Hiss under those circumstances."

Well, then he said: "Do you think it is any use trying to get Chambers to go down and talk to Mr. Dulles?"

And I said: "No, I don't think so."

So I wrote Mr. Dulles and I see quite a bit of time went by. I wrote him on February 24. I can't recall exactly why so much time went by, unless Mr. Levine or I was out of town in the meantime. It might have been.

Mr. KEELE. February 24, '47?

Mr. KOKLBERG. 1947, or it may be he contacted Mr. Chambers. I have forgotten why there was so much delay before I wrote Mr. Dulles, but what I wrote him was this, on February 24:

DEAR MR. DULLES: With reference to the matter about which I called on you some time ago, I have gone into this quite thoroughly and find that the information, while first-hand, is uncorroborated except I am informed by the files of the FBI.

In view of the fact that these files are not available for reference, I could not and I do not believe that you could accept the available evidence uncorroborated as definitive. I am therefore dropping the matter.

Very sincerely yours.

To which Mr. Dulles replied:

Thanks for your letter of February 24.

Sincerely yours.

Mr. O'TOOLE. At any time in your conversations with Mr. Dulles relative to Mr. Hiss, did Mr. Dulles call to your attention that he had personally recommended Mr. Hiss to the Carnegie Endowment?

Mr. KOHLBERG. Yes. That was the first question I asked him, sir, and he answered he was the one who had made the recommendation.

Now, then, later I heard that Mr. Dulles had told Mr. Hiss of my call, but I got it from a source that I could not consider entirely reliable, so I wrote Mr. Dulles, and I think maybe I would like to say at this point that Mr. Dulles is a man I have found to be of the utmost frankness and complete honesty in this whole matter. So I wrote him on May 19, 1947:

DEAR MR. DULLES: Sometime ago I called on you to tell you that I had learned of a man who claimed to have information about Mr. Alger Hiss. After investigating it further, I wrote you that what this man claimed to know I could not believe and did not think you would believe without corroboration, and so I thought the matter should be considered as idle rumor.

I have since been informed that you told Mr. Hiss of my call and the sum and substance of our conversation. I have no objection to this, as I did not speak to you in confidence, but wondered whether you would care to advise me whether the report that comes to me is correct. I desired to check this only as a means of testing the veracity of the person who has brought me the report.

With kindest regards.

Sincerely.

To which Mr. Dulles answered on May 21, 2 days later:

DEAR MR. KOHLBERG: I have your letter of May 19. I told Mr. Hiss that I thought in all frankness he ought to know that I had heard from two or three quarters that he was inclined to be communistic in his thinking. I am quite positive I never mentioned your name to him or our particular conversation.

Sincerely yours.

This was all that occurred in that year.

Mr. KEELE. Mr. Kohlberg, you made reference to having dinner with General Barrows and that had been in the preceding October, I believe.

Mr. KOHLBERG. November.

Mr. KEELE. That was November of 1946 before Hiss' election as president of the Carnegie Endowment in December of 1946?

Mr. KOHLBERG. Yes.

Mr. KEELE. Now, did you discuss Hiss with Mr. Barrows or General Barrows?

Mr. KOHLBERG. No. He asked me if I knew Alger Hiss, and because I only had the story at second hand, I said I had heard of him, and I didn't really know much about him. But then I didn't know, he didn't tell me he was to be elected president of the Carnegie Endowment, you see. I don't know what his interest was. It was only when I got back to New York I learned this, and then saw it as just not an idle question.

Mr. KEELE. Did you talk with Mr. Chapin?

Mr. KOHLBERG. Yes.

Mr. KEELE. In San Francisco at the time of this visit in November of 1946?

Mr. KOHLBERG. Yes. Well, that is what I think I told you the other day, but after checking my notes, I think I talked to Mr. Chapin the following year he asked me about it and not at that time, sir.

Mr. KEELE. And Chapin was at that time and is, I believe, or was at that time anyway, a trustee of the Carnegie Endowment; was he not?

Mr. KOHLBERG. That is correct, sir.

Mr. KEELE. So that you did not talk to him prior to talking with Mr. Dulles about this?

Mr. KOHLBERG. No; I was mistaken in telling you that the other day.

Mr. SIMPSON. Mr. Kohlberg, do you have any criticism of Mr. Dulles' activities in connection with the Hiss matter?

Mr. KOHLBERG. Yes, sir. I would criticize Mr. Dulles, but not Mr. Dulles particularly, but I would criticize the vast majority of the trustees of these large funds, and I have seen other cases.

I bring up these two because these institutions have been here, who delegate most of their duties to the staff.

And while we all realize that they are very busy men, that the affairs of these foundations are very vast in scope, I criticize them for a lack of understanding of the damage that can be done to the country when these institutions get infiltrated or when institutions they are aiding get infiltrated by Communists.

That has been the reaction—the trustees of the Institute of Pacific Relations, for example, which has now been found by the Senate committee to be considered an organ of the Communist Party of the United States, by the Communist Party, the majority of those trustees

are men of unquestioned integrity, and although charges were brought to their attention—what is it? Eight years ago?—they have never yet investigated it on their own.

In other words, I think they all suffer from the same failing that most Americans have suffered from, and that is the only extent to which I would criticize Mr. Dulles in this matter, an unwillingness to take the trouble to go into the matter.

Mr. SIMPSON. Well, I gather you read the letters and you agree the information you had under the circumstances would not persuade you with respect to Mr. Hiss' undesirability at the time Mr. Dulles recommended him.

Mr. KOHLBERG. No, sir. I was being quite technical in what I said in that letter. Mr. Dulles, you will recall, told me he had been told by others that Mr. Hiss was a sort of fellow traveler, as he put it.

As a matter of fact, in my letter, if you will recall, that I read, I said "uncorroborated except by the FBI." Now, I don't have access to the FBI, but I think Mr. Dulles might.

Mr. SIMPSON. Now wait; you think he might have had?

Mr. KOHLBERG. I think he might have had. He was a delegate to the U. N. and he might have had through the State Department.

Mr. SIMPSON. We have had some testimony that such information is not available to the public for private purposes, at any rate.

Mr. KOHLBERG. It is not available to the public. I might go on then with the story, because I don't—

Mr. KEELE. The story goes on somewhat. Go ahead.

Mr. FORAND. Mr. O'Toole has a question.

Mr. O'TOOLE. Does the witness know of his own knowledge whether or not Mr. Dulles and Mr. Hiss were ever associated together while they were both in Government employ?

Mr. KOHLBERG. No.

Mr. O'TOOLE. I am merely asking whether Mr. Dulles had a fair opportunity to know much about Mr. Hiss.

Mr. KOHLBERG. No; I don't know that. But in February 1948—that is, a little over a year later—Representative Walter Judd called me up on the phone from Washington and told me he had a letter from Mr. Dulles which he read to me over the telephone, and the letter said that he knew that Judd was a friend of mine and told him the story of my visit and my letter quite correctly, and then asked Judd if he thought he could find out from me what the first-hand evidence was to which I referred and which I said that without corroboration neither he nor I would believe.

And so I said to Congressman Judd that I was leaving for China that very evening it so happened, but that I would not tell Mr. Dulles any more because the story was all in the FBI and I thought he could get it there, and that it wasn't of my knowledge but merely the story I had second-hand anyway, but I didn't want to give him the name of the witness because at that time Chambers was a senior editor of Time and I didn't want his name spread around.

So, when I got back from China a little over a month later, I saw Dr. Judd and asked him if he had passed my message to Mr. Dulles, and he said he had, and he said the matter had so aroused his curiosity that he had looked into it and he had got the story, and that was in the month of not later than April 1948, some months before the Hiss-Chambers confrontation which occurred in August of 1948.

Mr. O'TOOLE. Would you have drawn an inference from the Judd letter that Mr. Dulles had a suspicion that Mr. Hiss' Americanism might be questioned?

Mr. KOHLBERG. Well, I think Mr. Dulles by that time, February 1948, knew that Mr. Hiss had been called before the grand jury about something or other. As a matter of fact, that had been in the papers in New York. He may not have known just what it was.

Mr. O'TOOLE. Does the witness know the date of Mr. Hiss' resignation, offered resignation, to the Carnegie Endowment?

Mr. KOHLBERG. Yes; that was either in August or after August 1948.

Mr. O'TOOLE. And that was also after the time that Mr. Dulles had written to Representative Judd?

Mr. KOHLBERG. After the time he had written to Representative Judd. He wrote to Congressman Judd in February 1948.

Mr. O'TOOLE. There was some question in April in Mr. Dulles' mind as to Hiss' Americanism. Yet in August he refused to accept that resignation.

Mr. KEELE. If I may interject, it is my recollection, but it is only a recollection, and we would have to look at the record to verify this, that Hiss tendered a resignation on or about May 9 of that year, 1948.

Mr. O'TOOLE. What date, Mr. Keele?

Mr. KEELE. To my recollection it was May 9.

Mr. O'TOOLE. But it was still after this Judd letter?

Mr. KEELE. That's right. I think the date was May. Again, I say that is just memory from listening to the testimony.

Mr. FORAND. Proceed, Mr. Keele.

Mr. KEELE. Mr. Kohlberg, you have told us of an instance where there was an abuse, if that is the term for it, of foundation money, or shall we say an abuse of the privilege extended foundations through tax exemption, and I refer to an incident which you told us concerning Columbia University. Will you tell us that situation?

Mr. KOHLBERG. Yes. During the war I made a gift of \$2,500 to Columbia University with the understanding that it was to be used to bring a Chinese medical officer to the United States; no, to bring the daughter of a Chinese medical officer to the United States.

She had TB of the spine, and this medical officer was without funds, as were most Chinese Government people who were honest, and the money was given to Columbia, and Columbia then turned it over to this fund and paid the expenses of this daughter and, I think, other expenses in connection therewith.

Mr. KEELE. All right. Did you disclose to Columbia University or to representatives of Columbia University the purpose of your gift?

Mr. KOHLBERG. No, sir. I had nothing to do with Columbia University. The friends of this officer came to me and asked if I would do it. That way I could get tax exemption and help out this man, and I said, "You fix it up and I'll do it," and they fixed it up.

Mr. KEELE. In other words, you could not have made the gift, as I understand it, and taken a tax deduction for the gift if you had made it directly to the Chinese officer or his daughter; is that right?

Mr. KOHLBERG. That is correct.

Mr. KEELE. But, by making the gift to Columbia University, you were able to claim a tax deduction to the extent of that gift; is that correct?

Mr. KOHLBERG. That is correct.

Mr. KEELE. And it was arranged that that money would be funneled into the hands of the Chinese officer's daughter or the Chinese officer for the use of his daughter?

Mr. KOHLBERG. Yes; to the Chinese officer.

Mr. KEELE. And it had nothing to do with an educational project or anything of that kind. It was merely a device whereby the daughter was brought to this country for treatment; is that a correct statement of it?

Mr. KOHLBERG. That is correct, although I don't know what it may show in Columbia records. The man in question was an outstanding medical officer who had been the head of a department at PUMC, the Rockefeller Foundation institute in Peiping. He was a very unusual man, and it may be that Columbia thought that that was useful in the cause of medicine in general, because of the man being an outstanding, a world-known figure in medicine. So, there may have been the other side. I have told you about it merely because, as far as I knew, that was all there was to it.

Mr. KEELE. But the proposal was made to you?

Mr. KOHLBERG. Yes.

Mr. KEELE. By others, that by this method the girl could be brought to the United States for treatment, and without the gift being a non-deductible gift.

Mr. KOHLBERG. That is correct. You see, as I say, I have been connected with several nonprofit corporations. One of those I am now with has tax deduction and one has not.

I think there is something lacking in the law, because the decision is left up to an official in the Treasury. I don't even know what official.

It seems to me that people who know somebody, as happened with one of these, got tax deduction, and the other didn't know anybody and didn't get it. They are very similar, and it seems to me that the qualifications for tax deduction should be written in the law more definitely than they are, and less left to the decision of an individual.

For instance, I have noticed lately that Communist-front organizations that are put on the Attorney General's list have their tax-deduction privilege taken away; but, you see, how did they ever get on there in the first place?

Mr. KEELE. Well, how can you avoid the necessity for a decision to be made by someone, Mr. Kohlberg, as to whether or not the tax exemption should be granted?

Mr. KOHLBERG. Well, I think that is correct, but I think the law should be more specific and leave less to the official.

I know that something has to be left to the decision of somebody, but I think the law could be tightened up. I have here a lot of clippings from the Washington Star of 1947 of an incident here.

A Mrs. Shura Lewis, the gentleman here may remember, spoke in a high school, Western High School. She was sent by Mrs. Alexander Lewis.

She was a Russian-born wife of a former clerk in our Embassy in Moscow, who was sent around by the IPR as a speaker, and it says here:

Thirty-five Western High School students staged a brief anti-Red strike.

Now, here is a very strange thing. Thirty-five students in the high school realized they were getting Red propaganda from the IPR, and the trustees of the IPR and the trustees of the Rockefeller Foundation and the Carnegie Foundation and Endowment didn't recognize it.

Now, I don't agree that the students are much more intelligent than the distinguished citizens who sit on the boards of these institutions. I think the trouble is that these distinguished citizens don't know what is being done with the money that they give out, and even high-school students could get it.

You may remember this particular incident. I have the first clipping here, dated May 7, 1947.

Here is another one, dated May 8. Somebody gave the students some kind of award for their service for walking out. I don't know who it was. I didn't read the article.

Now, here is a statement in the New York Times of December 29, 1950, which says:

The American Historical Association, opening its annual convention here today—

that is, in Chicago—

was told that the United States has been on the wrong side of the Asian revolution this far. This speaker was Prof. Robert C. North, of Hoover Institute and Library, Stanford University.

Now, that was more than a month after the Chinese Communists had come into the Korean war against us, and this Professor North, whom I know, and who makes this statement that we have been on the wrong side of the Asian revolution that far, was selected to make a survey for the Ford Foundation last year. He and a Mr. Harold R. Isaacs traveled around the United States making this survey, and the Ford Foundation has now announced a gift of, I think, \$250,000 to the Council of Learned Societies to carry on the recommendations of these two gentlemen who have this kind of opinion, and I am sure that Mr. Ford and Mr. Hoffman and others would turn over in their graves if they knew all these things; but they don't know it; that is, those that are in their graves.

These were just chance clippings I found since I talked to you the other day. Here is one of May 3, 1945, in the New York Times, referring to a speech by Mr. Raymond B. Fosdick before the Women's Action Committee for Victory and Lasting Peace. That was, I think, just before VE-day. It says:

Mr. Raymond Fosdick, president of the Rockefeller Foundation, warned 300 members representing 38 States that the growing distrust of Russia menaced the future of world peace.

Now, I am bringing these names up because these gentlemen are beyond question in their loyalty and patriotism, you see; but somebody has twisted their mental processes.

They paid out millions of dollars for so-called research in foreign policy, and it seems that the result of that research has come back and twisted their mental processes so that Mr. Fosdick warns that "The growing distrust of Russia menaces the future of world peace," prior to VE-day.

Of course, if we had had just a little distrust of Russia at that time, we might not have turned over eastern Europe and China to them. There was a lack of distrust that was a great menace at the time, but

he was so twisted by what these so-called researchers had put over, not only on the public but on him, that he said that.

And then here is an invitation. It reads:

The officers and trustees of the American Institute of Pacific Relations request the pleasure of your company at a dinner in honor of the new chairman, Mr. Gerard Swope, the 12th of January at 7 o'clock, the Century Room, Commodore Hotel, New York City; Mr. Clayton Lane, chairman. Speaker, the Honorable Dean Rusk, Deputy Under Secretary of State.

This was Thursday, January 12, 1950. That is nearly 6 years after my first study was put out. They still didn't realize there was anything wrong with the IPR.

Here we can go to Mr. Grayson Kirk, who was a trustee of the IPR and of various others of these and a most distinguished educator. In April 1950, just before the Korean war, a speech in Columbus, Ohio, says [New York Times]:

Urging a moratorium on talk of the inevitability of war with the Soviet, Dr. Grayson Kirk, provost of Columbia University, said here today that such fatalism could well close the avenues to adjustment and agreement.

Well, I think it is probably not useful to go into more of this, except to say that what has happened is that the infiltration of pro-Communists and Communists into the staffs, both of the foundations to some extent and the institutions that they have subsidized, has completely twisted the mental processes of the country so that we have come from unconditional victory to near disaster in a very brief period. I think it is probably not useful to go into any others that I have here. That is my opinion, sir.

And that continues right down to the present date. Yesterday I spoke in New York to the American Asiatic Association, which, I think, is possibly the oldest of the Far East organizations. It was organized in 1898, and I told of the infiltration into the Institute of Pacific Relations, into the Foreign Policy Association, which is less infiltrated, of course, and into the Council of Foreign Relations, which is very little infiltrated but is infiltrated.

And there were present there trustees of the Institute of Pacific Relations, of the Council on Foreign Relations, and they were completely unbelieving, which was what I expected; and, when I urged them to do their own investigating and not wait 1, 2, 3, or 4 years until Congress got around to it, they didn't think that made sense either.

They didn't think it was necessary to investigate, because there were such nice and such good Americans on their boards, and they didn't believe that the Institute of Pacific Relations, one of them said, had been infiltrated, the Senate committee to the contrary notwithstanding.

Mr. KEELE. And they gave as their reasons their confidence in the trustees; is that right?

Mr. KOHLBERG. Yes; in their fellow trustees and in the kind of people who came and spoke at their meetings, and they mentioned the kind of people who spoke there and that most fine Americans come to speak at their meetings, or did in the past.

Mr. KEELE. Did they say whether or not they had examined the evidence submitted to the McCarran committee?

Mr. KOHLBERG. I didn't ask them, but nobody said they had. But I had a reprint there which I gave out of the conclusions of the McCarran committee. They took copies of that. I doubt that any of

them had ever seen any of it. They had probably seen something in the papers about it, but I doubt that they had ever seen any of the documents.

Mr. KEELE. Have you seen other instances which in your opinion indicated a diversion of funds of foundations, either through their own grants or through grants made by operating agencies through which they give the grants, a diversion of those funds into Communist-front organizations or organizations which were interested in presenting favorably the Communist line of thinking?

Mr. KOHLBERG. Yes. I have seen some of that. I couldn't say how extensive it is because I haven't made a study of that, but there are numerous instances of it in this Institute of Pacific Relations report—not the report but the volumes of testimony.

I have run across them again and again in those volumes. That is 14 volumes, and really somebody has to retire to sit down to read them, but there is a mass of material in there.

Mr. KEELE. What about organizations such as the American Council of Learned Societies, the Social Science Research Council, or organizations such as those organizations, Mr. Kohlberg, which we call here operating agencies to whom grants are made by the great foundations, and then who in turn allocate the funds to various projects or individuals?

Mr. KOHLBERG. Well, those two that you mentioned—the American Council of Learned Societies and the Social Science Research Council—are constantly turning up as the givers of subsidies or fellowships to people who are appearing in the news.

I noticed this morning's paper mentions one of the first grants to Mr. Owen Lattimore back somewhere in the 1930's was in the Social Science Research Council to make some study of Mongolians or Manchurians; I have forgotten which. I read that in the Washington Post this morning coming down.

That occurs again and again. As I say, it runs all through these McCarran hearings, but I am not well enough informed to be able to say how widespread it is.

I did notice, on the letterhead of a publication of the Council of Learned Societies which I received some time ago, there were about 12 names of the committee on publications, and I recognized more than half of them as well-known leftists. I couldn't say "Communists" because I don't have that inside information.

I might say that when I was in Formosa in 1949 Chiang Kai-shek explained to me at some length through the interpreter that communism had made very little inroads with the Chinese peasant or the Chinese workers. He said the great inroads out here were made with the Chinese intellectuals.

So, I told him of course I knew that, having been out there a lot, and then I told him that the same thing was true in America; that the Communist infiltration was in intellectual circles, and that even in labor-union circles, where there was some, it was very largely at the level of the staffs who might be considered the intellectual leaders of the movement.

He was very surprised to learn that; but, because that is so, these various organizations that have to take staffs of people who are intellectuals are always in danger of infiltration. And then when they



shut their eyes to it, as most of them do, they make it that much easier for our enemies to infiltrate them.

Mr. KEELE. Mr. Kohlberg, you have some views I think on foundations, such things as the amount that could be left to them by will percentage-wise, the question of perpetuity, and other questions relative to foundations. I wonder if you would give the committee the benefit of your views on those matters.

Mr. KOHLBERG. Yes, sir. It would be my opinion that it would be of advantage to limit the gift by will to not more than 20 percent, which is the amount that can be given in any one year out of income, and that amounts given during lifetime I think are limited to 20 percent of annual income.

And I do not believe any foundation should be set up in perpetuity. Money cannot be left by will to a family that way. I am not certain, but I believe it can be left in trust only to two lives in being and then to go to the heirs of those outright.

And I think limitations should be put on it. I know there are cases—maybe they are the exception—where foundations have a lot of money, one of them of course in New York being the well-known Sailors' Snug Harbor, where I think they could only find about seven retired sailing-ship masters to benefit from it. They have a staff—I don't know how many; 30 or 40 I think—to take care of the investments, and they can't change it because the courts won't permit them.

I think, of the whole theory of funds left for foundations for good work, that the good work should go on, but the restrictions should be tightened and the period of their existence cut down, and the amount that could be left to them limited, because in some of these today I have noticed it is hard to tell whether the foundation is set up by the man who passes away in order to do good or to save taxes—it is pretty hard to tell—and still retain control of whatever business it might be, or avoid its being sacrificed on the auction block.

I think that the laws should be gone over and the whole control of these organizations tightened up.

Mr. KEELE. Mr. Kohlberg, it has been suggested here by Mr. Alfred Sloan that after the next 15 years, shall we say, under existing tax structures, there will be no further number, to any appreciable extent anyway, of foundations set up by large private fortunes, and that there will be no further tendencies of course—I am speaking only of that, but there may be exceptions—there will be no great fortunes such as have been accumulated in the past when the tax structure was different.

Now, then, if there is not to be perpetuity in these foundations, and if Mr. Sloan is correct, and that after a few years there will be no more great foundations, where is the money going to come from for carrying on the work that the foundations do, if they are limited in perpetuity?

Mr. KOHLBERG. Well, Mr. Sloan knows more about that than I do, but I could point to a few places where the money would come from. No. 1 would be from oil where there is special tax exemptions that permit the building of vast fortunes, which Mr. Sloan may have overlooked.

Mr. FORAND. Are you referring to the depreciation allowance?

Mr. KOHLBERG. Yes.

Mr. SIMPSON. I don't like to interrupt, but do you mean that the oilmen could be expected to create foundations, or do you mean that Government should take the money in taxes?

Mr. KOHLBERG. No; I don't know anything about taxes. I mean that large fortunes can still be accumulated in certain ways and fields, one being oil.

Another field is this: As you may know, Mr. Keele, a great deal of business today, especially the sale of real estate and of businesses, is done on the basis of a tax study first and the business deal afterward, so that a great many of these deals are done in the form of capital gain, and thereby large fortunes can still be accumulated, in spite of the very high income-tax rate.

Now, Mr. Sloan may be more correct than I, but I would think that there will still be large fortunes, and I think that Americans who have that ability to accumulate them will still find ways to do it and are still doing it in fact.

I do not think that would be a good reason, the expectation of that happening in 15 years would be a good reason, for doing nothing to tighten up the regulations that cover these foundations.

Mr. KEELE. Do you favor the foundation idea, Mr. Kohlberg, as such now? I am talking about the idea of large foundations dedicated to philanthropic educational work.

Mr. KOHLBERG. I think they have done a vast amount of good. I have seen it all over the world as well as here. I have seen it particularly in China, but elsewhere also. The work of the Rockefeller Foundation in China is simply tremendous and fine.

I am not talking against the foundations. I think they have done a wonderful work. I think there have been some fringe evils that have come in somehow or other and which could be corrected.

Mr. KEELE. And I take it you think that that lies primarily in the field of infiltration of staffs rather than of trustees of foundations?

Mr. KOHLBERG. Oh, yes. It is very largely at the staff level, maybe entirely, but the trustees—really you can't get around on these boards very much without seeing it—the trustees are very busy men. Some of them are trustees of several institutions, and, while a great many of them may try to have a complete and over-all knowledge of what is going on, they can't be aware of the details.

The staffs do that work, and the decisions and recommendations come from there, and in most cases are adopted by the board.

Mr. KEELE. Now, you made the point that you didn't feel that a testamentary gift to a foundation should be more than 20 percent of the estate, the same basis for instance as annual-income deductions?

Mr. KOHLBERG. Yes.

Mr. KEELE. Does it follow, from that, that you feel that there should be some limitation on the size of any one foundation?

Mr. KOHLBERG. I haven't thought about that, but I see no reason to limit the size. I think, if you limited the percentage, that would very largely take care of itself.

Mr. KEELE. Yes; but I was wondering the basis for your suggestion that it be limited to 20 percent, whether that was taxwise you were thinking of it or to limit the size of foundations.

Mr. KOHLBERG. No; I was thinking of it mostly from a tax angle, that the large fortunes, as long as everybody else by inheritance has to leave a certain amount to the Government, the tax amount, I think

the large fortunes or the smaller ones should not escape part of it by this means, as some of them have been doing.

Mr. KEELE. In other words, that on the long view of it, you feel that it is better that the taxing authorities, that is the Government, get its proportionate share than that a foundation be set up by tax-exempt fund more than to the extent of 20 percent?

Mr. KOHLBERG. I am not a great enthusiast for the tax authorities, sir, but I think it should be fair, and I don't think it has worked out fairly this way, and I do think there should be a limit, and there should be a limit in time even more.

No trust should be permitted to be set up in perpetuity, I think. I know this. I know about one now that is in process. It is, I think, quite a large one. I don't know the amount, but set up by a man who was nationally known, a foundation set up. I don't know whether there were tax reasons or not.

They are having a great deal of difficulty with board of trustees because the tax authorities are trying to suggest to them who should go on the board of trustees. I think that is an evil if it is true.

Mr. KEELE. How would the taxing authorities have anything to indicate to organizations such as that who should or should not be on the board?

Mr. KOHLBERG. This I am testifying to as hearsay from one of the trustees. The tax authorities tell them they can't have so many men from the immediate family, and there must be more people who represent the public, and they have made suggestions. That is the story I get.

Mr. SIMPSON. Mr. Kohlberg, do you have any information regarding influence that Government may ever have had on foundations for the disposition of their money?

Mr. KOHLBERG. No; I have no knowledge of that, sir.

Mr. KEELE. I have no further questions.

Mr. SIMPSON. I am interested in that suggestion taxwise. Of course we start by knowing that the foundations can't exist and do the amount of work they do now, unless there is a tax preference given.

Mr. KOHLBERG. That is correct.

Mr. SIMPSON. I gather from your testimony that you say there is an area where we need foundations, and I assume you reached that conclusion in the way I have, that foundations do work in areas where Government can't do it, and consequently instead of taking the money in taxes, Government lets, in the final analysis, the trustees disburse that money and go into these fields which are termed "hazardous" and "risk areas."

Now if we limit the creation of foundations, we will leave that area with no group to operate in. When you talk about limiting the present tax concessions, it seems to me you are cutting down on the foundation idea.

Mr. KOHLBERG. Well, I believe, sir, that some of these foundations have so much money that they have a devil of a time getting rid of it each year, No. 1.

And No. 2, there is one field that I think they shouldn't be allowed to touch, and that is the field of governmental policy, domestic or foreign.

Now, let's take an authorization like the Council on Foreign Relation, made up of outstanding citizens. They have large funds from

certain of the foundations running into millions of dollars over a long period of years.

I think that if the men who belonged to that had put up their own money to make what studies they made or write what histories they wrote, they would have been much more careful about them.

And I further feel, from having read some of their material, that they have been infiltrated at the staff level. I spoke of that to one of the trustees of the council yesterday at that luncheon I told you about.

I called his attention to a particular document. They publish a book each year called American Foreign Policy, 1948, another one in 1950, running six or eight hundred pages, and I called his attention to a statement particularly in the 1950 book in which it said—and I remembered this because it concerned me—it said in there that McCarthyism and the China lobby were one of the prime causes that brought the Chinese Communists into the Korean war late in 1950, and I asked this gentleman where he could find evidence for that, objective evidence or scholarly evidence for that statement in their book, other than in the Daily Worker, so his answer to me was, "Well, nobody read that book anyway."

Which is true of the trustees, I believe, but students in colleges, the book goes all over, it is subsidized by either Carnegie or Rockefeller, I've forgotten which, and it is sent all over the country, and it is in libraries, and my grandchildren will probably read that same day.

I don't think they belong in that field at all. I think that is no field for foundations. I think the men who want to make the studies, like me or anybody else, can put up their own money and do their own study and probably come out with better results.

Mr. SIMPSON. You would limit by law the areas into which foundations—

Mr. KOHLBERG. I would scratch off some of these fringe areas where most of the difficulties have turned up.

Mr. SIMPSON. Such as anything affecting foreign countries?

Mr. KOHLBERG. No; I would say any studies of governmental policy. I think our Government is founded on the basis that the average American is sufficiently intelligent to make his own decisions. We do it every 4 years. And I don't think that tax-exempt money should get into that field at all. It has been misused.

Mr. SIMPSON. What about areas where the foundation seeks to influence Government policy?

Mr. KOHLBERG. That is still worse. Certainly, they should be scratched out of that.

Mr. SIMPSON. Well, being specific with respect to money from the foundations being spent abroad to rehabilitate the peoples and to make friends, would you call that influencing the public, Government policy?

Mr. KOHLBERG. Well, no; not necessarily.

Mr. SIMPSON. Would you permit that?

Mr. KOHLBERG. If it was relief work, certainly.

Mr. SIMPSON. If it was educational work, would you permit that?

Mr. KOHLBERG. If it was truly educational work, yes; given to educational institutions.

Mr. SIMPSON. If it is done, for example, by the foundation itself, in Mexico, for instance?

Mr. KOHLBERG. I don't know enough about that to know. Where they do it directly, I don't know of those cases.

Mr. SIMPSON. What about the creation of hospitals and so on in other countries?

Mr. KOHLBERG. Yes.

Mr. SIMPSON. Certainly that is to influence the public.

Mr. KOHLBERG. No. If it is properly done, it isn't done for that reason.

Mr. SIMPSON. Well, it has the effect certainly of making we hope a friendly feeling between this country and the other countries.

Mr. KOHLBERG. I think it would have that effect, although it is not a very important factor in the work.

Mr. SIMPSON. I am trying to suggest it is awfully hard to legislatively lay a line wherein you wouldn't let a foundation operate.

Mr. KOHLBERG. I would simply say I think you could provide that none of the moneys of these foundations be given for studies or investigations or support of organizations that are investigating or studying governmental policy. I think they don't belong in that field.

Mr. SIMPSON. Mr. Kohlberg, I am sorry I was delayed when you started and you might have it in the record now, but would you tell me what is your business, your occupation or profession?

Mr. KOHLBERG. Well, I was an importer of Chinese and Japanese textiles beginning in 1915. I actually retired from business in 1943.

I haven't been active in business since then, though I still have an interest in the business. I haven't been on the payroll, because the business is now in the process of slow liquidation due to the fact that we have done no business with China since 1950, and our business with Japan is not very active.

Mr. SIMPSON. But you were an importer.

Mr. KOHLBERG. Yes; I was an importer all those years from 1915 on.

Mr. SIMPSON. Largely from the Far East?

Mr. KOHLBERG. Entirely.

Mr. KEELE. Mr. Kohlberg also, Mr. Simpson, told something of his interest in nonprofit corporations. I think you might just, for Mr. Simpson's benefit, repeat your other interests.

Mr. SIMPSON. If it is in the record that won't be necessary.

Mr. KEELE. All right, it is in the record.

Mr. FORAND. Mr. Kohlberg, you aroused another thought in me a few moments ago when you referred to that book having a passage relative to McCarthyism and the China lobby.

Now I have heard it said numerous times, in fact I have read it in the papers, where reference was made to you as being the China lobby. Do you have anything to say on that?

Mr. KOHLBERG. Well, that is what I said. I said because it referred to me, called it the China lobby, but the China lobby has been identified by various people.

Mr. FORAND. The point I am making is that you were referred to as the China lobby.

Mr. KOHLBERG. Yes. Not in that book.

Mr. FORAND. No; but I have heard it said, and that is what aroused the thought in my mind.

Mr. KOHLBERG. I go around now saying I am the China lobby, to avoid arguing about the matter, although of course I am not registered as a lobbyist or a foreign agent, never have been, and never have

had any connection with the Government of China, but I now say I am the China lobby, and I am beginning to take a certain amount of pride in it, sir.

Mr. FORAND. Thank you.

Mr. KEELE. Mr. Kohlberg, you were talking about the American Council of Foreign Relations. Do you know how that happened to be established or came to be established?

Mr. KOHLBERG. No; I don't. I know a little bit about it.

I was invited to join it about 6 years ago, but at that time Owen Lattimore was its chairman of the Far East committee, and the friend who asked me to join I thanked but told him I had enough controversy in my life, and I didn't want to go down there hunting for more, so I didn't join it.

Mr. KEELE. The reason I asked that, I have been told during this investigation by someone whom I consider to be well-informed on the subject—and I do not know whether it was here at the witness chair or in conference—that the Council on Foreign Relations was formed at the instance of the State Department.

Mr. KOHLBERG. I don't know that, sir.

Mr. KEELE. And that the reason that they wanted the Council of Foreign Relations formed was to afford a forum for discussion of foreign issues which the State Department did not properly feel it could enter into.

Mr. KOHLBERG. Yes.

Mr. KEELE. And that they felt that that was an adjunct in a way, I suppose, of Government function.

In other words, the promulgating of ideas relative to foreign policy, so that it would receive some discussion, and yet the State Department could not be charged with having a part in it. Whether that is correct or not I don't know. I thought you might have heard it, but if that is the case, then actually that organization came into being at the behest of Government.

Mr. KOHLBERG. I don't know that, but I know that is the way it operates. But whether it started that way or not I don't know.

Mr. KEELE. I have no further questions.

Mr. FORAND. That is all the committee wants to ask of you. We thank you, Mr. Kohlberg, for your contribution to the committee.

Mr. KOHLBERG. Thank you very much, sir.

Mr. FORAND. We will recess until 1:30.

(Whereupon, at 11:35 a. m., a recess was taken until 1:30 p. m. the same day.)

#### AFTERNOON SESSION

(The committee reconvened at 1:50 p. m.)

Present: Representatives Forand (presiding), O'Toole, and Simpson.

Mr. FORAND. The committee will come to order.

Mr. KEELE. I would like the record to show that by resolution of the majority of the committee the chairman was authorized to designate a subcommittee and that, pursuant to that resolution, the chairman has authorized a subcommittee consisting of Mr. Forand, Mr. O'Toole, Mr. Simpson, with Mr. Forand acting as chairman.

We would like now to hear Mr. Bogolepov, please.

Mr. FORAND. Mr. Keele, will you offer the resolution, the two documents, for printing in the record?

Mr. KEELE. That is right; we will submit those, and they will be included.

(The documents referred to follow:)

RESOLUTION

The committee to whom was referred House Resolution 561 to provide for a "full and complete investigation and study of educational and philanthropic foundations and other comparable organizations which are exempt from Federal income taxation to determine which such foundations and organizations are using their resources for purposes other than the purposes for which they were established, and especially to determine which such foundations and organizations are using their resources for un-American and subversive activities or for purposes not in the interest or tradition of the United States," does hereby resolve:

That the chairman is authorized to appoint such subcommittee as he shall deem necessary from time to time for the conduct of the committee hearings.

E. E. COX.  
AIME J. FORAND.  
DONALD L. O'TOOLE.  
RICHARD M. SIMPSON.

Date: December 17, 1952.

Being duly authorized by resolution of the committee, dated December 17, 1952, I, Eugene E. Cox, do hereby appoint the following members of the committee to sit as a subcommittee for the conduct of committee business on call:

Aime J. Forand.  
Donald L. O'Toole.  
Richard M. Simpson.

Mr. Forand is designated chairman.

EUGENE E. COX, *Chairman*.

Date: December 17, 1952.

Mr. KEELE. Mr. Bogolepov, will you stand and be sworn, first, with the Bible. Do you solemnly swear the testimony you are about to give is the truth, the whole truth, and nothing but the truth, so help you God?

Mr. BOGOLEPOV. I do.

TESTIMONY OF IGOR BOGOLEPOV

Mr. KEELE. Mr. Bogolepov, will you state your name for the record and the spelling of it, please, for the reporter.

Mr. BOGOLEPOV. My first name is Igor, I-g-o-r, and my last name is Bogolepov, B-o-g-o-l-e-p-o-v.

Mr. KEELE. How long have you been in this country, Mr. Bogolepov?

Mr. BOGOLEPOV. Since last April.

Mr. KEELE. Where were you born?

Mr. BOGOLEPOV. I was born in Siberia in 1904.

Mr. KEELE. Did you ever hold any office under the Soviet Government or with the Soviet Government?

Mr. BOGOLEPOV. Yes, I did.

Mr. KEELE. What was the office or offices, and during what period of time?

Mr. BOGOLEPOV. Well, after graduation from the University of Petrograd in 1923, I served the Soviet Foreign Office, in the Soviet

Foreign Office, and I was with this organization, with some interruption for the Red army missions inside and outside, until 1941.

Mr. KEELE. Do I understand from that that you joined the Foreign Office after your graduation—

Mr. BOGOLEPOV. That is right.

Mr. KEELE. From the university in 1923, and you were with the Foreign Office, with periods of interruption for service in the Army, until 1941; is that right?

Mr. BOGOLEPOV. That is right, yes.

In 1941 I was sent to the Baltic countries, which were annexed by the Soviet Union at that time, and I became a member of the Soviet Government for annexed Baltic countries, and in this, my capacity, I stayed until the beginning of war with Germany, I mean until summer of 1941.

When the war against the Germans started—when the war started in summer of 1941, I joined again the Red army, and in 1942, together with other Soviet officers and generals, we escaped through the front lines to the Germans in order to organize the overthrow of the Soviet Government with the help of the Germans, which proved to be a false expectation.

Mr. KEELE. Will you raise your voice just a little bit, and speak a little louder, please.

Mr. BOGOLEPOV. All right.

Mr. KEELE. All right.

Now, what rank did you have in the Soviet army or Russian Army at that time?

Mr. BOGOLEPOV. I was colonel of General Staff.

Mr. KEELE. And had you done other periods of duty with the army before the period of 1941?

Mr. BOGOLEPOV. Yes, several times.

Mr. KEELE. What had you done on those occasions; what had been your—

Mr. BOGOLEPOV. For example, in 1937 I was sent, together with other officers and generals of the regular Red army to Spain to help the Spanish Loyalists fight against Franco.

Mr. KEELE. You entered the army, I believe, as a subordinate. With what rank did you enter the army?

Mr. BOGOLEPOV. Entered the army?

Mr. KEELE. When you first went in or were drafted, as it may have been?

Mr. BOGOLEPOV. Oh, yes; I was a noncommissioned officer, first.

Mr. KEELE. And you gradually worked up to a colonel?

Mr. BOGOLEPOV. That is right, sir.

Mr. KEELE. All right.

You surrendered with a major part of an army, did you not, that went over to the Germans during the war?

Mr. BOGOLEPOV. That is right.

Mr. KEELE. Then what did you do?

Mr. BOGOLEPOV. Then, after spending some time in Gestapo jail, when I was under investigation, I was assigned to carry out the radio propaganda in Russian against the Soviet Union. The Germans gave me a radio station at my disposal, and for about 1 year I was doing propaganda business until the time when I was obliged to break



with the Germans because of their policy which, as I discovered, was not anti-Bolshevik, but anti-Russian.

Since 1943 to the end of the war I was living as a private person in Germany, just doing my living by working at the German farm until the Americans came in.

Mr. KEELE. Then what happened after that? Just tell us by steps how you finally came to America.

Mr. BOGOLEPOV. Because of the Yalta agreement, which required that every Russian Communist or anti-Communist alike, who was in Western Europe should be returned back, I had to go in hiding from the Americans, and I get out of my hiding only in 1947. Then I told to the authorities of the army of occupation in Germany, the American army of occupation, my story, and so I start my employment with the United States Intelligence in Germany, until the time when in last April of 1951 I was summoned to come to this country under the subpoena of the United States Senate.

Mr. KEELE. You testified at some length before the McCarran committee, did you not?

Mr. BOGOLEPOV. That is right, sir.

Mr. KEELE. All right.

What degrees, if any, do you have from Russian universities?

Mr. BOGOLEPOV. In 1937 I got a degree of doctor of philosophy.

Mr. KEELE. From what university?

Mr. BOGOLEPOV. From Academy of Science of Soviet Union.

Mr. KEELE. What was your work in the Soviet Foreign Office?

Mr. BOGOLEPOV. In the Foreign Office I was mostly concerned with legal matters, international law, League of Nations, disarmament, security, and the last positions before my transfer to the Baltic was the counselor of the Foreign Office.

We have had two counselors, one for political affairs, and the second for legal affairs. I was for legal affairs.

Mr. KEELE. Will you just tell us a bit more about that. As a counselor, what were your duties, and what rank did that place you within the Foreign Office, and who were your superiors at that time?

Mr. BOGOLEPOV. Well, my superior was the Foreign Minister. I was directly under him, and if you take, as a foreign minister or commissar, as he was called at that time, he has deputies, which were four in all. I held the fifth position in the Foreign Office.

Mr. KEELE. Who was the Commissar for Foreign Affairs at that time?

Mr. BOGOLEPOV. I worked first under Litvinov, then under Molotov for a while.

Mr. KEELE. Under Litvinov and under Molotov?

Mr. BOGOLEPOV. That is right.

Mr. KEELE. Now, aside from your work in the Foreign Office, you were at Geneva, Switzerland, from time to time, were you not?

Mr. BOGOLEPOV. That is right.

Mr. KEELE. On what missions were you there, on what work?

Mr. BOGOLEPOV. I attended international conferences connected with disarmament, and economic and social problems, and for a while I have been working inside the League of Nations as a delegate from the Soviet Union, in the same way as some Soviet Russians are working now in United Nations in New York.

Mr. KEELE. When did you first become aware, Mr. Bogolepov, of the American foundations, such as the Rockefeller and Carnegie groups? When did you first learn of them or hear of them?

Mr. BOGOLEPOV. I can't give you a precise date, of course. It was approximately in the end of 1920 when, in the library of our Foreign Office, I got the publications of Carnegie Endowment for International Peace relating to the investigation of the origin of World War I. There were many volumes, which I studied with interest, and such was the first time I heard the name of Carnegie Endowment.

After this, while in Geneva, and in Moscow also, I read a lot of other publications which were published directly by this organization or through its assistance with other American universities and scientific societies. But this was to say a more scientific interest of mine, and only later in approximately 1935, 1936, I became informed about the existence of these foundations ex officio.

Starting with this time, in correspondence with the Soviet Embassy in Washington, which I read in my capacity as counselor, and Vice Deputy Director of League of Nations Division of the Foreign Office in Moscow, more than often I saw mentioned the name of Carnegie Endowment, and Rockefeller Foundation, in the reports, as I said, of our Embassy in Washington.

Mr. KEELE. Do you recall in what connection the Carnegie and Rockefeller organizations were mentioned in those dispatches?

Mr. BOGOLEPOV. I have to explain that one of the operations of the Soviet Foreign Office in the middle of 1930 became the organization of infiltration into the western public life in all strata of the western public opinion in order to influence this opinion in the way favorable for the Soviet Union and its aims.

We started this operation in the middle of 1930 in connection with a speech which Stalin called in one secret session of the Communist organizations, Russian and foreign, in Moscow, which was never published, and in this speech Stalin revised one of the most basic conceptions of Marxism.

As you, of course, know, Karl Marx preached that the words "Communist revolution" would be made by the hands of the workers of the western countries. It proved to be completely false, and so Stalin told the ranking Communists—among these Communists were the whole Soviet diplomats who were summoned to come to Moscow for this conference—that "We have to revise the wrong conception of Marx," and briefly he recommended this way of thinking: that the revolution in the Western Europe, in the Western World, can be made evidently not with the hands of proletarians, who proved to be rather indifferent to the Communist conception and ideas, but through the brains of western intellectuals who, as we discovered, were very much sympathetic with the Communist ideas, and with the whole construction and conception of socialism in the Soviet Union.

This revision, practical revision, of Marxism didn't mean, of course, that Stalin called to cast away the Marxist idea of the Communist conquest of the whole world. It was only an indication that the Communists have to use now another way for achieving their aims, another kind of people; and if I can use an example of our times and connected with this country, as you remember several days ago—it was during the investigation of one of the numerous crimes in New

York, connected with this business of—I have forgotten the proper name—I mean the investigation of crime with the discharge of the ships coming to New York, the water front—that is right—

Mr. KEELE. The water front?

Mr. BOGOLEPOV. The water-front investigation—I mean the incident when the Soviet ship came with furs to unload in this country, there were American workers who wanted not to unload this ship, and it was the American bourgeoisie and capitalists—whatever the name would be—which behind the backs of the American workers in a legal way, still helped the Soviets to discharge this cargo in furs in this country. It is a good illustration as to the correctness of what Stalin had observed, and it is a good illustration that the Soviet tactics of emphasis not on the workers but on the intellectuals had given its roots.

After this indication, after this declaration of Stalin, the whole operation in the Foreign Office of the Comintern in this field, was leaning over the infiltration of the western brains rather than inside of the western workers.

In connection with this speech, there are a lot of special indications and directives down to the various branches of the Soviet Foreign Office, and the man who became later ambassador in this country, Soviet Ambassador to this country, Oumansky, he was put in charge of the preparation of the operation infiltration as a good worker.

First, we started with the foreign correspondents in Moscow, the correspondents of foreign newspapers in Moscow, including the Americans, which were used as a media, a channel for cabling to the Western World, to their magazines and papers and other organizations, the awareness of the facts and events which were favorable to Soviet policy, and corresponded with the special aims and interests of the Soviet Union.

Then, after this first essay became successful, the operation was widened, was enlarged, and when Oumansky came to this country as Soviet Ambassador he was put in charge of infiltration of American newspaper publishing housing, scientific organizations, and the administration with the people who were favorable to the Soviet Union.

So, started this big operation which results we still see every day until now.

While reading reports of the Soviet Embassy and the Soviet Ambassador from Washington, more than once I met the name of Carnegie Endowment and of Rockefeller Foundation, and this is my answer to your question when I first met this knowledge ex officio.

Mr. KEELE. Do you recall in what connection or in what meaning the names of the Rockefeller and Carnegie Foundations were mentioned?

Mr. BOGOLEPOV. Each Soviet Ambassador abroad is supposed to send the reports, regular reports, to the Foreign Office, and monthly reports, quarterly and yearly reports about his activities, and I read about this foundation, these foundations, mostly in the report of Soviet Ambassador in Washington, when he said what kind of people he or his officials meet from these foundations in this period of time, what kind of assignment they gave to these people or through other people to these foundations or to these foundations through American universities or publishing houses, et cetera, et cetera, et cetera. He gave the names of the people whom he met, and the people whom his agents met, and unfortunately I can't give you any name because I

didn't pay any attention to his name, and it was such a big amount of names that really I became confused. I just registered in my memory the fact that with every year the number of mentions of these foundations became more and more numerous, and the people involved in this machination of the Soviet Embassy in this country became also greater and greater. It was an impression that Oumansky started just with a small snowball, and this snowball within a year became greater and greater and greater.

Mr. KEELE. Do I understand that you mean to say that in connection with the reports that Oumansky made, the Soviet Ambassador to Washington, that he mentioned the names of people whom he or his officials or agents had contacted, who had some connection with the Rockefeller or the Carnegie Foundations, and that he reported what they had said with reference to publications or projects or other ideas favorable to the Soviet Union; is that correct?

Mr. BOGOLEPOV. That is right, or I can even specify, in my testimony before McCarran committee this spring I told on the question of Senator Ferguson that the majority of subversive operations in the field of infiltration of ideas, and which were favorable for the Soviet Union, the money which was paid for such service rendered was not Soviet money but American money.

Mr. KEELE. How did they manage to get American money for the propagation of ideas favorable to the Soviet Union?

Mr. BOGOLEPOV. That is, I guess, the reason why they were—became interested in the foundations, for foundations have the money, and they put their people in these foundations or connected the people who were sympathetic to communism in these foundations, and they got the money for the right man outside these foundations, and in some universities, like in Columbia or in Yale or in Stanford, which are known to me, mostly infested by Soviet sympathizers, and so the Soviet Embassy itself was not obligated to spend much money.

Mr. KEELE. You have mentioned the names of three American universities, Columbia, Yale, and Stanford.

Mr. BOGOLEPOV. That is right.

Mr. KEELE. Did those names appear also in those dispatches, the names of those universities?

Mr. BOGOLEPOV. Yes, sir; more than often.

Mr. KEELE. Do you recall any other universities whose names appeared in those dispatches or reports?

Mr. BOGOLEPOV. Possibly, but it is difficult now for me to remember.

Mr. KEELE. It does not occur to you now?

Mr. BOGOLEPOV. Certainly; they are not only exceptions; I am sorry to say, it was a general rule.

Mr. KEELE. Those names appeared frequently; is that what you are saying?

Mr. BOGOLEPOV. Frequently; that is right; yes.

Mr. KEELE. In other words, that was not an occasional reference, but you recall the names of those three universities appeared frequently.

Mr. BOGOLEPOV. That is in my recollection of it now.

Mr. KEELE. Was there a time on occasion when you yourself were offered assistance by one of these foundations?

Mr. BOGOLEPOV. Yes, sir. It was one time in 1928 or beginning of 1929 when I was in Geneva as a secretary general of one of the Soviet

delegations, of one of the international conferences held in Geneva under the auspices of the League of Nations. I attended a lunch given by a lot of foreign lawyers in the field of international law, and then some of my foreign acquaintances introduced me to a man—I don't remember his name, unfortunately—who asked me whether I am interested to come to Paris and to get a fellowship in a Paris organization of Carnegie Endowment for International Peace.

Before this came to talk, I told him that I read a lot of publications of this endowment and I appreciate the big and valuable work done by this endowment in the field of—it started at the origin of World War I, et cetera, et cetera, and evidently in answer of my interest and appreciation he asked myself perhaps I would be interested. I said, "Yes," and to say the truth I have completely forgotten the whole conversation.

When I come back to Moscow, perhaps in 2 or 3 months, in my office came an official invitation from Carnegie Endowment proposing me to come to Paris and to get a fellowship for 1 year's work in the field of international law. I was extremely glad to get away from the Soviet Union, of course, at least for 1 year, and, on the second hand, I was interested in the international law and the possibility of studying it in this organization, so I immediately answered, saying, "Thank you, and in due time I will inform you whether it is possible for me or not to accept your invitation"; and I reported the whole business to my superiors, to Foreign Commissar Litvinov.

They discussed it evidently in some quarters, this proposal; I did not know anything about it, and then I was informed that I had to write a letter to Carnegie Endowment in Paris thanking them for kind invitation and saying that my duties make it impossible for to leave Moscow right now, but I would recommend warmly a friend of mine, the employee of the same Foreign Office, a certain Mr. Hershelman.

Mr. KEELE. Let me get the spelling of that name.

Mr. BOGOLEPOV. H-e-r-s-h-e-l-m-a-n. I don't remember his first name.

I knew this Hershelman, and I met him in the Foreign Office, but, as a matter of fact, he was not an employee of the Foreign Office but of the Soviet Political Intelligence, which is known now under the name of MGB, the secret police, and with the foreign administration of this MGB, which is in charge of the Soviet spy activity abroad.

So this man was assigned with this mission of going to Paris and to study international law with the Carnegie Endowment for International Peace.

From the reports which I later saw from our Ambassador in Paris, this mission of Hershelman was again in connection with the same operation infiltration which I reported to you when I had spoken about the American matters.

I have to specify that in Europe, France, an infiltration into the French intellectual circles, universities, scientific societies, and foreign administration was one of the most important tasks which the Soviet Government, the Communist government, put before itself, so there were two major points of application of all efforts of infiltration and, as I call it, ideological sabotage: The first one was America, and in Europe it was France.

So they sent in France their most experienced people in order to promote the ideas which were favorable to the Soviet Union and to put in the French brains the wrong conceptions about the Soviet Union, its policies, et cetera, et cetera, et cetera.

Mr. FORAND. What year was that?

Mr. BOGOLEPOV. It was 1929 to 1930. You are asking, sir, about Hershelman's activities; is that right?

Mr. FORAND. That is correct.

Mr. KEELE. Why did they select America and France as the two countries on which they would concentrate their ablest men, Mr. Bogolepov?

Mr. BOGOLEPOV. Before they selected France, the main effort of the Soviet subversive operation was in Germany and, as you remember, before Hitler came to power, Germany was on the verge of becoming a Communist country; only in the very late moments, in the last moment, Hitler and his Nazis just pulled the rug from under the feet of Communists in Germany, and the Nazi terror, and physical extermination of German Communists and intellectuals which are connected with German communism, and it made Germany a lost thing for the Soviet cause. So they turned their attention to France and to England, but especially big efforts for infiltration were made in France. Evidently the reason was that France was more ripe for this kind of business.

Mr. KEELE. Did you finish your answer, Mr. Bogolepov?

Mr. BOGOLEPOV. I would like to add just one detail. When I was speaking about Hershelman, I would like to ask to take into consideration that maybe he was in Paris not under his name of Hershelman. It is not known to me, and I guess that it is of importance that, perhaps, he was doing his activities in Paris under another name.

Mr. KEELE. Do you know whether the man though got the scholarship or not?

Mr. BOGOLEPOV. No, sir; I don't know. I met Hershelman after he came from Paris in the middle of the thirties in Moscow. He told me something about his studies in this endowment in Paris, but I do not remember quite exactly—it was of no importance. Certainly he didn't tell me anything about his mission which was covered by his so-called scientific activities in Paris.

Mr. KEELE. The point is you do not know whether he received his scholarship under the name of Hershelman?

Mr. BOGOLEPOV. I don't know, sir.

Mr. KEELE. You knew him and knew him as Hershelman, but you do not know whether that was the name under which he proceeded under that scholarship?

Mr. BOGOLEPOV. I believe that still he called his real name because after a graduation from this Paris endowment he came for a short time to Moscow just in order to get a high assignment in the League of Nations. It was a time in 1934 when the Soviet Union was admitted to the League of Nations, and Hershelman became Deputy Secretary General of the League of Nations, and in this connection he was organizing the same business inside the Geneva organization, putting the Soviet agents and Soviet sympathizers in all important positions inside the League of Nations.

Mr. KEELE. Do you recall whether or not Mr. Gromyko was in the Soviet Embassy in Washington at the time that these dispatches to which you have testified were being sent?

Mr. BOGOLEPOV. Yes, certainly. It was in 1939 and 1940.

Mr. KEELE. Was Gromyko instrumental in making contacts with the people that the Soviet Union wished to interest in their ideas? Did the reports so indicate that Gromyko was the man handling that?

Mr. BOGOLEPOV. You see, we have to take into consideration the difference in atmosphere in those days in this country and the present days.

In 1939 and 1940, at the time, which was your question, it was not necessary to be very careful with all these subversive operations. Mostly the contacts were made in the receptions in the Soviet Embassy, which were attended by several hundreds of Americans usually.

Now, as you know, they come to the Soviet Embassy in Washington only two, three, or four, with official duty of the State Department. But at that time, at the time of Gromyko and Oumansky, there were always several hundred Americans, and nobody saw anything bad in these visits, and these receptions were mostly used for contacting the people for carrying out the infiltration of the pro-Communist and pro-Soviet ideas into American public opinion.

So, in other words, everybody in the Soviet Embassy was, in one way or another way, connected with this business, but it wasn't necessary at that time to make such a careful distinction who was to make a subversive contact and who has to be just a career diplomat like it is today when the times are not so favorable for the Soviet subversive activities as they were before.

Mr. KEELE. At the time that Hershelman's name was submitted to the Carnegie Foundation, Carnegie Endowment, did you write the letter in which you recommended Hershelman's name when you declined to become a fellow or to receive the scholarship? Did you name Hershelman?

Mr. BOGOLEPOV. No; I did it through the Paris Embassy. They got the order that was for them to say that "Mr. Bogolepov can't take your kind—accept your kind invitation, but he recommends such and such a man," and there was no trouble. Hershelman left Moscow pretty soon after I was obliged to decline my own invitation.

Mr. KEELE. Do you know of your own knowledge whether or not the name submitted was that of Hershelman or was another name submitted?

Mr. BOGOLEPOV. No, sir; that I don't know. If I have written letter myself certainly I should, I would have known the name. But with this business, delicate business, you know, they never trust people to approach directly. They mostly use the organization like embassy to inform that.

Mr. KEELE. In other words, you did not actually write the letter; it was written through the Soviet Embassy in Paris?

Mr. BOGOLEPOV. That is right; in Paris.

Mr. KEELE. Has the Soviet Government been instrumental in getting fellowships for Latin-American students of their choosing from the foundations?

Mr. BOGOLEPOV. Yes.

Mr. KEELE. Will you tell us a bit about that and how they work in that respect.

Mr. BOGOLEPOV. In some of the top-secret letters we received in Moscow from Soviet Embassy in Washington, I remember reading the report about the assignment which was given to the Soviet Em-

bassy in Washington to use its influence with foundations I mentioned before in order to get into this country, I mean the United States, some members of the Communist parties of some Latin-American countries which otherwise were unable to get American visas. The list of the students was forwarded to Soviet Embassy, evidently—I don't know quite well how the operation was done—evidently through the Comintern people—perhaps through American Communist Party or through the Soviet representative in South American countries—I don't know how it was done, but anyhow the Soviet Embassy was in charge to try to influence the American Government, through the foundations, to give fellowships to the people from Latin America, which were members of the local Communist Party and, of course, trained Soviet agents. That is known to me from our secret files how this operation was—

Mr. KEELE. That was part of it, I take it, the program which was worked out—

Mr. BOGOLEPOV. That is right; yes.

Mr. KEELE (continuing). Which was worked out in Moscow?

Mr. BOGOLEPOV. That is right.

Mr. KEELE. Did you have any opportunities other than the one invitation to become a fellow or receive a scholarship? Did you receive any other opportunities to talk to or talk with or address societies, American societies or societies that had branches in America?

Mr. BOGOLEPOV. During my work for the Soviet Government, you mean?

Mr. KEELE. Yes; during that time.

Mr. BOGOLEPOV. Yes. For example, I was working on a project connected with the German reparations and allied debts, and I know that one of the reputed American scientific organizations in Washington was also working in the same field. It was the Brookings Institution, so I have written a letter in my capacity of a member of the Soviet Foreign Office asking them for giving me the documents they have, and I immediately received in a very polite form and very promptly all I need, a bunch of documents and papers. They were not, of course, any secret documents, I would tell you, that were sent. There was official publications, a result of the American research of the problem.

All I want to say is that in my capacity as a member of the Soviet Foreign Office I always meet a very kind and receptive answer from the American organizations which I addressed from time to time. That is just one example.

After I was able to desert the Soviet cause, and when I came to the west after the end of the war, I make myself some efforts to contact the same organizations, Carnegie Endowment, and Rockefeller, and Brookings, and Guggenheim, and a lot of others, whom I have written in rather naive mood that now I am not under duress and pressure, now I am again myself, without an obligation to the cause which was always strange to me, I would like to have the opportunity to help with the knowledge I have about the Soviet Union, its subversive activities, real aims, et cetera, et cetera, et cetera.

I started to make my applications and appeals in 1946, 1947, writing the letters. The result was always negative. The reason was different.

Sometimes they thought it would be only for the American citizens, sometimes they have no funds, sometimes they simply did not answer,



but with all these various reasons the result was one and the same—I was always rejected, and this difference of treatment of the same person certainly astonished me very much.

When I was a member of an organization which was hostile to this country and to the western world, in general, I was always welcomed, assisted, helped.

When I come to the western world with intention to act as ally, as a friend, I was always rejected. It is my impression that I had to pierce not one iron curtain when I escaped from the Soviet Union but actually two iron curtains, and I am still piercing through this iron curtain which exists even in this country around some of the American organizations.

Mr. KEELE. To what do you attribute that, Mr. Bogolepov? I am talking now about the resistance that you find to any attempts to work with the same organizations which invited you to work with them at the time when you were with the Soviet Government? What is the cause for that or the reason?

Mr. BOGOLEPOV. What is the cause? I am much afraid that what is happening now with me and with hundreds of other Russian refugees from the Soviet Union is just a kind of revenge for the work which I have done myself when I was with the Soviet Government.

Mr. KEELE. Revenge on the part of whom? I mean, who is taking out this revenge?

Mr. BOGOLEPOV. So to say, I am hit by myself, for while working for the Soviet Government I was obliged against my will—I as obliged to help the infiltration of the pro-Communist and pro-Soviet ideas in the brains of the western people, and when I come here myself I just meet the results of this work. What I didn't know, what amazed me—

Mr. KEELE. May I interrupt you for a moment? You mean by that, as I understand it, that having helped carry out the plan of infiltration when you were with the Soviet Government, and that plan having succeeded, to some extent, now when you come here and try to work with those organizations you are met by the resistance from those who have infiltrated through your previous efforts?

Mr. BOGOLEPOV. That is right; that is exactly what I meant, yes.

I would like to act—

Mr. SIMPSON. On that point, you mean the people who wrote you the letters were the ones who had infiltrated?

Mr. BOGOLEPOV. I beg your pardon?

Mr. SIMPSON. You mean the people who wrote you and refused to meet with you—

Mr. BOGOLEPOV. Yes.

Mr. SIMPSON (continuing). Are they the ones that you say had infiltrated?

Mr. BOGOLEPOV. It is my guess; I have no other explanation.

Mr. SIMPSON. Well, who were those people that wrote the letters and would not meet with you?

Mr. BOGOLEPOV. The people whom I have written to in these organizations.

Mr. SIMPSON. Are you talking about the heads of the foundations in this country?

Mr. BOGOLEPOV. I sent simply my letters; I didn't know any by name, you know.

Mr. SIMPSON. Do you have the letters?

Mr. BOGOLEPOV. The letters?

Mr. SIMPSON. Yes.

Mr. BOGOLEPOV. What do you mean do I have letters?

Mr. SIMPSON. You said they wrote to you.

Mr. BOGOLEPOV. Oh, yes,

Mr. SIMPSON. And made excuses why they could not meet you.

Mr. BOGOLEPOV. I have these letters until last fall.

Mr. SIMPSON. To whom did you write?

Mr. BOGOLEPOV. I write simply Carnegie Endowment, Rockefeller Foundation.

Mr. KEELE. Would you explain one point? You said you had letters from them, replies from the Carnegie Foundation, Carnegie Endowment, and others.

Mr. BOGOLEPOV. That is right.

Mr. KEELE. And you said you had those letters until last fall; is that right?

Mr. BOGOLEPOV. That is right, sir.

Mr. KEELE. Will you explain why you haven't them now or what happened to the letters?

Mr. BOGOLEPOV. Last fall I was in Paris, and I have executive session of Senate Committee for Internal Security in Paris.

Mr. KEELE. The McCarran committee?

Mr. BOGOLEPOV. That is right, the McCarran committee, and when I come back to the place of my living in Germany I discovered that my apartment was searched by some people who extracted the most important correspondence and papers I had; they disappeared. All my correspondence with McCarran committee before I came to this country, and my correspondence with the foundations and some other letters with American intelligence, with the Attorney General in this country, the FBI, they also were disappeared. That is the reason why I was obliged to say that I had this correspondence, but I have not it right now.

Mr. FORAND. Do you mean by that that you were living in Germany at the time that you were summoned to Paris to appear before the Security Committee?

Mr. BOGOLEPOV. That is right, sir.

Mr. FORAND. And while you were in Paris somebody entered your apartment in Germany and rifled your files and picked from your files those important letters that we are talking about?

Mr. BOGOLEPOV. That is right; yes.

Mr. KEELE. However, the copies of those letters, your letters to the foundations and their copies of their reply, are presumably in the possession of the foundations to which you wrote?

Mr. BOGOLEPOV. I presume; yes. Only you have to look, the letters are signed not by my proper name but by name of Ivar, and the last name is Nyman. That is the name under which I was living until I came to this country.

Mr. KEELE. Mr. Bogolepov, did you make it clear to the foundations that you were the same person with whom they had communicated prior to that time, I mean when you were in the Soviet Government?

Mr. BOGOLEPOV. In my first letters I didn't do it because of the danger of such revelations, especially inasmuch as I was informed

that we have Soviet agents inside these organizations. But in my last letters written, say, 1950, I already was quite informative.

Mr. KEELE. And you revealed the fact that you had been with the Soviet Government, in those latter letters?

Mr. BOGOLEPOV. That is right; yes.

Mr. KEELE. What foundations did you write to? The reason I ask this is so that we may check with those foundations.

Mr. BOGOLEPOV. I have written to New York, to Carnegie Endowment, and Rockefeller Foundation; I have written also a letter to Guggenheim Foundation or Fund, and to some of the universities in this country.

Mr. KEELE. Do you remember what universities?

Mr. BOGOLEPOV. Yes, I remember. Columbia, the Russian Institute of Columbia—

Mr. KEELE. The Russian Institute of Columbia, yes?

Mr. BOGOLEPOV. And the Russian Institute of Harvard University.

Mr. KEELE. The Russian Institute of Harvard University?

Mr. BOGOLEPOV. That is right. Then, the Hoover Center or School in Stanford, the Hoover Library, I guess—the Hoover Library.

Mr. KEELE. The Hoover Library?

Mr. BOGOLEPOV. Yes, sir.

Mr. KEELE. At Stanford?

Mr. BOGOLEPOV. At Stanford; yes.

Mr. KEELE. Have you made any other efforts to get in touch with the foundations since writing those letters, I mean, have you called upon them, gone to see them personally?

Mr. BOGOLEPOV. No; I couldn't before I came to this country.

Mr. KEELE. Since you have come to this country?

Mr. BOGOLEPOV. No; I didn't. It was not, in my opinion opportune.

Mr. FORAND. When did you come to this country?

Mr. BOGOLEPOV. In April 1952, this year.

Mr. FORAND. Thank you.

Mr. SIMPSON. If you misled the foundations when you were working for the Soviet, and got them to give fellowships to your favorites, why would you think they would trust you now when you want to come to them with another story? Why would they welcome you with open arms after having misled them as a part of your duty as a Soviet representative?

Mr. BOGOLEPOV. Would you please repeat your question once more?

Mr. SIMPSON. Why do you think these foundations which you had misled—

Mr. BOGOLEPOV. Yes.

Mr. SIMPSON (continuing). When you were working for the Soviet Government should now welcome you with open arms on your statement that you have changed your position?

Mr. BOGOLEPOV. Well, I think that they have at least to make a proof of sincerity of my change. If they were really interested that it what they should do.

On the other side, even if they didn't trust me or were confused about my personality, at least they could accept the information which I wanted to put into their hands, but they turned down not only me personally but they turned down any cooperation with me. They even didn't want to receive any information, any facts from me.

Mr. SIMPSON. Do you state that these people who turned you down are individuals who have infiltrated into the foundations?

Mr. BOGOLEPOV. I can't say that, sir; I don't know.

Mr. SIMPSON. All right; thank you.

Mr. BOGOLEPOV. I have only general impression; I am thinking logically, and thinking logically, I believe that the reason of my turning down was that in this foundations still were people who disliked me being an anti-Communist, while they liked me being a Communist, but I can't say anything about any person; I simply don't know.

Mr. FORAND. You are of the opinion then that some of those who have infiltrated the foundations knew of your application to the foundation for some assistance or some cooperation, and used their influence to have you turned down; is that the idea?

Mr. BOGOLEPOV. That is possibly it; yes.

Mr. KEELE. Do you know whether other persons situated similarly to yourself, that is, those who have been in Soviet service and have escaped, have had a similar experience?

Mr. BOGOLEPOV. Yes. It is my impression that in the Western World, especially in the years immediately after the end of the war, it was a general trend and favorable to the Russian anti-Communist. I am not—the story of mine I told you is not an exception; it is a general rule. I could quote you not one but hundreds of cases of Russians from the Soviet Union holding various—who were holding various positions with the Soviet Government, Red Army, et cetera, et cetera, et cetera, and who wanted to establish a cooperation with the western organizations, and just got held over in the same kind of iron curtain I mentioned to you in my own case.

Mr. FORAND. You mean by that that there were other refugees in the same classification as you are who have sought to help the American Government through these various institutions but they are running up against a roadblock?

Mr. BOGOLEPOV. That is what I mean exactly. The majority of them are still in Germany, still in the most horrible material conditions and of life, and completely frustrated. They are not only rejected in their cooperation, they even are rejected a decent way of life, and this almost 10 years after they left the Soviet Union.

Mr. KEELE. Didn't I understand you to say at one time, Mr. Bogolepov, when you were speaking with me, that it was particularly hard for those with intellectual training or formal training who had gotten away from the Soviets to get over here, but that the manual workers had no difficulty in coming here?

Mr. BOGOLEPOV. That is what I exactly mean. The whole program of UNRRA, IRO, and other refugee organizations was to help to come to this country those people who was not of very great help to this country. The manual workers, the farmers, the people who will clean up the streets, they were admitted pretty easily to this country, but it is my impression that the whole program of bringing the so-called DP's to this country was organized in such a way so as not to allow to come to this country the intellectuals from the Soviet Union who might be of greater assistance to this Nation with their knowledge of the proceedings and methods and ways of subversive activity and politics of the Soviet Union.

I would even say that, perhaps, the majority of the most valuable people—I mean valuable from the point of view of their understanding of the Communist doctrine—are still in Germany, still in the face of being rejected for their application for immigration, whereas you brought to this country the hundreds of thousands of men and women who are helping you only with their hands and not with their brains.

By saying so I would not, of course, have any objections about the humanitarian, the big humanitarian American action in bringing unhappy people who are refugees from Eastern Europe to this country. I only want to say that behind the UNRRA and IRO operations here there was people whose aim was not to permit to come into this country men who, like me, would assist your investigations, your struggle for purging this country from the Communist infiltration.

Mr. SIMPSON. In what way would recognition by a foundation help the individual get into this country, if at all?

Mr. BOGOLEPOV. It was more than easy. If a man, a DP, could have an invitation from a foundation, a fellowship or, let us say, through a foundation a fellowship from some American university, it was a matter of a couple of weeks coming into this country, because according to the immigration law he would be a nonquota immigrant, and it was really a business of coming to this country in a couple of weeks in this case.

Mr. SIMPSON. Would that include an individual who had been refused admittance on the part of the military authorities in Germany who had been refused permission to leave Germany?

Mr. BOGOLEPOV. You mean because of security risks?

Mr. SIMPSON. Yes.

Mr. BOGOLEPOV. Perhaps, in this case it would be more difficult, but not everybody has such a rich past as I have. There were a lot of people, professors from the Russian universities, who are still in universities, who weren't even members of the Communist Party, and who are still rejected admission to this country.

Mr. SIMPSON. Yes. I am thinking of them, and so they are, perhaps, for the reason that they want to enter into this country, working on the foundations to secure recognition there?

Mr. BOGOLEPOV. Yes. I remember in this connection the words which Soviet Foreign Minister Vishinsky pronounced in 1945 on the First Assembly of the United Nations, while requesting the repatriation of the refugee DP's back to the Soviet Union, he said that the Soviet Union can't admit that a refugee from the countries now under Communist domination could go into the western world and to disseminate their anti-Communist ideas. He said, "We have to stop it; we can't admit it." These words were said in 1945 and, as you see, they were not mere words, they were put into practice.

Mr. FORAND. Might it be that the reason why it is more difficult for the intellectuals than the so-called peasants to come into this country is the suspicion that because they are intellectual, because they know more of what was going on, that they might be used for subversive purposes, and are just posing as people anxious to come to this country to get away from the Soviet domination? Do you think that might have something to do with the reason why it is so difficult for them to come through?

Mr. BOGOLEPOV. Certainly, sir, and I wouldn't deny that such approach would be only reasonable. What I want to point out is that this reasonable approach was exaggerated by the people who have malicious intention to bar the Russian anti-Communist coming into this country and to help American people to fight communism.

Mr. FORAND. Would you suspect that in those organizations that had the say as to who would come and who would not come that it is possible that there has been infiltration there, and the Communist hand is at work?

Mr. BOGOLEPOV. I have not only suspicion, I know that they have infiltrated, I mean UNRRA, IRO, and other international and American organizations which are working on refuge projects in Germany.

Mr. FORAND. And for that reason they want to keep out of America those whom they think might be helpful to America?

Mr. BOGOLEPOV. That is right.

Mr. FORAND. Thank you.

Mr. KEELE. Have they made any effort to force you to leave this country, Mr. Bogolepov?

Mr. BOGOLEPOV. I beg your pardon?

Mr. KEELE. Has any effort been made—

Mr. BOGOLEPOV. Yes.

Mr. KEELE (continuing). To get you out of this country, to get you out of America?

Mr. BOGOLEPOV. Yes, sir.

Mr. KEELE. What is the nature of those efforts, and so far as you know who made them?

Mr. BOGOLEPOV. That is a very embarrassing question.

Mr. KEELE. All right.

Are there certain questions on security reasons that you would prefer not to answer here?

Mr. BOGOLEPOV. I would appreciate it very much if you wouldn't insist on me answering the question.

Mr. KEELE. I think, in view of the investigation we have made, that there are certain areas about which Mr. Bogolepov ought not to be pressed, and it is recommended to the committee that we not force the issue on that.

Mr. FORAND. All right.

Mr. BOGOLEPOV. Thank you.

Mr. FORAND. We thank you, sir, for the information you have given the committee.

The committee will now recess until 10 o'clock Monday morning.

(Whereupon, at 3 p. m. the committee recessed to reconvene Monday, December 22, 1952.)

# TAX-EXEMPT FOUNDATIONS

MONDAY, DECEMBER 22, 1952

HOUSE OF REPRESENTATIVES,  
SELECT COMMITTEE TO INVESTIGATE TAX-EXEMPT  
FOUNDATIONS AND COMPARABLE ORGANIZATIONS,  
*Washington, D. C.*

The select committee met, pursuant to recess, at 2:10 p. m., in room 1301, New House Office Building, Hon. Brooks Hays presiding.

Present: Representatives Hays (presiding), Forand, O'Toole, and Simpson.

Also present: Harold M. Keele, counsel to the committee.

Mr. HAYS. The committee will be in session.

Mr. Keele, will you call the first witness?

Mr. KEELE. Mr. Malkin. Mr. Malkin, will you stand and be sworn, please? There is a Bible right there, if you put your left hand on the Bible.

Mr. HAYS. Do you solemnly swear that the testimony you are about to give before this committee shall be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. MALKIN. I do.

Mr. HAYS. Be seated.

Mr. Keele, is the resolutions committee authorization to the subcommittee to administer oaths and to take this testimony a part of record?

Mr. KEELE. I am going to offer it, if I may. It is pursuant to the resolution of December 17, and we put this in the record, but I should like to read a column:

Being duly authorized by resolution of the committee dated December 17, 1952, I, Eugene E. Cox, do hereby appoint the following members of the committee to sit as a subcommittee for the conduct of committee business on call: Brooks Hays, Aime J. Forand, Richard M. Simpson. Brooks Hays is designated chairman.

Dated December 22, 1952.

*E. E. Cox, Chairman.*

Mr. HAYS. Mr. Keele, will you proceed with the examination of the witness.

Mr. KEELE. Mr. Malkin, will you give your name and place of residence and present occupation? Will you spell your name for the reporter, please?

## TESTIMONY OF MAURICE MALKIN, CONSULTANT WITH THE IMMIGRATION AND NATURALIZATION SERVICE, UNITED STATES DEPARTMENT OF JUSTICE

Mr. MALKIN. Maurice Malkin, M-a-l-k-i-n. My residence is 70 Columbus Avenue, New York City. I am employed with the De-

partment of Justice Immigration and Naturalization Service, as consultant.

Mr. KEELE. Where were you born, Mr. Malkin?

Mr. MALKIN. I was born in Russia.

Mr. KEELE. And you became a naturalized citizen of this country; did you not?

Mr. MALKIN. Yes, sir.

Mr. KEELE. And when was that?

Mr. MALKIN. On April 15, 1926, Supreme Court, New York City.

Mr. KEELE. Now it is my understanding that you were a charter member of the Communist Party in this country; is that correct?

Mr. MALKIN. Yes.

Mr. KEELE. And as of what date was it that you became a charter member?

Mr. MALKIN. September 1919.

Mr. KEELE. All right; and how long did you remain a member of the party?

Mr. MALKIN. I remained a member of the Communist Party from 1919 until 1937, and have functioned in front organizations until 1939.

Mr. KEELE. Was there a period when you were expelled from the party?

Mr. MALKIN. Yes.

Mr. KEELE. When was that, Mr. Malkin?

Mr. MALKIN. I was expelled from the party the beginning of 1937.

Mr. KEELE. And on what grounds or what was the purported grounds of your expulsion?

Mr. MALKIN. For plotting against the Communist Party, disagreeing with the Communist Internationale, disagreeing with the policies of the party, and disagreeing with the party leadership in the United States and its policies in the United States.

Mr. KEELE. Now what positions or offices have you held with the Communist Party, Mr. Malkin?

Mr. MALKIN. I have held the positions branch organizer, section organizer, member of the district committee, district control commission, that is the review commission as it is known now, member of the national committee, of the Trade-Union Educational League, which is the trade-union arm of the party, member of the national committee of the Trade-Union Unity League, directed trade-unions from 1930 up until 1937.

I was a member of national committee of International Labor Defense, member of national committee of the Friends of the Soviet Union, teacher in the workers' school and assistant manager of the Daily Worker, and other posts and organization section of the district in Chicago and other arms and posts of the party.

Mr. KEELE. Were you ever connected with the so-called Agit-Prop, the Agitation Propaganda Culture Commission?

Mr. MALKIN. Yes; I was a member of that in New York City.

Mr. KEELE. What is the function of the Agit-Prop?

Mr. MALKIN. The Agit-Prop is known as the agitation and propaganda department of the central committee and the party.

Its functions are to penetrate cultural organizations, to educate the membership in the party to recruit members and educate them into the party, to issue propaganda and agitation within the Communist-front organizations, to issue party propaganda amongst the party



organs and its affiliated organs, and in general carry on Communist agitation throughout in the American section of the party.

Mr. KEELE. Now then, the same functions are discharged by a commission or committee that now has a different name, isn't that true?

Mr. MALKIN. Yes, sir.

Mr. KEELE. And that is the cultural commission?

Mr. MALKIN. Yes, sir.

Mr. KEELE. And that has been the case since about, oh, somewhere in the 1930's; is that right?

Mr. MALKIN. Since about the late 1930's; yes, sir.

Mr. KEELE. Prior to that time it was known as the Agitation Propaganda Cultural Commission?

Mr. MALKIN. It was known as the Agit-Prop Commission.

Mr. KEELE. Now tell us what you know of the Agit-Prop Commission and where it functions, what level in connection with the general hierarchy of the Communist Party in the United States.

Mr. MALKIN. The Agit-Prop department is actually in charge and does the work in distribution of propaganda, penetration of cultural groups, the agitation amongst cultural groups outside of the party, the penetration of fields like the movie industry, the writing industry, the book and publication industry, and all other cultural organizations in the United States.

Mr. KEELE. And you spoke a while ago of the group to which you had belonged or a subdivision, the control commission. Will you explain the functions of the control commission, or the name by which it now goes?

Mr. MALKIN. It is known at the present time as the review commission. The cultural commission is actually the boss of the party. They review, they check on discipline and conduct of every party member in the party from the lowest party member up to the highest, which is the national general secretary of the party. They are also in charge of reviewing finances of the party.

They are also in charge of gathering all the information that the organization department of the party gathers throughout the country through its nucleus, known as the units of the party, in navy yards, arsenals, factories, steel industry, metal industry, textile, shipping, radio, and every other industry, and they transmit the information to the control commission.

The control commission transmits it to the CI representative, known as the Communist Internationale representative, and to the Communist Internationale direct to Moscow, and that in turn is transferred to the military intelligence department of what they call the international control commission.

Mr. KEELE. As I understand it, the Agit-Prop Commission or committee made a definite effort to infiltrate various groups, intellectual groups; is that correct?

Mr. MALKIN. Yes, sir.

Mr. KEELE. Will you tell us how that came about and what you know about that generally, that program, in some detail?

Mr. MALKIN. Yes, sir. When the party was organized in the United States, there was a question of how are we going to raise the funds to finance the party in the United States.

Mr. FORAND. When was that?

Mr. MALKIN. 1919. In this country we had a representative, unofficial ambassador, Soviet Ambassador in the United States, known as Ludwig Martens who in 1936 presided at the Moscow purge trial of Zinovief and Bucharin and the other leaders that opposed Stalin. This Ludwig Martens came to the party and ordered us that instead of depending upon Moscow to finance the American party directly and at all times, we should try to work out ways and means of penetrating philanthropic, charitable, grants, foundations, and et cetera, and these organizations like social-service organizations, charitable institutions, and other cultural fronts, to try to penetrate these organizations, if necessary take control of them and their treasuries; if not, to at least penetrate them where we would have a voice of influence amongst those organizations, in order to drain their treasuries that they should be able to finance the Communist Party propaganda in the United States, besides the subsidies that will be granted by Moscow.

On a few occasions I watched in the offices of Ludwig Martens, the Ambassador here, when seamen used to come off ships, and they stood undressed in the offices of the Soviet Ambassador, and next to their bodies they used to unfold belts like money belts and take out diamonds, jewelry, that is the former czarist diamonds and jewelry and English money, because it was hard to bring in American dollars from Russia back into the United States, because they needed all the American dollars they could get over there.

It was during that period the Hoover Relief Administration, known as the American Relief Administration, in Russia, was in Russia at that time, and the Russian Government needed all the American dollars in Russia and they couldn't send them out of the country, so therefore the line was laid down by the Communist Internationale that it would penetrate those organizations and attempt to use those organizations for purpose of financing American propaganda here.

During that period we made a little headway, like trying to penetrate the Garland Fund at that period, known as the American Fund for Public Service. That's the name by which it was known. And there was another fund which was organized, that is the Phelps Stokes Fund.

In the Garland Fund we succeeded in placing a few Communists and fellow travelers at the controlling board or grant board, whatever they call it. That is William Z. Foster, Benjamin Gitlow, and a few others, sympathizers like Norman Thomas, and who sympathizes toward the Russian revolution, Roger Baldwin of the American Civil Liberties Union; he was just about released from Federal penitentiary at that time, was a draft evader or conscientious objector; Forrest Bailey, his assistant, was also a member of the party, and his later common-law wife, Adelaide Shulkind, who was later in charge of some other fund. I don't recollect the name of it at the present time.

There was another fund known as the Phelps Stokes Fund, and into that fund we had another direct member to go into, that is his own wife, Stokes' former wife, Rose Pastor Stokes, a charter member of the Communist Party and an original left winger, who actually immediately jumped on the bandwagon to welcome the revolution in Russia in 1917, even prior to the organization of the Communist Party.

Now in these two organizations the Communist Party actually succeeded in getting and milking these organizations dry until there was a little bit of stop put to it when Stokes divorced Rose Pastor Stokes.

Now the penetration of these organizations was succeeded by the Communist Party only to a certain degree. Up until about 1928 these organizations financed actually the Communist Party publications, known as the Daily Worker. At that time it was known also only as The Worker; The Young Worker, the youth publication of the Communist Party, the Masses, the Labor Herald, a Communist publication monthly and Novy Mir, the original Communist and Bolshevik publication in the United States, whose former editor was Leon Trotsky, Alexander Kolenti, Nikolai Bucharis, who was formerly its editor and actually the charter mouthpiece of the organization of the Communist Party of the United States.

Besides that, these two funds also helped to finance the organization of the Worker's School in New York in 1924, which was actually the training school for Communist leadership in the United States, which later was supplemented by what they call the Lenin Institute and Lenin School of Moscow.

Now in 1928, the sixth World Congress of the Communist International laid down a new line for the American party as well as the other parties outside of the Soviet Union, and they stressed the most important thing for the American party was first to penetrate all cultural organizations in the United States for the purpose of getting more and more funds out of these organizations, and that Moscow should not have to kick in funds every other week for organization work in the American Communist Party and for agitation work here.

The result was the organization first of fronts, known as the International Workers Order, which later became the Communist Party breadbasket, the money belt, with 160,000 members in the organization.

They also organized an organization known as the Friends of the Soviet Union, and Icor, the Jewish Colonization of Soviet Russia, and they milked all these Jewish organizations dry, on the basis of agitation that the Soviet Union is the haven for Jews all over the world, and that there is no persecution in Soviet Union, and it was actually a land of milk and honey for the Jews.

There were other organizations, such as Red trade-unions organizations, and Red trade unions and all these organizations like American Committee for Defense of Political Prisoners, the Friends of Soviet Union, International Labor Defense, and all other of these fronts here were mainly just links in the chain for the purpose of gathering money from these foundations and funds to milk them dry, for the purpose of helping these organizations carry on Communist Party activities.

Now we succeeded in organizing these organizations during that period, but we supplemented and we started on a bigger scale after 1928, Sixth Congress of the Communist International. We began to penetrate more and more of these foundations, like the Marshall funds, Robert Marshall Fund, and other funds, and the Robert Marshall Fund immediately set up, helped to set up, organizations like the Farm Research Bureau in Washington.

They granted funds to the Labor Research, which was being run by Robert W. Dunn, member of the committee of the Communist Party ever since its inception.

In the Washington office we had a man by the name of Harold Ware, who later became famous in the Hiss case.

Mr. KEELE. Who is he?

Mr. MALKIN. He was the son of Mother Bloor, known as the mother of the American revolution, who died about a year ago. She was a member of the committee since its inception.

Harold Ware was in the United States since 1920, and when Lenin sent a letter to the American party criticizing the American party for lack of initiative in working among the agrarian elements in the United States, or among the farmers, Lenin sent a letter to the American party stating the following. He said:

Aren't there any farmers in the United States; and if there are any, send me a representative and I will study the situation in the United States and will act accordingly.

Harold Ware was sent to Moscow and he received an appointment by Lenin to work among the collective farms, at that time the first collective farms in the Soviet Union, and he became an expert in the Lenin School and the Frunze Institute, the Military Academy of Espionage, and also in the Marx Engels Institute.

He was sent back to the United States to carry on agitation propaganda, and to guide the penetration within the State Department, Agriculture Department, and other Government agencies, in accordance with the decisions of the Communist International.

Mr. KEELE. Now, what success, if any, did the Communist Party have with foundations, other than the Phelps Stokes, the Garland Fund, and the Robert Marshall Fund?

Mr. MALKIN. They also penetrated the Hechsher Foundation. They penetrated there through the organization of the clerical staff and the higher echelon in that foundation, and attempted to get many fund foundations, which they did get, for the support of different Communist fronts, known as what they called the Clerical Workers Industrial League or similar organization of that sort, or Workers Laboratory Theatre, or by granting them free rent in their buildings on Fifth Avenue and a hundred and some-odd street, New York.

Mr. KEELE. Any other foundations that they succeeded in obtaining funds from, or penetrating?

Mr. MALKIN. They did numerous foundations, which is hard for me at the present time to enumerate for you, until I will be able to recognize the person that was in there.

Mr. KEELE. Do you know of any foundations other than those you have mentioned where there were Communists or Communist sympathizers on the board of trustees?

Mr. MALKIN. Yes. There is the Marshall Field Fund with one who has been so close to the party that it would take actually more than Chicago surgeons to separate them. They are more than Siamese twins, between him and the party. That is Channing Tobias. He has been so close to the party that I think he lives on the ninth floor of the Communist Party headquarters. He's been in, all told, about forty-some-odd fronts of the Communist Party.

Mr. KEELE. I think we talked to Mr. Field about Mr. Tobias when he was here. Any other trustees that you know of?

Mr. MALKIN. There was Magistrate Weiss Polier and her husband Polier, who were also members of the International Juridical Association, an organization which I had helped to organize.

Mr. KEELE. Tell us something about the International Juridical Association.

Mr. MALKIN. We received orders from Jack Stachel and William Weiner, actually known as William Varshover, who was sentenced to prison for passport fraud in 1939, and he was released from prison due to heart trouble and intervention of Mrs. Roosevelt. He gave us strict orders and these orders were actually given to him by the CI representative.

He called a meeting at 799 Broadway, the same building where I had my offices in International Labor Defense, and it was in Joseph Brodsky's office.

Present at the meeting was Carol Weiss King, Isaac Shore, Joseph Brodsky, myself, Ellen Taub, Schreiber, Edward Kuntz, all members of the Communist Party except Isaac Shore, who was very close to the party, and later broke with the party for disagreement with them on a question of proper method of defense of different people charged with violation of city ordinances and Government regulations.

And we decided to organize an organization that would be of an international scope that would be able to defend what they call victims of fascism and nazism. We organized this committee. We called it the International Juridical Association.

This committee, in 1933, when Hitler came into power in Germany, immediately sent a group of lawyers under its auspices. One of them was Galligher, from California, an attorney. Another one was Levinson. The third one was Arthur Garfield Hays, of the Civil Liberties Union, and Pritt, King's counsel, member of parliament—I think he was a member of parliament—and member of the Central Committee of the British Communist Party, to go to Germany to act as impartial jurors and lawyers in the defense of Dimitroff Popoff, Taneev, and Torgler, member of the German Reichstag, who were all charged with the burning of the Reichstag.

These groups of lawyers were sent to Germany to defend them and to prove that actually Himmler and Goebbels were the ones that set fire to the Reichstag and the Communists were innocent. Later this organization actually worked in the gathering and getting in of innocent attorneys and lawyers playing up to them that this was simply a plain, simple, innocent group of attorneys who were banded together for the defense of the underdog.

They penetrated in quite a few sections of the country, Canada, Mexico, and England, and some sections of France and Belgium. They gathered these lawyers into that organization and actually used these lawyers for Communist purposes.

A lot of these attorneys later joined the Communist Party. Most of them that remained to the end became very close Communist sympathizers, very close frontiers, and have followed the Communist Party ever since in every front that the Communist Party organized up to the present day.

Now that organization later changed into the National Lawyers Guild, because it was becoming too notorious as a Communist organization. The result of that was that Judge Pecora, Supreme Court Judge Pecora, in New York, resigned from that organization, claiming that this was a Communist front and he doesn't want to have anything to do with it.

Quite a few other attorneys resigned, but those hard-boiled Communist frontiers and Communist Party followers remained throughout

the period of International Juridical Association and the National Lawyers Guild up to the present day.

Mr. KEELE. Did Adolph Berle resign from that organization?

Mr. MALKIN. I do not definitely know whether he did.

Mr. KEELE. A number of prominent lawyers did, I believe.

Mr. MALKIN. Yes; a number did.

Mr. FORAND. Did you say that was the International Lawyers Guild or the National Lawyers Guild?

Mr. MALKIN. National Lawyers Guild.

Mr. KEELE. The International Juridical Association; the National Lawyers Guild.

Mr. FORAND. Before you go any further I would like to ask this: You said that you were expelled from the Communist Party because you disagreed with their program and their views, and so forth. How did you arrive at the point where you couldn't see eye to eye with them and reached this point of disagreement?

Mr. MALKIN. Well, actually, to begin my disagreements with the party, I was sentenced to from 2½ to 5 years in prison in New York State for activities in a furriers' strike in New York City.

While at Sing Sing I had a good opportunity to restudy the Communist literature and the Communist program and also borrow books from the prison library on real American history, and I restudied that, and upon my release from prison—

Mr. FORAND. Right there, you said Communist literature, and so forth. Did you take that into the prison with you or was that furnished to you?

Mr. MALKIN. I used to receive that by mail direct from the publishers.

Mr. FORAND. And there was no interference with that coming to you?

Mr. MALKIN. No interference at all as long as it came direct from the publishers.

And upon my release I already had a certain amount of what we call in immigration language mental reservations as to the wisdom of the Communist Party, because I was already convinced, more through reading, rereading the American history, than I was by the wisdom of the Communist International, and when I was released from prison I became reactive in the Party, and at the same time restudied the Party and see its functions in a more clear light than I did prior to my conviction.

During the latter period of the thirties I began to agitate my thoughts among the membership of the party and the leadership of the party. As a result we used to gather at my house and discuss the method of smashing the party from within.

Actually I used to show some of these leaders and some of these rank and filers the wisdom of Stalin in his guiding of the American affairs wasn't so hot for us, that he is actually smashing the labor movement in the United States, that he is endangering the existence of the American workers, that he is endangering the existence in general of the American population and the things that the Americans fought for throughout their lives; and also showing them the misery of the conditions in the Soviet Union, the misery and what they call from the intellectual as well as the practical point of view, showing

where the worker in the Soviet Union is actually starving, he actually hasn't got anything, and the difference in America where the worker has got a chance to better his condition and to live and to actually bring up his children properly and to give them free education, where in the Soviet Union he doesn't get those opportunities.

Now after showing up these facts to these people, one or two of them reported to the party.

As a result I was called to the National Review Commission, known as the Control Commission, to state my position, in which I walked out on them and refused to discuss the matter with them, and about a week later I sent them a statement analyzing my position, in which I labeled the Soviet Union as the roots of cancer in totalitarianism at the present time and since its inception in the world.

Mr. FORAND. So long as you felt that strongly in opposition to their program, why did you not leave the party, but rather waited until they expelled you?

Mr. MALKIN. To leave the party, you never leave the party voluntarily. Even if you leave it voluntarily you are expelled.

But, you see, just leaving the party without actually undoing the harm that I did while I was in the party, in my opinion, wasn't real political sense. So, I wanted to create dissension within the party and to show how dangerous the Communist Party actually is to our existence, by helping to break the party from within and to draw as many away from the party as I can.

Mr. FORAND. If I understand you correctly, you preferred to remain within the party, where you felt you could do more harm to the party and give more help to this country than if you had walked out on them originally; is that correct?

Mr. MALKIN. Yes, sir.

Mr. FORAND. Thank you. That is all.

Mr. KEELE. I think I interrupted you a while ago to ask about the International Juridical Association. You were telling at the time about trustees of foundations, trustees who were sympathetic to the Communist cause or who were members of the Communist Party.

Aside from those you mentioned—Channing Tobias as belonging to a number of fronts, one or two others—are there any other trustees of any foundations that you recall who were either Communists or sympathetic to the Communist cause, to your knowledge? What about the Whitney Foundation, for instance?

Mr. MALKIN. Well, I knew there was some people there, but I didn't know who they were.

Mr. KEELE. You have mentioned the Field Foundation.

Mr. MALKIN. There were some even went into the so-called—to the Carnegie Foundation, the Carnegie Fund, and to the Guggenheim Fund.

Mr. KEELE. Well, now you are talking about infiltration, not at the level of the trustees, however.

Mr. MALKIN. No; I don't think so.

Mr. KEELE. What about the Guggenheim Fund?

Mr. MALKIN. We used to receive reports in the party that we've got to concentrate more and more in order to gain more strength in the Guggenheim Fund until we soften them up more.

We did receive some support to our Communist fronts from them, but the plan was to soften them up more by penetrating more and more

in the Guggenheim Foundation through the clerical staff and also the middle and upper echelons.

Mr. KEELE. Well, now, the Guggenheim Fund, as I recall it, operates only to give fellowships.

Mr. MALKIN. That's right.

Mr. KEELE. That is to individual scholars. How could you get money for a front, a Communist front, if they only operate to endow scholarships?

Mr. MALKIN. They would help out one in getting a scholarship; but this person, actually while working, actually getting support under this fund or scholarship, would actually do Communist Party work.

Mr. KEELE. Do you recall any Communists whom you knew to be Communists who got support from the Guggenheim Fund?

Mr. MALKIN. I did remember a few, but I think I gave you some of the names there, or to Mr. Feeney.

Mr. KEELE. Well, there was Alvah Bessie, I believe you mentioned.

Mr. MALKIN. Yes; he was a member of the Communist Party, one of the editors of the New Masses, and he was one of those in the leadership of the Hollywood group, together with John Howard Lawson and the other group. He was actually an old-time member of the Communist Party, and his name appears in the New Masses.

Mr. KEELE. You mentioned, I believe, Thomas I. Emerson.

Mr. MALKIN. You mean Professor Emerson?

Mr. KEELE. Yes.

Mr. MALKIN. Well, Professor Emerson has been such a close supporter of Communist fronts that if anyone would tell me that he was actually a card-carrying member of the party it wouldn't surprise me a little bit at all, but he was so close to the party that it was hard to distinguish between him and a party functionary.

Mr. KEELE. What about Carlton Beal?

Mr. MALKIN. Carlton Beal has been a member of the party for years, a member of the New Masses editorial staff, a member of the editorial staff of Fight, and of the John Reed Club and the American Writers' Congress.

Mr. KEELE. Some mention was made of Langston Hughes.

Mr. MALKIN. Langston Hughes is a party member and has been since the middle 1930's. He has been in every Communist front that the Communist Party ever organized practically, and he was also a member of the National Committee for Defense of Political Prisoners, members of the national committee of International Labor Defense, member of the American Writers Congress, and member of every other front you could think of, and also the Civil Rights Congress.

Mr. KEELE. Another recipient to whom you referred was Hallie Flanagan. What about Hallie Flanagan?

Mr. MALKIN. Hallie Flanagan, I don't know whether she was actually a party member, but this is the same in charge of the Federal Theater Party during the Hopkins-Roosevelt Administration of the WPA. She never missed fighting for the demands that the Communist Workers Alliance put up; and we—that is, myself, Herbert Benjamin, Dave Lesser, Israel Amter, and the rest of us—used to meet with her quite regularly.

Mr. KEELE. What about William Gropper?



Mr. MALKIN. Gropper? I signed the application of William Gropper. The cartoonist; that's the one you mean?

Mr. KEELE. Yes.

Mr. MALKIN. I've known Gropper for years and years, and he was one of the early members of the Communist Party, and he began his career in the party by being cartoonist for the Morning Freiheit, the official Jewish organ of the Communist Party, and the official cartoonist of the Communist Party and Daily Worker.

Mr. KEELE. What is the relationship, if any, between the Daily Worker and the Worker?

Mr. MALKIN. At the present time?

Mr. KEELE. No. Was there a development?

Mr. MALKIN. Originally the Daily Worker was known as the Worker. It was a weekly. Then we established the Daily Worker as a daily organ and moved it from Chicago to New York, and I became its manager in New York. That's when we called it the Daily Worker.

During the 1930's we also established the Worker, known as the Sunday Worker, and the Daily Worker was the regular weekly daily paper.

Mr. KEELE. Now, was an effort made to penetrate or infiltrate foundations at levels lower than that of the trustees, shall we say, or even the heads, the operating heads?

Mr. MALKIN. Yes.

Mr. KEELE. If so, what was it and how was it done?

Mr. MALKIN. When the Communist International ordered the creation of Red trade-unions in the United States in competition with the American Federation of Labor and other organized labor bodies in the United States, we also organized what they call the Office Workers Industrial League, which took in clerical staff workers, file clerks, stenographers, bookkeepers, accountants, and management staff; I mean clerical management departments.

Now, when we decided to organize that, we also concentrated mainly on the clerical staffs of foundations, grants, and charitable institutions, social-service organizations, relief bureaus, et cetera; so that, when we organized that, we actually penetrated to the heart actually, or to the filing cabinets of the foundations and charitable institutions. So, we knew actually what was going on in those organizations and were able to act accordingly.

Mr. KEELE. Did you succeed in organizing the workers of certain foundations?

Mr. MALKIN. Yes.

Mr. KEELE. What foundations? What were the names of the foundations whose workers you organized under that union?

Mr. MALKIN. We organized the Hecksher Foundation, one. We organized what is called the Carnegie offices. We organized the Jewish philanthropic societies or organizations.

We organized the Jewish Social Service, the home-relief bureaus of the States and cities. Actually, we penetrated in any organization that did not give in to our demands—that is, demands of the Communist organized workers, the clerical staff—we immediately picketed those organizations as unfair and so on; and we used, in fact, the picket method and organization method as a club against these founda-

tions to enable us easier to get grants and funds from these organizations.

Mr. KEELE. What about the IPR?

Mr. MALKIN. The IPR came under the Communist influence during the beginning of the 1930's—that is, 1930-31—when Frederick Vanderbilt Field, who was actually a member of the Communist Party even then, although he played the game as a so-called militant left winger of the Socialist Party—and I personally was sent by party headquarters to his offices, somewhere on Fifty-second Street and Lexington Avenue, of the Institute of Pacific Relations—and Frederick Vanderbilt Field was, I think, secretary of that organization then—to get funds for the financing of the Communist organization trips.

I also made numerous trips to Corliss Lamont's house on Riverside Drive, for the same purpose.

But the IPR, through its secretary and others who played the ball of the Communist Party, actually was penetrated during that period.

Mr. KEELE. Well, you went to see them. Did you get money from Frederick Vanderbilt Field?

Mr. MALKIN. Yes.

Mr. KEELE. And Corliss Lamont?

Mr. MALKIN. He went outside the offices. He cashed a check and he gave me the cash. He wouldn't give me no check because that would be incriminating evidence that he is a Communist, and I was known as a party organizer at that time.

Mr. KEELE. On whose orders was the infiltration of the IPR begun, if any orders were given to that effect?

Mr. MALKIN. The orders were actually given to us at that time by a person named Michailoff, Stalin's personal secretary, who went under the name in this country of Williams. He was sent here to reorganize the American Communist Party and to expel all the "dissenters"—the dissenters I mean—such as the Lovestoneites.

Mr. KEELE. Now you are referring to J. Lovestone; is that right?

Mr. MALKIN. Yes.

Mr. KEELE. And the orders came from this chap Williams?

Mr. MALKIN. That's right, and he was the personal emissary of Stalin. Stalin did not even trust that job to anyone else, and he sent his most trusted emissary here.

Mr. KEELE. I think you told us at one time something about Michael Straight, of the Whitney Foundation. Am I correct about that?

Mr. MALKIN. Yes.

Mr. KEELE. What about Mr. Straight?

Mr. MALKIN. Michael Straight, is that the one you mean?

Mr. KEELE. Yes.

Mr. MALKIN. Michael Straight has been used. They originally started using him on the so-called committee that was organized to combat the John Dewey Committee that was collaborating with the Trotskyists to defend the Moscow trials; that is, those that were purged in the trials. In fact, they were favoring the Trotsky group.

Now, the Communist committee under the leadership of Carlton Beal and a few more, with Michael Straight, was organized to try to convince this committee that they're wrong.

That was a strictly Communist committee organized under the direction of the CI representative. And since then he has been

every Communist front practically—most important Communist fronts since its inception.

Mr. KEELE. In other words, as I understand it, there was an effort made to enlist his sympathy and assistance in that?

Mr. MALKIN. Correct. I doubt very much whether he is actually a card-carrying party member, because, with my experience in the party, I don't think he is the type that would actually bind himself by card-carrying discipline, but I might be wrong. Many things happened.

Mr. KEELE. At what point was the order given that an effort should be made to enlist the assistance of the intellectuals or to penetrate intellectual circles? At about what time, what date?

Mr. MALKIN. The actual penetration orders were given originally in 1920, but they were supplemented in 1928 at the Sixth World Congress of the Communist International.

Then in February 1933 Roosevelt recognized the Soviet Union and he signed the pact with Maxim Litvinov. That was February 1933.

Two months later, in April, we had an extraordinary party conference called together from all parts of the country, all important organizers of the party, and those orders were supplemented to actually concentrate more and more within Government, State, Federal, philanthropic organizations, churches, social organizations, and charitable institutions. In fact, to concentrate more and more and to try to get as many more converts into the party to build party units among these organizations.

And it was further supplemented in July 1934 at the Eighth Party Congress of the party, Eighth Convention of the American Communist Party held at Cleveland.

Mr. KEELE. Now, do you know on whose orders that was done?

Mr. MALKIN. Under orders of the Communist International commission in 1934, who at that time was—the CI was represented by Harry Pollitt, general secretary of the British Communist Party; Kuisinan, member of the Politburo of the Comintern, president of the so-called Karilian Soviet Republic in 1920, and they were the CI representatives in the United States at that time, and including Fred Brown, also known as I. P. Alpi, also known as Marini, who faded out of the picture after I named him as a Communist International agent in 1939 at the Dies committee.

Mr. KEELE. What do you know of Hans Eisler?

Mr. MALKIN. I know definitely that Hans Eisler was a member of the Central Committee of the German Communist Party. Hans Eisler, Gerhardt Eisler, his brother, and Ruth Fisher, a sister of Gerhardt and Hans Eisler, were all members of the German Communist Party Central Committee.

In 1927 Ruth Fisher broke with the Comintern and Stalin and supported Trotsky. As a result, she was expelled from the Communist International.

Gerhardt Eisler actually took over organization and hatchet work for the Comintern; that is, to liquidate the dissenters of the Communist International.

Anybody that was on the purge list of Stalin, he took care of it, whether it was in the United States, Germany, or even in China, where he was a Communist International agent for quite a few years.

Hans Eisler was in charge of agit-prop and cultural work of the German Communist Party, especially amongst what they called musicians, artists, writers, et cetera. He came to the United States, and we immediately received orders throughout the country—in fact, every party secretary received orders—to cooperate with Hans Eisler because he is a CI representative.

And Hans Eisler actually started organizing what they called Communist music festivals, Communist music sections, and literary circles. He was received with open arms in Hollywood by some of our Communist friends like Clifford Odets, John Garfield, and—for instance, Lionel Stander, whom I myself recruited into the party—people like James Cagney and Alvah Bessie and others.

As a result, Hans Eisler actually became what they called the cultural director representative of the Communist International in the United States in penetrating cultural groups.

V. J. Jerome, who is presently on trial in New York under the Smith Act, alias Roman Romain, alias Victor Romane, I think this was his real name, and who was national agit-prop and who is the one responsible for the central committee of the United States for penetration into cultural and civic groups all over the country; but Jerome actually had to report to Hans Eisler on his activities.

The real director in the United States was Hans Eisler, the CI representative on cultural activities in the United States.

Mr. FORAND. Did any of those men that you have just mentioned get into the foundations in any way or get funds from the foundations in any way, to your knowledge?

Mr. MALKIN. I think Hans Eisler. I am pretty sure Hans Eisler got funds from I don't know which foundation. I think it was the Rockefeller Foundation. I am not sure.

Mr. FORAND. If Eisler got any funds from any of the foundations, do you remember approximately what date that was? Was it before some of those activities were cited or some of these individuals or organizations were cited by the Attorney General or by any of the committees of Congress?

Mr. MALKIN. If my memory serves me right, I think he was given a grant or fund just about prior to his deportation from the United States, or leaving the United States.

Mr. FORAND. Had he been cited at that time?

Mr. KEELE. Facing deportation?

Mr. MALKIN. He was facing deportation at that time.

Mr. KEELE. Actually, his deportation was halted by the giving of that grant, was it not?

Mr. MALKIN. Maybe it was. I don't exactly recall.

Mr. FORAND. That was before this list was published, this list of subversive groups was published?

Mr. KEELE. Yes; before that.

Mr. MALKIN. Besides Eisler, we also had important people that used to travel in and out of the United States every few months.

One of those was Anna Louise Strong, who was supposed to have been expelled from the Soviet Union and who was formerly editor of the Moscow Daily News. Anna Louise Strong, to the best of my knowledge, was actually an agent of the GPU, agent of the Soviet Secret Police, who traveled back and forth to the United States and Russia under a guise that she was a so-called semiliberal representing

liberal views, and as soon as she would arrive in the United States, she would report immediately to Alexander Trachtenberg, 381 Fourth Avenue, the offices of the International Publishers, and she immediately handed over information and gathered information for relay to the Soviet Union before she would leave the United States.

Mr. KEELE. Trachtenberg was on the Cultural Commission; was he not?

Mr. MALKIN. Yes; he was on the Cultural Commission, but he was also on the most powerful commission known as the Review Commission and Control Commission.

Mr. KEELE. What about this chap, J. B. S. Hardman?

Mr. MALKIN. That's Salutzsky.

Mr. KEELE. Yes.

Mr. MALKIN. J. B. S. Hardman was a member of the Communist Party during its illegal period from 1919 to 1922. He broke with the Communist Party and fought the Communist Party and went into the Amalgamated Clothing Workers around 1922 as educational director, and editor of its official organ, I think it was Advance, and he has remained with the Amalgamated and against the Communist Party ever since.

Mr. KEELE. So that the only period when Hardman was with the Communist Party was from 1919 to 1922; is that correct?

Mr. MALKIN. That is correct, and prior to that he was a member of the left wing of the Socialist Party.

Mr. HAYS. The committee will be in recess for 5 minutes.

(A short recess was taken.)

Mr. KEELE. Did you know Mary Van Kleeck?

Mr. MALKIN. Yes.

Mr. KEELE. I am referring now to the Mary Van Kleeck who was on the staff of the Russell Sage Foundation.

Mr. MALKIN. That's right.

Mr. KEELE. What did you know of her?

Mr. MALKIN. She was a card-carrying disciplined member of the party, and took her orders from the party.

Mr. FORAND. Who was that?

Mr. KEELE. Mary Van Kleeck. And for how long a period was she a card-carrying member of the Communist Party?

Mr. MALKIN. I've known that she was a member of the party from about 1932 till about 1937, throughout the period, until about the time that I was out of the party.

Mr. KEELE. Did you ever have any conversation with her at any place?

Mr. MALKIN. No; but we discussed—she never appeared in district office to discuss party matters, but when it came to discussing the Russell Sage Foundation or different Communist fronts that we might need people to front for us, Israel Amter or Jack Stachel would also refer to comrade Van Kleeck and comrade Van Kleeck in the party language was actually a comrade, a party member.

Mr. KEELE. I have no further questions of you at this time.

Mr. HAYS. No further questions. Thank you, Mr. Malkin.

Mr. KEELE. Mr. Johnson, please.

Mr. HAYS. Mr. Johnson, will you be sworn, please? Do you solemnly swear that the testimony you shall give before this committee

will be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. JOHNSON. I do.

Mr. KEELE. Will you give your name, your address, and your occupation, Mr. Johnson?

**TESTIMONY OF MANNING JOHNSON, CONSULTANT, INVESTIGATION SECTION, IMMIGRATION AND NATURALIZATION SERVICE, DEPARTMENT OF JUSTICE**

Mr. JOHNSON. My name is Manning Johnson, 70 Columbus Avenue, New York City. At the present time I am employed as a consultant in the Investigation Section of the Department of Justice, Immigration and Naturalization Service.

Mr. KEELE. Mr. Johnson, were you ever a member of the Communist Party?

Mr. JOHNSON. Yes, I was a member of the Communist Party from 1930 until 1940.

Mr. KEELE. Will you tell us a bit about the ruptured relations between you and the party, if there was one?

Mr. JOHNSON. I joined the Communist Party because of my idealism. I thought that through the Communist Party I could help my race attain equal citizenship status in the United States.

During the course of the years my experiences convinced me that the Communist Party uses the Negro in order to carry out the aims and objectives of Soviet Russia, and that they would at any time, whenever it became expedient, sacrifice the Negro on the altar of Soviet political expediency.

In 1939, precisely in August, when the Nazi-Soviet pact was signed, I was convinced more than ever that the Communists are ruthless in their world policy, that millions of people throughout the world who had felt that the Communists were sincere in their campaign against nazism and fascism were disillusioned and sold out by Soviet Russia, because Stalin and his political bureau at that time felt it expedient to make a deal with Hitler even if it meant the sacrifice of all those persons who were succumbed to Communist general propaganda.

I, as a result of all of these experiences, decided that I had enough of communism, that I was going back to the old landmarks that I had deserted, and that I could not return to these old landmarks if I persisted in supporting the Communist movement. In other words, I realized that I could not serve my people, I could not serve America, and at the same time serve Stalin, any more than a man can serve God and Beelzebub.

That, in brief, expresses all or almost all of my reasons for quitting the Communist Party.

Mr. KEELE. How did that come about? By that I mean, how did the actual breach come about? Did you advise the party of your views, or were you let out of the party, or what happened, Mr. Johnson?

Mr. JOHNSON. Well, I gradually broke off by not attending meetings, and of course when you fail to attend meetings and you fail to make your services available to the party, then you begin to fall into disgrace insofar as the party is concerned.

I was called before the review commission. It was known as the disciplinary commission at that particular time, and they questioned

me at length with regard to my attitude toward the party, my failure to attend meetings, and remarks that I had made against the leadership and against the policy of the party, and they warned me that if I didn't straighten up and change my attitude and make myself available to the party for assignments, that I would find myself in serious trouble.

I didn't answer them. I walked out and I never returned again. In other words, I resigned from the party with my feet.

Of course, in 1940, either in July or August of that year, the Daily Worker published a small notice in the paper that I had been expelled from the party, but I had not been called before the Disciplinary Commission for a hearing. Consequently, the expulsion was made during my absence.

Mr. FORAND. Did you ever experience any of the threats, you might say, that they had made? Did anything come out of that? Did you find yourself in trouble?

Mr. JOHNSON. Yes, I did. I have been persecuted by the Communists ever since I left the party.

The methods of persecution which the Communists use against ex-Communists and especially those who cooperate with the Government and other agencies who are combating communism are very clearly and forcibly outlined in Peters' Manual on Organization.

Let me correct the name. It is called Communist Manual on Organization. In that manual J. Peters states in unmistakable terms that those who leave the party and turn against the party and work with the so-called enemies of the party are to be hounded and persecuted no end.

In the neighborhood in which they live the neighbors are to be aroused against them by telling the neighbors that they are enemies of labor, that they are stool pigeons, that they are spies, that in the case of the Negro that they are enemies of the Negro people.

The children of the parents in the neighborhood are to be lined up in opposition to the informer's children, and they should be instructed not to play with his children, and to constantly remind that they are the children of an informer, an enemy of labor, et cetera.

In addition to that, they use their influences in labor unions, fraternal organizations, and other groups in order to discredit the individual. That is what is known in the party as drilling the boat, that is, to assassinate the character of the individual no end, so that he will be hated and despised. J. Peters puts it this way: Organize mass hatred against the individual so that he will be not welcome anywhere.

In addition to these methods of persecution, they also use physical violence. On a number of occasions, why, individuals have sought to pick fights, and I had to very skillfully avoid them.

I could tell you the instance of the young man who was a Communist for many years. He was trained in the Lenin Institute in Moscow. He was a member of the national committee. He had some differences with the party. He left the party, and unfortunately he lived in a cooperative colony at 2800 Bronx Park, East, in the city of New York.

That colony is a Communist stronghold, and there the Communists were able to organize all of the neighbors against him and his family, the children in the neighborhood against his children. In fact, the children were so hostile toward his children that they would beat them.

They organized picket lines in front of the grocery store and butcher shop where his wife patronized, to compel the butcher not to serve her. They picked fights with him. They used their influence to knock him out of every job he got, to starve him and his family.

They hounded George Hewitt, whose alias is Tim Holmes, to his death. I might say this, incidentally: that he was on a case for the Government in Cleveland, Ohio, and he had a paralytic stroke. The Communists immediately smeared him by stating that he was insane, that he was in a psychopathic ward in the hospital, and that all of his testimony given in the cases was unworthy of belief because of his mental condition.

It is unfortunate that Tim Holmes died a comparatively young man, in my opinion hounded to his death by Communist persecution.

Our movements—I can say this for all of us who testify for the Government and cooperate with the Government in matters of this kind, that our movements—are restricted. We don't have the freedom of movement that you have.

We have to be very careful where we go and be careful to stay out of crowds, because we know that the Communist Party has many strong-arm men, men who are skilled in the use of the knife, the atomizer of acid, and with the blackjack. Particularly in New York we have to be careful when we ride in the subways not to get near the edge of the platform.

We have to stay in the middle of the platform because we constantly fear that someone will come along and bump us off in front of an oncoming train, and we stay out of crowds, because we could get a spray of acid or a knife in our kidneys.

I might also add that these are not just statements that are not without foundation. They are based upon our knowledge of the Communist Party and how it works.

There have been some other outstanding instances such as the assassination of Leon Trotsky in Mexico, the mysterious death of General Krivitzky, the mysterious disappearance of Juliet Stuart Poyntz, and a number of others I could mention to corroborate that.

Now coming back to myself personally, I was driven out of the labor movement. I am quite familiar with labor. I have been a labor official for years. I know labor organization. It has been my source of livelihood. But because of Communist infiltration in labor organizations, I haven't been able to work at the work in the field in which I am most qualified.

I point out this to show you the extent of Communist infiltration in the ranks of organized labor and how they use their position to persecute all of those who cooperate with the Government against them? I didn't mean to speak so much at length or to impose upon the committee.

Mr. KEELE. That is responsive to the question. Did you ever know Mary Van Kleeck?

Mr. JOHNSON. Mary Van Kleeck? Yes, I knew Mary Van Kleeck as a member of the Communist Party. I'll tell you the circumstances.

During the early part of 1930, I think it was either around 1934 or 1935, we had a meeting in the national office of the Communist Party.

Present at that meeting were Jack Stachel, who was convicted under the Smith Act, Earl Browder, Fred Brown alias Morini, which Mr. Malkin mentioned, Rose Wortis, Irving Potash and others, for



the purpose of outlining the arguments that the Communist Party was going to present before a committee in Washington.

Mary Van Kleeck's name was mentioned by Jack Stachel as the party member who would present the main line of the Communist Party before the congressional committee. Other persons, including myself, were selected to supplement the main line that was presented by Mary Van Kleeck.

The reason they gave for Mary Van Kleeck not being present at the meeting was because they did not want it to be generally known that Mary Van Kleeck was a member of the Communist Party, because if such information was generally known, she would lose her usefulness insofar as the party is concerned.

The imposing array of positions which she holds carries a lot of weight before congressional committees and in front organizations, and the party was determined to preserve that, because through the preservation of that front which she can maintain, means the attraction of many persons to the party that the party could not attract directly.

The report which May Van Kleeck, myself, and others gave before that congressional committee, were prepared for us by Robert W. Dunn, head of labor research, and who has for years been a member of the central committee of the Communist Party.

Mr. KEELE. And did you hear Mary Van Kleeck testify before the congressional committee?

Mr. JOHNSON. Yes, I did. I was present, the record will show.

Mr. KEELE. Do you remember what congressional committee it was, Mr. Johnson?

Mr. JOHNSON. I don't recall. I think it was a committee that was conducting hearings on an unemployment-insurance bill. I think it was the Lundeen bill, if I am not mistaken.

Mr. KEELE. And did you see the report that was prepared for Mary Van Kleeck?

Mr. JOHNSON. I didn't see the report. We were just given the reports that we were to make. They were already typed for us.

Mr. KEELE. And did you make that report as given you?

Mr. JOHNSON. I did.

Mr. KEELE. And was it in accordance with the report given by Mary Van Kleeck?

Mr. JOHNSON. That is correct.

Mr. KEELE. Now did you know at that time that she was an employee of the Russell Sage Foundation?

Mr. JOHNSON. I did.

Mr. KEELE. Was she at that time a trustee of Smith College?

Mr. JOHNSON. That I do not recall. I knew she had quite a number of important connections which I think are contained in the record of that testimony, and we made quite a to-do over the fact that she knew just how to present all of her connections in order to impress the committee.

Mr. KEELE. Have you ever met her any other time other than here at Washington?

Mr. JOHNSON. No, not personally; but I do know that she has been on a number of Communist fronts at one time or another.

Mr. KEELE. Did you talk with her here?

Mr. JOHNSON. No, I didn't talk to her; merely spoke to her and greeted her.

Mr. KEELE. Who were the other people that testified at that time who were furnished with reports by Dunn; do you recall?

Mr. JOHNSON. I don't recall offhand, but I know there were a number of others who were members of the party at that time. I would have to check the record on that.

Mr. KEELE. Do you know anything about Louise Branston?

Mr. JOHNSON. Yes, I do. Louise Branston, according to my personal knowledge, is a member of the Communist Party. She attended meetings from time to time of the national committee of the Communist Party, at which I was present.

Mr. KEELE. You knew her personally then?

Mr. JOHNSON. Yes. We sat in meetings together.

Mr. KEELE. And she was a trustee of the Rosenberg Foundation?

Mr. JOHNSON. Yes; I understand she was.

Mr. KEELE. I don't believe I have asked you what work if any you did in the Communist Party. Supposing you tell us something of the work that you did while you were a member of the Communist Party.

Mr. JOHNSON. I held some important positions in the party. I was for a period of time district agitation and propaganda director. That was the first most important position I held.

My second position was that of district organizer back in 1932, '33, and part of '34. Now the United States was divided into 35 districts at that time, and the district that I headed was district No. 4, which embraced the western part of New York State.

In 1936 I was elected to the national committee of the Communist Party. I was also a member of the national trade-union commission of the national committee of the Communist Party, the national Negro commission of the national committee of the Communist Party.

I was a member of the State committee of the Communist Party of New York. I was a member of the trade-union committee of the Communist Party of the State of New York. I was also a candidate for the political bureau of the Communist Party. I also held positions in the trade-union field.

I was the national Negro organizer for the Trade-Union Unity League, the left-wing trade-union center in America, the American section of the Red International of Labor Unions. I was also an official in the Food Workers Industrial Union and also in the American Federation of Labor and the CIO.

Mr. FORAND. Were you a full-time employee receiving a salary and if so, how did they remunerate you for your activities?

Mr. JOHNSON. Of course when in the trade-union field I was paid by the trade-unions. When I was the party official, I was paid by the Communist Party.

Mr. HAYS. What is your trade, Mr. Johnson?

Mr. JOHNSON. I beg your pardon?

Mr. HAYS. What is your trade? You spoke about your inability to reestablish yourself in the trade-union movement because of Communist infiltration. What are those groups by vocation?

Mr. JOHNSON. Well, I am qualified as a labor expediter, labor expediter-business manager.

Mr. HAYS. Well, I mean vocationally, what was your original trade?

Mr. JOHNSON. Well, originally I worked, I studied machine-shop work originally in high school, and I worked for a period of time as a machinist helper and as a boilermaker's helper and also as truck and tender repairmen's assistant.

Mr. HAYS. And it was these unions that the Communists managed to influence against you?

Mr. JOHNSON. Well, the unions that I was affiliated with, such as the Hotel and Restaurant Employees International Alliance, and Bartenders International League of America, the Communists were able to influence the top leadership in order to lift my charter and to finally have me expelled from the international.

Mr. HAYS. From the Hotel Workers?

Mr. JOHNSON. That is correct.

Mr. HAYS. And Bartenders?

Mr. JOHNSON. That is correct.

Mr. HAYS. At one time if not continually, the Communists had high hopes of influencing the Negro people, did they not, here in the United States?

Mr. JOHNSON. They did. Beginning at the Sixth World Congress in 1928 and the Communist International meeting in Moscow, made a bid to win over the Negro people in America in support of Soviet policy and in support of communism in America.

It was at that particular time that the program for the organization of Negro armed rebellion in America was outlined and later put in concrete form in a resolution that was handed down in 1930.

This is the famous resolution on the Negro question which says that the Negro people who reside in the area of the Black Belt, that is, the old Cotton Belt of the South, constitute an oppressed nation, and as such they are entitled to unify that entire territory and establish there an independent government separate and apart from the rest of the United States; this to be accomplished, of course, through the seizure of the land and mass revolt or rebellion against all constituted authority, this to be supported by Communists generally everywhere, the objective being to establish in that area a Negro soviet republic.

Mr. HAYS. That was an official objective of the party?

Mr. JOHNSON. That is correct.

Mr. HAYS. And they acquainted you as one of the Negro members of the party with that plan?

Mr. JOHNSON. That is correct. And the organizations that were to serve as the vehicles for the carrying out of this policy were the League of Struggle for Negro Rights and the Sharecroppers' Union. Of course, both unions were formed and led by the Communist Party.

Mr. HAYS. You have had evidence all along that the results, of course, were highly disappointing to the Communists?

Mr. JOHNSON. Yes; the results were. They did make tremendous inroads during the early thirties, precisely right after the unfortunate Scottsboro case.

I might say that the Scottsboro case was manna from heaven insofar as the Communists were concerned, because they were struggling in the barren wastes trying to get the Negroes, and they were looking for some issue that they could use that would have the attraction, the popular appeal, that they could use to sell communism to the Negro, and the Scottsboro case was just the case, as Browder said, that we were looking for to dramatize the policy that was laid down by the

Communist International in Moscow and published in the famous Negro resolution in 1930.

Mr. HAYS. Thank you. Go ahead, Mr. Keele.

Mr. KEELE. Mr. Johnson, do you know anything of the program we have heard about here for the infiltration of foundations among other organizations which was to be carried out by the Cultural Commission or the agit-prop committee?

Mr. JOHNSON. Yes; I do. I might say by way of introduction that the Communist Party had a number of ways of raising money in order to operate.

First, the Communist Party received substantial financial aid from Soviet Russia. Were it not for the support financially of Soviet Russia, Communist parties nowhere could carry on propaganda, agitation, and activity to the extent in which they do.

I think General Krivitzky, when he testified before the House Un-American Activities Committee, pointed out very clearly that the money that the Communist Party raises in a given country covers only 10 percent of their expenses for operation, and that the other 90 percent is supplied by the Soviet Government; and General Krivitzky was in a position to know, more so than anybody in the American party, because General Krivitzky was a high official in Soviet Intelligence at the time.

Now these subsidies come in many forms. They come in through the Soviet Embassy, through Soviet trade organizations, through couriers, through international press service, which was known at the time I was in the party as international press correspondents, subsidies from Soviet publications, travel organizations, and so forth.

Now the second source of funds comes from dues and assessments. The third source of funds comes from front organizations.

The Communist Party sets up various auxiliary or front organizations around specific issues that are attractive. They start out with legitimate issues that appeal, and on the basis of these legitimate issues they launch a tremendous propaganda campaign and take up collections of people, and the moneys that are collected are used for general Communist propaganda activities.

The fourth method is the milking of trade-unions. They gain control of trade-unions and they raid the treasury through the medium of getting the proper committees to appropriate moneys for various front movements like conferences for peace or conferences for civil liberties and conferences for housing, all of which seem on the surface legitimate, and moneys are voted out of the treasury of these unions for all of these front conferences and front committees and front groups, and in that way the Communists milk the unions in order to get the money in order to operate.

In addition to that, they put their lawyers in as legal counsel and they kick back. The officials that are Communists, they kick back a portion of their funds to the party.

Then they have wealthy people who are do-gooders or sympathetic, and they go to them and get large sums of money. In the party circles the leaders speak of them very cynically. They call them bleeding hearts.

Then another source is the foundations, of course. The foundations they find as quite lucrative, and they too are tapped in order to finance the work of subverting America.

Now in 1933 and 1934 there was discussion in the higher circles of the party with regard to finances, because in 1933 the Comintern to the American party issued the famous open letter which instructed the American party to break out of its narrow sectarian groove and broaden its base and to extend it, to reach masses of people in all walks of life so that the party could influence the trend in America in the way that Soviet Russia desired.

Specifically Earl Browder and William Weiner—Earl Browder incidentally was the general secretary of the Communist Party, and William Weiner was the national treasurer. William Weiner was also a member of the National Disciplinary Commission or Review Commission.

He was in charge of finances, and according to the reports that these two Communist leaders gave, that the party had established a special committee for the purpose of devising ways and means of raising additional money in order to carry on the work, and among those things that were listed were foundations.

A special committee had been set up, and this special committee had as its sole purpose the tapping all of the possible sources of raising finances, bleeding hearts, foundations, trade-unions, individuals, sympathizers, fellow travelers, and so forth.

In addition to this national setup, the leaders of the party in the districts and the States were to organize special committees to handle nothing but the question of finances. It was their duty and responsibility to raise money for the party so that it could function and it could operate.

Mr. KEELE. Do you know what foundations were tapped by the Communists for money?

Mr. JOHNSON. I was familiar, personally familiar, with the Garland fund, because it was mentioned on a number of occasions during the course of reports, and it was held up as an example of how they were able to use substantially all of the \$2,000,000 that constituted the Garland fund, and how it was used to finance the Daily Worker and the International Labor Defense, which is the American section of the International Red Aid, and a number of other campaigns of the party.

Of course, it has already been stated some of the people who were on the Garland fund. And they said that there are so much funds that can be tapped for finances in order to carry on the general work of the party, and therefore it was necessary, necessary for the party, to infiltrate these various foundations so as to be able to tap these sources of income.

Now, the infiltration of these various foundations is extremely important to the Communist Party, because the subversion of members of the board of directors, the subversion of members of the trustee board, enables them to arrange for these foundations to make grants to specific Communist-front organizations; for example, a research organization or a group to serve a public housing, set up by the Communist Party, or a committee to advance civil liberties for the Negro.

On the surface these seem like innocent harmless humanitarian causes, and by having a strategically placed person on the board of trustees or on the board of directors that can front for them they could so present the issue that the nonparty people on the board can

be convinced that this is a good cause and that a grant should be made.

Mr. KEELE. How could the foundations avoid that situation, Mr. Johnson?

Mr. JOHNSON. I think that the foundations can avoid that situation if they will go back and check the record of all of the grants that have been made to Communist-front organizations by their respective foundations.

Who brought in the recommendation? How was the recommendation made? What were the supporting arguments?

By getting that information you will know who the Communists are working through in that particular foundation. They will know whether it is a member of the board of trustees or a member of the board of directors or any of the lower echelons in the foundation.

And I think that if the foundations are sincere in their effort to cease and desist from contributing finances for the destruction of our country, they should be more than willing to ferret out that information and begin to clean house.

Mr. KEELE. Do you, in your opinion, believe that the foundations generally or specifically, if you have reference to any one or two or three foundations or more, have been infiltrated either at the top level, that is to say, the trustees or directors, or at the lower level of employees working for the foundations either as the operating heads or staff, have been infiltrated in any appreciable extent?

Mr. JOHNSON. Well, I do believe that the foundations have been infiltrated both on high and lower levels. That is my frank opinion, and that is based upon my personal knowledge of the Garland Fund and the Marshall Foundation, the Guggenheim Foundation, and the Rosenwald Fund.

There may be others that I at this particular time cannot recall, but I hold them as a typical example of what I am trying to stress.

Mr. HAYS. Now, the Rosenwald Fund is no longer in existence?

Mr. JOHNSON. I didn't know that, but I do know from past history that the Rosenwald Fund made grants to Communists, known Communists, and naturally if these foundations are making grants to Communist-front organizations and individual Communists who are prominent, it stands to reason that there is somebody on the lower or higher levels in those foundations who have the confidence of the other members and are able to put it over.

Mr. HAYS. Well, the Rosenwald Fund was limited entirely, wasn't it, to the Negro race, matters that would promote improved race relations and the economic and social well-being of the Negro people?

Mr. JOHNSON. Yes; the Rosenwald Foundation was established for a good purpose, and I think that I would be ungrateful indeed if I didn't say that they did make some substantial contributions toward the advancement of the Negro, particularly in the South, their contributions to Negro institutions of higher learning, and so forth, which of course is a matter of record.

But even while we take that into consideration, it does not negate the fact that they did make contributions to known Communists that I think should not have been made.

Mr. HAYS. Their very purpose made them more vulnerable than other types of foundations, didn't it? In the light of what you said about the target of the Communist Party in America, the Negro race, wouldn't that make them more vulnerable?

Mr. JOHNSON. Yes, it would; it would.

Mr. KEELE. Mr. Johnson, would you tell us something of your knowledge of the IPR and those connected with it whom you knew to be Communists, if any?

Mr. JOHNSON. Well, I know that the IPR was infiltrated during the period of my membership in the party. That was during the thirties. And that among those that of course were instrumental in infiltrating it was of course Field and of course Jaffe.

Mr. KEELE. Did you know Frederick Vanderbilt Field?

Mr. JOHNSON. Yes; I know of him. I've never met him personally, but I do know of him as a party member.

Mr. KEELE. How do you know of him as a party member?

Mr. JOHNSON. Because as a member in the hierarchy of the party his name was mentioned in the hierarchy as a member of the Communist Party.

Mr. KEELE. You mean in meetings other Communist members referred to him as a Communist?

Mr. JOHNSON. That's right; members of the national committee and the political bureau of the party referred to him as a party member.

Mr. KEELE. And who were those members in the political bureau, the national committee, that you referred to?

Mr. JOHNSON. Earl Browder, Jack Stachel, William Weinstone, Max Bedacht, Alexander Bittleman, William Z. Foster, Rose Wortis, Bill Gebert, J. Peters.

Mr. KEELE. And what about Corliss Lamont?

Mr. JOHNSON. Corliss Lamont was also spoken of in the higher circles of the party as a member of the Communist Party.

Mr. KEELE. Was an effort made to your knowledge to infiltrate the Foreign Policy Association?

Mr. JOHNSON. I understand there was.

Mr. KEELE. Did you have any first-hand information of that or not?

Mr. JOHNSON. No; I did not.

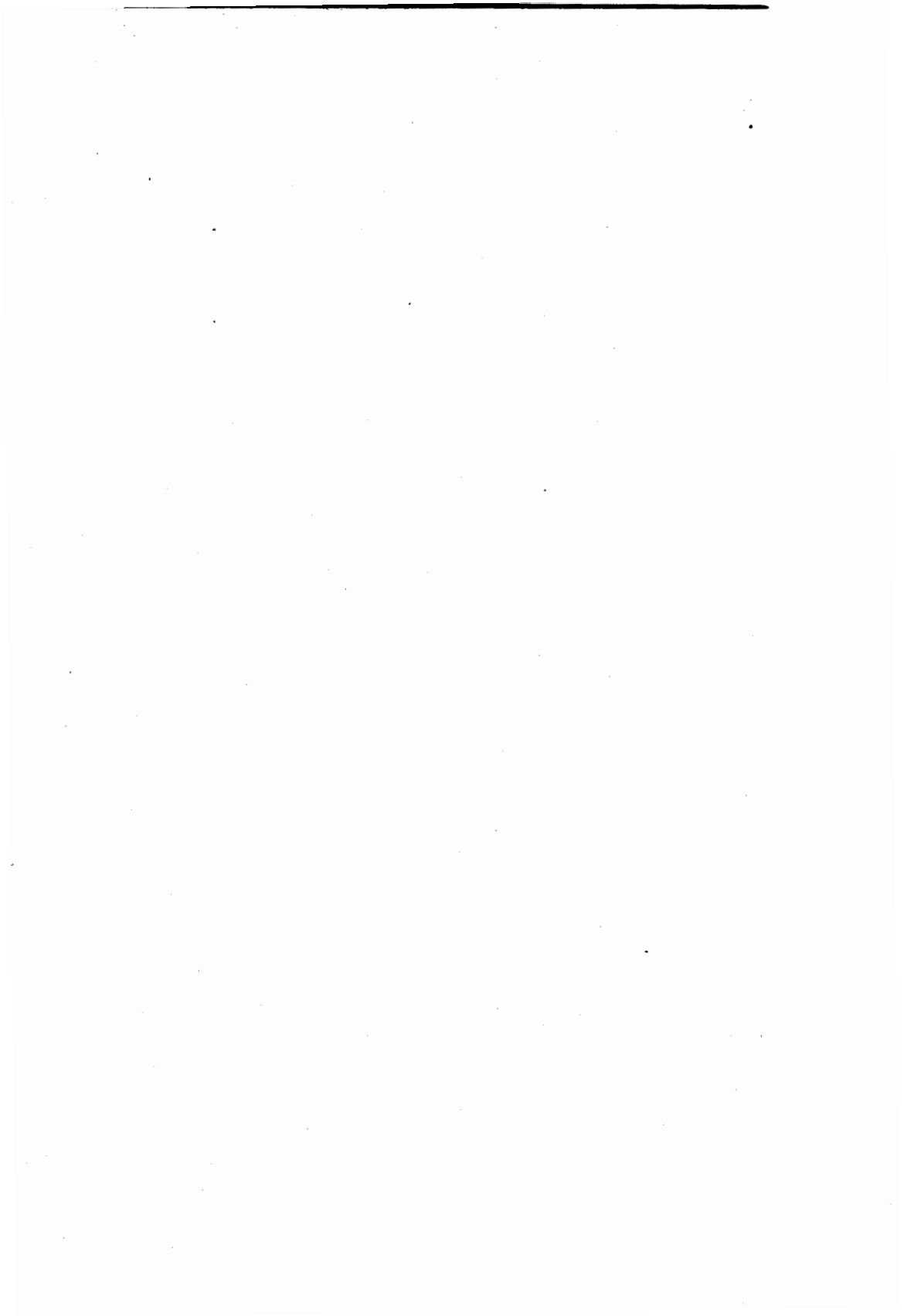
Mr. KEELE. I have no further questions of Mr. Johnson.

Mr. HAYS. Mr. Johnson, the committee thanks you for your testimony.

Mr. JOHNSON. Thank you.

Mr. HAYS. The committee will be in recess.

(Whereupon, at 4:10 p. m. the committee recessed, subject to the call of the Chair.)





## TAX-EXEMPT FOUNDATIONS

TUESDAY, DECEMBER 23, 1952

HOUSE OF REPRESENTATIVES,  
SELECT COMMITTEE TO INVESTIGATE TAX-EXEMPT  
FOUNDATIONS AND COMPARABLE ORGANIZATIONS,  
*Washington, D. C.*

The select committee met, pursuant to recess, at 11:15 a. m., in room 1301, New House Office Building, Hon. Brooks Hays presiding. Present: Representatives Hays and Forand.

Also present: Harold M. Keele, counsel to the committee.

Mr. HAYS. The committee is in session.

Mr. Keele, will you call the witness, please.

Mr. KEELE. Before we call the witness, I should like to read into the record that pursuant to the resolution of the committee, we are operating as a subcommittee, and this is the appointment:

Being duly authorized by resolution of the committee, dated December 17, 1952, I, Eugene E. Cox, do hereby appoint the following members of the committee to sit as a subcommittee for the conduct of committee business on call: Brooks Hays and Aime J. Forand. Brooks Hays is designated chairman.

Date: December 23, 1952.

EUGENE E. COX, *Chairman.*

Mr. Budenz, please.

Mr. Budenz, will you be sworn, please?

Mr. HAYS. Do you solemnly swear that the testimony you shall give to this subcommittee will be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. BUDENZ. I do.

Mr. KEELE. Will you be seated, Mr. Budenz.

I think before we start with the witness I would like to read into the record, with the permission of the chairman, a statement to the effect that on the list of Carnegie Endowment for International Peace, International Law Scholarships, which were submitted by the Carnegie Endowment for International Peace, under a covering letter dated December 18, 1952, there appears the name Edouard E. Hoerschelmann; attended the University of Paris, appointed from the First State University of Moscow for the period 1929-30.

The significance of that is that Mr. Bogolepov testified last week that Mr. Hoerschelmann had been appointed at his suggestion, made at the direction of the authorities in Moscow, and we were unable at that time to verify the name because we did not have the lists, and upon my request, the Carnegie Endowment for International Peace sent those lists and included therein was the entry that I read into the record.

Mr. HAYS. It is so ordered.

Mr. KEELE. Mr. Budenz, you are here under subpoena?

**TESTIMONY OF LOUIS FRANCIS BUDENZ, MEMBER OF THE FACULTY  
OF FORDHAM UNIVERSITY AND SETON HALL UNIVERSITY**

Mr. BUDENZ. Yes, I am, sir.

Mr. KEELE. Will you give your name with the correct spelling, your residence, and your occupation to the reporter.

Mr. BUDENZ. Louis Francis Budenz, B-u-d-e-n-z. My address, Crestwood, N. Y. That is a suburb of Yonkers, and my occupation, member of the faculty of Fordham University and of Seton Hall University in New Jersey.

Mr. KEELE. Mr. Budenz, you were at one time a member of the Communist Party, were you not?

Mr. BUDENZ. That is right.

Mr. KEELE. Will you tell us during what period of time you were a member of the party?

Mr. BUDENZ. I was a member of the party from August 1935 until October 1945 during a period, the first period from August to October, 1935, I was a secret member of the party, but on October 2, 1935, it was announced in the Daily Worker that I was an open member of the Communist Party.

Mr. KEELE. And when did you leave the Communist Party and under what circumstances?

Mr. BUDENZ. October 11, 1945, I left the Communist Party to return to the Catholic Church.

Mr. KEELE. And at that time what position did you hold?

Mr. BUDENZ. I was then managing editor of the Daily Worker, the official daily organ of the Communist Party, and also president of the Freedom of the Press Co., Inc., the corporation devised by the Communist Party to control the Daily Worker.

Mr. KEELE. Did you hold any offices with the Communist Party during your membership?

Mr. BUDENZ. Yes, sir; I held several offices.

Mr. KEELE. What were they?

Mr. BUDENZ. I was a member of the national committee from 1936 on, either in the position of a full member or alternate, except that for several years I was a secret member of the national committee for political purposes, to defend the Daily Worker.

I was a member of the National Trade Union Commission of the Communist Party off and on for several years, beginning with 1936, and then again I was a member in 1940.

I was a member of the State Trade Union Commission of the Communist Party in New York, 1936 through 1937, and I was a member of the New York State Committee, 1940 to about 1942.

I was a member of the Illinois State Committee Communist Party while in Chicago from 1937, the fall of that year, until January 1940. Then I was also on a number of commissions of the Communist Party.

I was chairman of the publications commission penetrating the press and other media of public information, and I was a member of the radio and television subcommission of the cultural commission of the Communist Party, penetrating the radio and television industry.

Mr. KEELE. Now there was a subcommission of the cultural commission which dealt with foundations, was there not?

Mr. BUDENZ. Yes, sir; there was.

Mr. KEELE. Will you tell us what the function of the cultural commission was, those who were directing it, and then tell us something of that subcommission on foundations?

Mr. BUDENZ. The cultural commission of the Communist Party is charged with the supervision of all cultural work since the Communists put culture under one roof, that is all the way from television and radio over to the school system.

The cultural commission is required to supervise the Communists in regard to their own cultural work, that is the Communist training schools and publications, particularly their publishing houses, and at the same time as a second task which it has, to supervise the penetration of what they call mass organizations in the cultural fields such as teachers organizations, parent-teachers associations, organizations of television and radio people, and I could give quite a long list, but that I think is a very good picture of their work. The personnel of the cultural commission—you asked me about that, Counsel?

Mr. KEELE. Yes, I did.

Mr. BUDENZ. The personnel of the cultural commission was varying. There were two constant members always during my membership in the party, Alexander Trachtenberg and B. J. Jerome. There was a change from time to time in the other personnel, Richard Reid, who was in charge of penetrating Actors Equity, being a member for a period of time, and Lionel Berman and other people who were active in cultural activities, Morris U. Shappus for the educational end of the work.

Mr. KEELE. Now what about the subcommittee of the cultural commission?

Mr. BUDENZ. As usual, Trachtenberg and Jerome were members of this subcommission, and in addition Lamont U. Harris, who was associated in the financial supervision of the Communist Party activities, and Lionel Berman, Dr. Margaret Schlauch. There were two or three others. I just don't recall them for the moment.

Mr. KEELE. And that was the subcommission on foundations?

Mr. BUDENZ. That is correct.

Mr. KEELE. What was the purpose of function of that subcommittee on foundations?

Mr. BUDENZ. That subcommission on foundations had as its objective, according to Trachtenberg's report to the Politburo when I was in attendance, the organizing of non-Communists or concealed Communists, to influence the foundations in two ways.

One, to obtain grants for Communists or those favorable to the Communist line on those matters which the Communists wished advanced, particularly the Far East and China, for instance, and then secondly, to prevent if possible, critics of the Communist movement from getting grants.

Mr. KEELE. Now you say that was in reports, you learned of that through reports made by Trachtenberg or Jerome to the Politburo at meetings in which you were in attendance?

Mr. BUDENZ. That is correct; there were a number of reports over the years.

Mr. KEELE. How long—and by that I mean in years—did those reports cover, to your knowledge?

Mr. BUDENZ. Well, the first time that I can recall was in the late 1930's, and these reports continued all during the rest of my period of

membership in the party, that is at varying times. I was not always at meetings of the Politburo, but I have heard these reports at varying times up till 1945 when I left the party.

Mr. KEELE. And what did the reports deal with in general terms, I mean the success or lack of success, or just what was the nature of the reports?

Mr. BUDENZ. The reports largely concentrated on emphasizing what they were trying to do, that is to say particularly getting aid for those studies which would aid the Communist line of the particular period.

Trachtenberg stated on a number of occasions that it was not the intention of the subcommission that they should be huge sums of money. They appreciated the limitations of the foundations. They did not have control of the foundations, but their effort was to obtain enough funds to enable studies to be carried forward successfully which would aid the Communist line.

Specifically do I recall mention of the necessity of studies on the Far East and China, although there also was mention of the Eastern European countries and specifically Yugoslavia.

Mr. KEELE. Did any names of foundations appear or were they mentioned in those reports by Trachtenberg?

Mr. BUDENZ. The reports were in general not too specific, but they did mention that particular targets of their efforts were the Carnegie, Rockefeller, and Guggenheim Foundations. That is at least I recall those names. That is no reflection on those foundations, but their names were mentioned as their objectives of their efforts.

Mr. KEELE. Mention was made yesterday, I believe, of an open letter to the Communist Party. I think that was in 1934. I may be wrong.

Mr. BUDENZ. 1933.

Mr. KEELE. Would you comment on that letter and the nature of it?

Mr. BUDENZ. Yes, sir. That open letter was used as the initial introduction to much of the discussion about infiltration of many groups, and as a matter of fact it was referred to by Trachtenberg in a number of his reports on the foundations.

The open letter to the Communist Party was a sort of a monument in the Communist Party. It was the orders to go to the masses, as the wording was, but by that was meant, as Stalin explained in the Foundations of Leninism, to penetrate mass organizations and make of them, if possible, transmission belts for the Communist line.

This open letter is always referred to by the Communists as a changing point in the history of the Communist Party of the United States, and so it was referred to by Trachtenberg. Well, I have heard it referred to by many others in connection with the penetration of various organizations.

Mr. KEELE. And it was after that, as I understand it, that the Subcommission on Foundations began to function?

Mr. BUDENZ. Well, I am not sure when it began to function. I can only tell of my knowledge of it.

It was after that that I learned of the existence of this subcommission. It was already in existence when I first learned of it.

Mr. KEELE. Mr. Budenz, there has been frequent reference in these hearings to the term "Communist-front organizations." I wonder if you would give us your understanding of the Communist-front organization.

Mr. BUDENZ. Yes, Counsel; but may I first explain that previous answer?

Mr. KEELE. Yes.

Mr. BUDENZ. I would like to state that Trachtenberg had stated—and this is practically a routine in Communist reports—that the penetration or influencing of mass groups, as they call them, mass organizations, including the foundations, took on a serious and permanent turn with the open letter. Just when that occurred in this field I do not know the specific year. That is what I wish to say. However, it did begin, the whole idea, from the open letter, and was so referred to.

Mr. KEELE. Which was dated 1933, the open letter?

Mr. BUDENZ. That is correct.

Mr. KEELE. Now would you explain to us your understanding of a Communist-front organization, how they come into being and what they are, generically speaking?

Mr. BUDENZ. A Communist-front organization, although the Communists do not use that term themselves, except in joking or at least in jesting, a Communist-front organization is an organization organized by the Communist Party and under its control during its entire existence.

It is to be distinguished from a captive organization which is entered, penetrated and then taken over, but the Communist front is one organized from the very beginning by the Communist Party. Generally the Communists refer to them as "Our mass organizations."

Mr. KEELE. As what?

Mr. BUDENZ. "Our mass organizations," as distinguished from mass organizations in general.

Mr. KEELE. Now about what do they center? I mean by that how do they come into being? Are they focused upon some issue of the day or just how do those Communist-front organizations come into being?

Mr. BUDENZ. They are focused on an issue which is in accord with the Communist line but which can make an appeal to wide groups of non-Communists. That is for example, today, peace, which the Communists bring forward in their Communist fronts, because everyone throughout the world wants peace, that is anyone who is honest and intelligent wants peace. However, when you examine the Communist presentation of peace through the fronts, the peace partisan movement, as they now call it, you will note that the conditions to peace which is laid down is surrendered to Soviet Russia.

That is through the recognition of Red China, and independent Germany free of the NATO, which would be a Germany that could succumb to Soviet control, and other items of that sort. I need not go into detail, I judge, but the point is they seize on an issue.

As Stalin puts it, the vulnerable point of the enemy, and where they can get the greatest amount of support, and then they put conditions on that issue according to their designs, and that becomes the forwarding of the Communist line through the Communist-front organization. To many people, however, the desire for peace is so great that they join these fronts, support these fronts and are not cognizant of the fact that these fronts are forwarding the Communist line.

Mr. KEELE. Now the question has arisen here from time to time as to membership in those fronts. What in your opinion is the situ-

ation with reference to persons who are members of numerous Communist fronts? Are they, as they were termed here yesterday, merely bleeding hearts, do-gooders, soft-headed, fuzzy-headed liberals, or are they Communists, where they belong to great numbers, let's say 10 or more?

Mr. BUDENZ. First of all, without wishing to make the percentage exact, but to give some picture, 90 percent of the members of Communist fronts, that is who lend their names as sponsors, are concealed Communists. They draw in an additional 10 percent who serve in a sort of migratory fashion in order to give the color of non-Communist affiliation. They are concealed Communists.

Now if a person joins one or two fronts, he may be deceived and there have been quite a few people who have been in that position. But if he joins 5, 10, 15, and up to 60 or 70 fronts, as quite a few people have, that is certainly proof that he is a Communist. He is following Communist discipline.

And my own knowledge of the association of these people, the affiliation and adherence, confirms that. However, you wouldn't need to have the knowledge I had as managing editor of the Daily Worker, because these are intelligent people. They hold positions in society because of their alleged intelligence, and no man can conceive of these people, with their great intelligence, being deceived 15, 20, 25 or 40 times. Therefore, those who are constant members of Communist fronts are concealed Communists.

They are Communists under discipline who became Communists largely when they were in a key or delicate position, and therefore have no vestige of membership.

Mr. KEELE. Is that what you mean by the term "concealed Communist"?

Mr. BUDENZ. Well, I mean more than that. I mean one who pretends publicly to be a non-Communist, though if you noted his record, he always follows the Communist line on Communist fronts, or in his assertions or in his acts.

These people are under discipline. They are required by the Communist Party not to have any vestige of membership, because the card to the Communist is not a method of introduction. It is merely a matter of discipline for the rank and file for obscure Communists, and these people give contributions privately.

I have had a number of them give contributions to me who were concealed Communists and who did not have any vestige of membership.

Mr. KEELE. So would you say as a matter of logic and also as a matter of your personal knowledge, those people whom you knew to be Communists, or rather those persons who in many instances belonged to a great number of Communist fronts, you knew to be Communists?

Mr. BUDENZ. That is correct.

Mr. KEELE. Now, do you know to what extent the program of the subcommission of the cultural commission, subcommission on foundations, was successful in getting their people into foundations or getting grants for them?

Mr. BUDENZ. The report to the Politburo were rather general, but they did express satisfaction with the results obtained.

Mr. KEELE. Well, let me call your attention to certain fellows of the Guggenheim Foundation and the Rosenwald Foundation. With reference to Guggenheim, what about Langston Hughes?

Mr. BUDENZ. Yes, sir; he is a member of the Communist Party, rather—pardon me—was when I was a Communist. I know that from official reports made to me over and over and over again.

Mr. KEELE. What do you mean by "official reports," Mr. Budenz?

Mr. BUDENZ. This is an official directive to me as managing editor of the Daily Worker, that Langston Hughes was a Communist, made to me by my superior functionary.

Mr. KEELE. Who was your superior functionary?

Mr. BUDENZ. Well, the personnel changed. Eugene Dennis and Jack Stachel have specifically mentioned Hughes to me.

Mr. KEELE. Both of those men were convicted, were they not, in Federal court?

Mr. BUDENZ. That is correct.

Mr. KEELE. What about Alvah Bessie?

Mr. BUDENZ. Alvah Bessie is known to me personally to be a Communist. As a matter of fact, he was being considered for a position on the Daily Worker, and I had a conference with him on that matter when John Howard Lawson got in his job in Hollywood.

Mr. KEELE. What about Jack Conroy?

Mr. BUDENZ. Jack Conroy to my personal knowledge is a member of the Communist Party. I have conferred with him and he has been a member of the cultural commission of the Communist Party in Illinois, and I have met him in other instances as a Communist.

Mr. KEELE. Carey McWilliams?

Mr. BUDENZ. Carey McWilliams, from official communications over a number of years, is to my knowledge in that respect a member of the Communist Party.

Mr. KEELE. And Bernard Reiss?

Mr. BUDENZ. Bernard Reiss, that is Dr. Reiss of Hunter College?

Mr. KEELE. Yes.

Mr. BUDENZ. Or recently of Hunter College?

Mr. KEELE. Yes.

Mr. BUDENZ. Yes, sir; he is very conspicuous as a Communist; that is to say as a member of Communist fronts, and then I also know from official communications from Jack Stachel and B. J. Jerome, that he has been for many years a member of the Communist Party.

Mr. KEELE. He recently refused to testify, I believe, as to whether or not he was a Communist, and was discharged from Hunter College.

Mr. BUDENZ. I understand.

Mr. KEELE. What about Earl Robinson?

Mr. BUDENZ. Earl Robinson, he is the composer?

Mr. KEELE. Yes.

Mr. BUDENZ. Earl Robinson, to my personal knowledge—and I have had a number of contacts with him—is a member of the Communist Party. As a matter of fact, some of his original compositions were first presented at Communist Party conventions.

Mr. KEELE. What is the situation with reference to Isadore Schneider?

Mr. BUDENZ. Isadore Schneider, again to my personal knowledge and over practically all of the years I was a member of the Communist Party, is a Communist. I know Schneider very well, and he was

almost what you might call a Communist wheel-horse in the cultural field. For a time he was a member of the cultural commission of the party.

Mr. KEELE. And what is the situation with reference to Maxwell Stewart?

Mr. BUDENZ. Maxwell Stewart, to my personal knowledge and in conversation with him, is a member of the Communist Party. At least when I say "is," each time, sir, I mean when I was a member.

Mr. KEELE. And the late Genevieve Taggard?

Mr. BUDENZ. The late Genevieve Taggard, to my personal knowledge, when she was connected with the faculty of the Sarah Lawrence College, was a member of the Communist Party. I have dealt with her and discussed the matter of her work in Sarah Lawrence College and in other fields.

Mr. KEELE. What about Richard Wright?

Mr. BUDENZ. I have met Richard Wright as a Communist in Chicago and New York, but of course he broke with the Communist Party later on.

Mr. KEELE. He has recanted and written about it, I believe, quite fully.

Mr. BUDENZ. That is correct. But I met him on a number of occasions as a Communist. However, he has since not only acknowledged he was a Communist, but has denounced the Communists.

Mr. KEELE. And now with reference to certain fellows or grantees of the Rosenwald Fund.

Mr. FORAND. Right there before the witness answers, that list that you have just read, Mr. Keele, has had contact in one way or another with the Guggenheim Foundation, is that correct?

Mr. KEELE. Well, they were fellows. They received funds from the Guggenheim Fund.

Mr. FORAND. I wanted to get that clear.

Mr. KEELE. Yes, they were fellows. By fellows, I mean by that they received student fellowships, grants from the Guggenheim Foundation.

Now with reference to grantees or fellows of the Rosenwald Fund, what about W. E. DuBois?

Mr. BUDENZ. Dr. DuBois became a member of the Communist Party approximately in 1944 when this was called to my attention officially by Jack Stachel.

Mr. KEELE. And Claude McKay?

Mr. BUDENZ. Well, Claude McKay was a member of the Communist Party, but he left the Communist Party and became a member of the Catholic Church.

Mr. KEELE. Clark Forman?

Mr. BUDENZ. Clark Forman, from official reports repeatedly made in connection with his work in the South, was a member of the Communist Party under discipline.

Mr. KEELE. What about Shirley Graham?

Mr. BUDENZ. Shirley Graham in like manner and from like official communications was a member of the Communist Party.

Mr. KEELE. What was the situation with reference to Pearl Primus?

Mr. BUDENZ. Likewise, from official communications, she was a member of the Communist Party, having been trained in cafe society



uptown and downtown, which were Communist Party supported ventures of Barney Josephson. They apparently were private affairs, but they actually were Communist Party supported entertainment centers.

Mr. KEELE. By "cafe society uptown and downtown," you are talking about the cafes or night clubs that were known by the term "cafe society," is that correct?

Mr. BUDENZ. That is correct. They were actually supported financially when necessary by the Communist Party.

Mr. KEELE. What about Thomas I. Emerson, Prof. Thomas Emerson?

Mr. BUDENZ. Thomas I. Emerson, from repeated official communications, especially in regard to activities in the Lawyers' Guild and in other fronts, was a member of the Communist Party.

Mr. KEELE. What about John K. Fairbank?

Mr. BUDENZ. From the same sources and in the same manner, Dr. Fairbank was a member of the Communist Party, at least from about 1944 on. That is from my 1 year in the Communist Party, from 1944 to 1945.

Mr. KEELE. Now it is my recollection that Dr. Linus Pauling—

Mr. BUDENZ. Dr. Linus Pauling?

Mr. KEELE. I just want to say this. I believe that Dr. Linus Pauling was on the advisory boards which chose, or is yet perhaps on the advisory boards which chose, fellows for the Guggenheim Fund. What do you know about Linus Pauling?

Mr. BUDENZ. In connection with Dr. Pauling's many memberships on Communist fronts, I was officially advised a number of times in the late, that is, in the middle forties, that he was a member of the Communist Party under discipline. The Communist leaders expressed the highest admiration and confidence in Dr. Pauling.

Mr. FORAND. What do you mean by "under discipline"? I think we ought to clear that up.

Mr. KEELE. That was my next question. What do you mean by that? What is the meaning of "under discipline" within the Communist Party and as you are using it here?

Mr. BUDENZ. From the earliest existence of the Communist Party, to my knowledge, that is from my membership in it, there were members who were what they called nonparty Bolsheviks originally who did not have any vestige of membership because of the key and delicate positions they were in.

During the Hitler-Stalin Pact period it was made a rule that they must not have any vestige of membership. They could make donations to the party. They would receive instructions from the party.

They would be in contact with one or two functionaries of the party, but they were not to attend branch meetings or in any way to give to other Communists except those to whom they were supposed to give such an impression, the impression that they were actual members of the party.

I have had a number of such people meeting me at dinner in New York as they came from various parts of the country. I won't mention any names because it is not pertinent to this inquiry, but an editor of a paper in one of our large cities who had a great deal of influence was in this position. Each time he came to New York he paid me a contribution to the Communist Party, which was the equivalent to

dues, but there was no record kept of it except upstairs in the headquarters of the Communist Party.

In other words, these men, because of their key and delicate positions, were required as a matter of discipline not to have any vestige of membership, but were also required to follow the instructions of the Communist Party. That is, they were therefore not members with a card but members under discipline.

Mr. FORAND. Thank you.

Mr. KEELE. Do they have the same standing in the party or do they have equivalent standing in the Communist Party when they are under discipline, as in the case of those who are actually members?

Mr. BUDENZ. Yes; exactly the same standing, except that sometimes the party regards them as more valuable even because of their positions.

I have given instructions personally to comrades under discipline, telling them that as Communists they had to do this thing or that, and that is a common practice of whoever is in charge for the party of these individuals.

Mr. KEELE. And did they do those things?

Mr. BUDENZ. Yes, sir.

Mr. KEELE. That you ordered them to do?

Mr. BUDENZ. They did it even though it was very difficult for them to do it in some instances.

Mr. KEELE. Do you have any knowledge as to whether or not Mary Van Kleeck, who was with the Russell Sage Foundation for many years, was at Smith College, was a Communist?

Mr. BUDENZ. I know from personal contact with Dr. Van Kleeck that she was a member of the Communist Party when I was a member of the party.

Mr. KEELE. Did you have occasions to deal with her personally?

Mr. BUDENZ. Yes, sir; on several occasions.

Mr. KEELE. What about Oscar Lange, Dr. Oscar Lange?

Mr. BUDENZ. He is the man from Poland. He was a member of the Communist Party all the time he was here when he was pretending to just be a general liberal friend of Poland.

Mr. KEELE. What about Corliss Lamont?

Mr. BUDENZ. Corliss Lamont, to my definite knowledge, was a member of the Communist Party.

Mr. KEELE. How do you know that?

Mr. BUDENZ. I have discussed it with him. And in addition to that, he has given to me word in regard to certain tasks that were ordered for him to be fulfilled by Comrade Clarence Hathaway, who at that time was in charge of a number of those mass organizations such as the organization which became finally known as the National American Soviet Friendship Council, but which was originally known as Friends of the Soviet Union.

Mr. KEELE. Did you know Frederick Vanderbilt Field?

Mr. BUDENZ. Yes; I should say I know Mr. Field very well.

Mr. KEELE. And he had a fund, the American Peoples Fund?

Mr. BUDENZ. Yes, sir. Mr. Field was also one of those advisers whose name I omitted a moment ago, to the subcommission of the Cultural Commission on Foundation, along with Dr. Schlauch.

Dr. KEELE. And was Field a member of the Communist Party?

Mr. BUDENZ. Yes, sir. Well, I don't know definitely except from 1937 on, but from 1937 on I have met him personally as a Communist. I have met him repeatedly as a Communist at his home, in the Daily Worker building, at his office, and each time we were there for Communist purposes.

Mr. KEELE. One of the trustees of the Rosenberg Foundation was a Louise Bransten. Do you know Louise Bransten?

Mr. BUDENZ. Louise Bransten is one of the angels of the Communist Party. She is a Communist of long standing; and when I left the party—no; this isn't true; I wouldn't be sure of it. At any rate, she was on very friendly terms with Lionel Berman, and, either before I left the party or subsequently, married him. He was cultural section organizer of the Communist Party in New York, which is a very important position.

Mr. KEELE. He was on the cultural commission then?

Mr. BUDENZ. Yes, sir; he was.

Mr. KEELE. With reference to recipients of Rockefeller grants, what about Hans Eisler?

Mr. BUDENZ. Hans Eisler was granted what I was told was \$20,000 from the Rockefeller Foundation to develop new forms of music. This information was given to me by Alexander Trachtenberg, who stated on that occasion, either in late 1939 or 1940, "We are using the capitalist money to destroy capitalism."

And Eisler he pointed to particularly because Eisler was head of the Red International Music Bureau of Moscow and had as his commission here in the United States to direct the penetration of the musical world, composers, critics, and the like, for the Communist Party. Later on, to my knowledge, that is, I didn't talk to Eisler about it, but in the Politburo he was ordered to Hollywood in order to give political direction to the work there.

Mr. KEELE. And did he go to Hollywood?

Mr. BUDENZ. He did, sir.

Mr. KEELE. One of the men who was directing the civil-liberties study at Cornell University under the direction of Dr. Robert Cushman was Walter Gelhorn. That study was supported, as I recall it, by Rockefeller funds, quite substantial funds. Do you know anything about Walter Gelhorn?

Mr. BUDENZ. I have repeatedly had official communications on Dr. Walter Gelhorn. He was from, certainly, about 1942 on, a member of the Communist Party.

Mr. KEELE. What about Lawrence Rossinger?

Mr. BUDENZ. Lawrence K. Rossinger. He was for a number of years a member of the Communist Party from official communications I received from Stachel, Jerome, and others. He was, of course, mentioned frequently because he was interested in the Far East.

Mr. KEELE. And Thomas I or Thomas A.—I've forgotten which—Bisson?

Mr. BUDENZ. Thomas A. Bisson was given commissions by the Communist Party, though he wasn't present, but later on I learned he fulfilled them. I learned that many years later, because I was not aware that the article had appeared. But he was given the commission to write a very important article representing Nationalist China as feudal China and Communist China as democratic China.

Mr. KEELE. Those articles were written?

Mr. BUDENZ. I learned later that they were written. I don't know whether it was more than one, but, at any rate, one copy of the article was shown me, which confirmed what I had learned prior to his being given the assignment, or at the time he was given the assignment.

Mr. KEELE. On the general education board of Rockefeller philanthropy, with reference to it, two names: Doxie Wilkerson. What about Doxie?

Mr. BUDENZ. Excuse me for smiling, Counsel; but he is so conspicuous as a Communist that I almost hesitate to name him.

I knew him for many years as a Communist, attending national committee meetings, conferring with the Communist Party, and he was also the witness in the Foley Square trial for the Communist Party; endeavoring to criticize the jury system. He was on the witness stand for many days, and has written in Political Affairs, the theoretical organ of the Communist Party, which in itself is an indication he is a Communist, outside of my own personal knowledge on many occasions of dealing with him, consulting with him, and meeting him as a Communist.

Mr. KEELE. And Dr. Ira Reid?

Mr. BUDENZ. Dr. Ira Reid, my impression is I've met him as a Communist, but I do know definitely, and can state here, that official communications from Stachel and Jerome, Trachtenberg, have definitely identified Dr. Reid as a Communist.

Mr. KEELE. One of the trustees of the Field Foundation up until 2 years ago, for the period 1940 to '50, was Louis S. Weiss, now deceased. Do you know anything of Louis S. Weiss?

Mr. BUDENZ. Yes, sir; I knew Louis Weiss. He was a relative of Carol Weiss King, and that is the way I got to know him, because I knew Carol Weiss King for many years. She was an attorney for the Communists for many years, and he was a member of the Communist Party.

Mr. KEELE. I think I have no other questions except one. Do you know of any other trustees of foundations other than the ones we have specifically mentioned here, who were, to your knowledge, members of the Communist Party?

Mr. BUDENZ. Not to my present recollection. Of course, I haven't looked over the list and have made no study of the matter, but not to my present recollection.

Mr. KEELE. Thank you. That is all I have.

Mr. HAYS. Mr. Keele, I believe that this concludes our hearings. It is not the intention of the subcommittee to have any further hearings, and I believe that when we adjourn today we will adjourn subject to call of the chairman, leaving it in that position so that if matters do arise that should become subject to inquiry, the committee can assemble, either the full committee or the subcommittee.

Mr. Budenz, the committee appreciates your appearing and giving us this testimony.

Mr. BUDENZ. Thank you, sir.

Mr. HAYS. Thank you.

Mr. KEELE. May I have permission from the committee to include in the record certain statements that we have requested at the committee's instruction, such men as Mr. Fosdick, Mr. Flexner, Mr. Rom-

mel, and certain others? They are submitting statements because of the lack of time, since it was impossible to call them. They will submit statements which we might place in the record, with the permission of the committee, and I should like the authority of the committee to do that.

Mr. HAYS. It is so ordered.

Is there anything further, Mr. Counsel?

Mr. KEELE. Nothing.

Mr. HAYS. The committee is adjourned.

(Whereupon, at 12:05 p. m., the committee adjourned, subject to the call of the Chair.)



## TAX-EXEMPT FOUNDATIONS

TUESDAY, DECEMBER 30, 1952

HOUSE OF REPRESENTATIVES,  
SELECT COMMITTEE TO INVESTIGATE TAX-EXEMPT  
FOUNDATIONS AND COMPARABLE ORGANIZATIONS,  
*Washington, D. C.*

The select committee met, pursuant to call, at 2:40 p. m., in room 104, Old House Office Building, Hon. Brooks Hays presiding.

Present: Representatives Hays (presiding), Forand, Goodwin, Simpson, and Reece.

Also present: Harold M. Keele, counsel to the committee.

Mr. HAYS. The committee will be in order.

Mr. Reid, will you be sworn, please?

Mr. REID. May I affirm, Congressman?

Mr. HAYS. Yes, indeed.

Do you affirm that the testimony you shall give before this committee will be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. REID. I do.

### TESTIMONY OF IRA D. A. REID, HAVERFORD, PA.

Mr. HAYS. Dr. Reid, I believe it is at your request that the hearing is conducted today for the purpose of giving you an opportunity to make a statement with reference to testimony presented under oath to the subcommittee.

Mr. REID. Yes; you are right, Congressman.

Mr. HAYS. I will turn the examination over to our general counsel, Mr. Keele.

Mr. KEELE. Will you state for the record your name, your residence, and your profession, Dr. Reid?

Mr. REID. Ira D. A. Reid, 2 College Lane, Haverford, Pa., professor of sociology at Haverford College.

Mr. KEELE. Mr. Reid, you wrote us, I think, 2 or 3 days ago asking for a transcript of the testimony of Mr. Budenz relative to his naming of you in his testimony, did you not?

Mr. REID. Yes; I did.

Mr. KEELE. And then you called by telephone, and by arrangement you came to Washington; is that right?

Mr. REID. Quite right.

Mr. KEELE. And you have asked for the opportunity to appear here under oath, in open session, to deny the charges that were made against you by Mr. Budenz; is that correct?

Mr. REID. That is correct.

Mr. KEELE. All right. The committee now is willing to hear what you have to say in that respect.

Mr. REID. The statement, as I read it this morning in the committee's office, was to the effect that I—though Mr. Budenz did not know definitely, he thought I was a Communist, and that according to the records of three names, with which I am not familiar, he was certain I was a Communist.

I wish to state for the record, as I have stated elsewhere, that I am not a Communist, I have never been a Communist, and therefore regard that as a deliberate untruth as advanced by Mr. Budenz.

It is true that I was a fellow of the General Education Board in 1933-34, receiving a fellowship that enabled me to complete my residence work at Columbia University. I was vouched for that fellowship by the man who was my college president, a very estimable person, the late John Hope, who wanted me to come to Atlanta to teach. After completing that work in residence at Columbia University, I went to Atlanta, Ga., and began teaching at Atlanta University.

Since it seems to be within the province of this committee to determine whether or not a foundation supported a person who was a Communist, I make the statement that I have not been, I have never been; secondly, that no effort was made, nor was I even asked to state anything like what my political interests were at the time.

The one occasion when I was very certain that Communist influence was being brought to bear on the conference held in New York in 1949, I resigned from the program, and we did not appear. That has been thrown up against me several times and offered as proof that I was a Communist. I think as a preliminary statement, Mr. Counsel, that is what I wish to make. It may be elaborated upon, if you wish.

Mr. HAYS. Do any of the committee members have any questions to ask of Mr. Reid?

Mr. SIMPSON. I have no question. I will comment that it is quite a complete denial of the charges made.

Mr. KEELE. I would like to ask one or two questions.

Have you ever been under Communist discipline?

Mr. REID. I do not know what that is, but not if I knew it.

Mr. KEELE. Have you ever received instructions from persons whom you knew to be Communists?

Mr. REID. No, sir.

Mr. KEELE. Very well.

Mr. HAYS. That is all, Mr. Reid.

Mr. REECE. May I ask a question?

Mr. HAYS. Mr. Reece.

Mr. REECE. Mr. Budenz referred to communications which he had had from Mr. Jerome and Mr. Stachel, in which they identified you as a Communist. Do you know those gentlemen?

Mr. REID. No, Mr. Reece; I have never heard of them, and know nothing about them.

Mr. REECE. Did you know Mr. Budenz during the period when he was a member of the Communist Party?

Mr. REID. I have never known Mr. Budenz.

Mr. REECE. You have never met him?

Mr. REID. No, sir.

Will you read the first sentence there, Mr. Reece, in Mr. Budenz' statement about me?



Mr. REECE (reading) :

Dr. Ira Reid, my impression is I've met him as a Communist, but I do not know definitely—

he does not say definitely.

Mr. REID. No. I have never met him, nor have I ever met him as a Communist.

Mr. REECE. However, I misread one phrase there. Mr. Budenz said :

Dr. Ira Reid, my impression is I've met him as a Communist, but I do know definitely, and can state here, that official communications from Stachel and Jerome, Trachtenberg, have definitely identified Dr. Reid as a Communist.

Do you know Trachtenberg?

Mr. REID. I know no one of them nor know of any official reports of that sort. I should be very glad to appear before this or any other committee to face whatever charges there are in that document, which is not known to me.

Mr. KEELE. I would like to ask two or three questions more of Dr. Reid.

Did you sign a petition of the Citizens Committee To Free Earl Browder?

Mr. REID. No, sir. I have submitted to another branch of the Government a statement, duly affirmed, to that effect.

Mr. KEELE. Did you sign a letter defending the Jefferson School of Social Science?

Mr. REID. No, sir. As I have also stated, I know nothing about the Jefferson School of Social Science.

Mr. KEELE. Were you a member of the executive board of the Southern Conference for Human Welfare?

Mr. REID. Yes, I was, and during the time that I was a member of that organization, it was a forthright, democratic, good organization, in which a number of us who were interested in the South believed and cooperated, and when it no longer seemed to serve that end, numbers of us pulled out. I, for one, did, and enabled and worked for the setting up of the Southern Regional Council in Atlanta, Ga., with a number of others of the forward-looking people in the South. I maintained that connection with the Southern Regional Council until I left the South in 1946.

Mr. KEELE. When did you resign from the organization known as the Southern Conference for Human Welfare?

Mr. REID. I do not know that it was a question of resignation.

Mr. KEELE. I thought you said you pulled out. I believe you said that.

Mr. REID. Yes.

Mr. KEELE. Will you explain that?

Mr. REID. I do not remember the exact date. It was shortly after the meeting in Chattanooga. I do remember that, because that was where several of us became quite concerned over what was happening at that meeting.

Mr. KEELE. Would you explain what you mean by "pulled out"?

Mr. REID. You simply withdrew—I do not know that I was ever high in the council of the Southern Conference for Human Welfare. At the time I was there, we had just given an award to Dr. Frank Graham. It was a loose sort of organization, as many of these movements are. The representation in the South very frequently was in

terms of getting some persons of color on the committee, in order to show that we might be working to build together the South, within the democratic condition. I do not know that it was a matter of resignation, except that once you become identified with the Southern Regional Council, it was regarded as antithetical to the duties of the Southern Conference for Human Welfare.

Mr. KEELE. You used the term.

Mr. REID. Yes.

Mr. KEELE. That is what I was asking you to explain.

Mr. REID. I suppose I should have said "resigned." But I use that loosely, because it was not an organization for which you would apply for membership and accept. I had really forgotten that I had been on the executive board of it.

Mr. KEELE. You mean, then, by "pulled out" that you took no further part—

Mr. REID. No further part in the activities.

Mr. KEELE. You did not take any formal action, I gather, in writing a resignation or stating to them orally that you have no further connection?

Mr. REID. No, I do not remember having done so.

Mr. KEELE. You simply proceeded not to take part in it?

Mr. REID. Yes. Then I became very active in the Southern Regional Conference, which grew up out of the meetings of the southern whites in Atlanta and southern Negroes in Durham, N. C., and a joint conference in Richmond, Va., out of which the new organization was formed.

Mr. KEELE. That is all I have.

Mr. REECE. Mr. Chairman—

Mr. HAYS. Mr. Reece.

Mr. REECE. Are you familiar with the organizations which the Department of Justice has listed as subversive?

Mr. REID. Some of them.

Mr. REECE. Have you belonged to any of those organizations?

Mr. REID. Yes. Mr. Keele listed some of them—

Mr. REECE. Other than those referred to by Mr. Keele.

Mr. REID. The Southern Conference of Human Welfare was one of them.

Mr. REECE. Other than that one.

Mr. REID. Yes, I belonged to some others that were so listed, also.

Mr. REECE. Would you mind naming them?

Mr. REID. I do not know—if Mr. Keele will help me, I can—

Mr. KEELE. All right. Mr. Reece, I have here the summary of the House Un-American Activities citations with reference to Dr. Reid. Suppose we run down them.

Mr. REID. If you wish; yes.

Mr. KEELE. A statement is made that Dr. Ira D. A. Reid made a testimonial to Franz Boaz at the United Nations in America dinner held under the auspices of the American Committee for the Protection of the Foreign Born at the Hotel Biltmore in New York, April 17, 1943, as shown by the program of the dinner.

That is the first one.

Mr. REID. Yes. I wrote a testimonial to that meeting. I see now that the American Committee for the Protection of the Foreign Born—I knew that committee only in two ways: One, when I was

working on my dissertation, the office provided me with some material. Franz Boaz was a former teacher of mine at Columbia University, and I sent a letter of comment on his skill and my appreciation of him as a teacher, which I would have done again and again and again. I do not regard that as a subversive activity.

Mr. KEELE. Now, it was reported in the People's Voice of March 21, 1942, that Dr. Ira D. A. Reid, educator, Atlanta University, signed a petition for the Citizens Committee To Free Earl Browder. You deny that.

Mr. REID. I did not sign such a petition. I do, sir.

Mr. KEELE. That you signed a statement of the Council for African Affairs, as shown by the Daily Worker of April 26, 1947, page 12.

Mr. REID. I do not know what that statement is.

Mr. KEELE. Did you sign any such statement?

Mr. REID. I have been interested in the Council for African Affairs, because it was one source from which you could get materials on Africa. I do not remember signing a statement. I may have. If so, it was about problems in Africa. But it was not in any connection with anything that might have been called subversive. It was in the province of darker peoples throughout the world, I suppose.

Mr. KEELE. Now, the National Conference on Academic Freedom was held on October 9 and 10, 1948, and was sponsored by a number of leading educators, was arranged by the National Council of Arts, Sciences, and Professions, and the statement made at that time was that in recognition of the dangers to academic freedom, they formed a bureau of academic freedom to counteract and eliminate these dangers.

It is reported here that Dr. Reid of Haverford College was listed as a sponsor of this conference on the official report of the conference. He spoke at the conference, as shown by an advertisement in the New York Star of October 8, 1948, page 10.

Is that correct?

Mr. REID. I spoke at that conference on the subject, I think, of race discrimination, and academic freedom. I have sent to the Government a copy of that speech, and it was that conference that led to my being asked to speak at the cultural, whatever the meeting was, that was held the next year, and it was only then that I realized that there were connections that were regarded as subversive. Therefore, I did not appear at the other. I did appear and speak at that council on academic freedom at that time on the subject of race discrimination.

Mr. KEELE. You are referring now to the Cultural and Scientific Conference for World Peace that was held the succeeding year in New York City, on March 25-27, 1949?

Mr. REID. At which I did not appear, and to which I sent a telegram stating the reasons for not appearing, saying that I did not believe in the things which it seemed to be sponsoring.

Mr. KEELE. We spoke of the Southern Conference of Human Welfare. The notation here is that you participated at the second Southern Conference for Human Welfare, in 1940, April of 1940. Is that the last one?

Mr. REID. If that is the Chattanooga one.

Mr. KEELE. That I cannot say.

The letter headed "The United States Congress against war" listed you as a member of the arrangements committee of that organization. Do you know anything about that?

Mr. REID. That I know nothing about, nothing.

Mr. KEELE. You were a member, so it says here, of the advisory board of the Southern Negro Youth Congress, according to a page from a leaflet published by that organization on the letterhead dated June 12, 1947, and a letterhead of August 11, 1947.

Mr. REID. At that time I had left the South and was no longer there. I had been a member of the advisory committee of the Southern Negro Youth Congress. In fact, many of us in Negro education in the South were interested in it. We came into it under very, oh, reliable auspices, and I served in those purposes. And it was not until years later that there was any discovery that there was any sort of Communist influence in it. I resigned from that group. I do not remember the exact time, but the cause was, I told the director at the time that I did not approve of the methods that were being used in the South, and I thought that they were exploiting Negro youth by so doing it. And I was never called upon to do anything more, although the names may have remained on the letterhead.

Mr. KEELE. Have you appeared before the House Un-American Activities Committee at any time?

Mr. REID. I have not.

Mr. KEELE. Did you know that reference was made to you in the public hearings of that committee on a number of instances?

Mr. REID. I knew of only once, and that was—no. This was in the political campaign of 1948, when the political parties in Philadelphia mentioned it. But I do not know that my name has been mentioned. This is the first time that a specific reference has come to my attention; that is, through this committee.

Mr. KEELE. That was public hearings of the Committee on Un-American Activities' exposé of communism in western Pennsylvania, part 2. Is that the one—

Mr. REID. No; I have never seen any.

Mr. KEELE. March 1, 1950?

Mr. REID. I do not know that.

Mr. KEELE. Are there any other organizations which have been cited by the House Un-American Activities Committee, or by the Attorney General in his list of subversive organizations to which you belong?

Mr. REID. Not to my knowledge.

Mr. KEELE. You are familiar with those?

Mr. REID. I am familiar with the list.

Mr. HAYS. Are there any other questions?

(No response.)

Mr. HAYS. Thank you, Mr. Reid.

Mr. REID. Thank you very much.

Mr. HAYS. Mr. Gellhorn, do you wish to testify?

Mr. GELLHORN. Yes.

Mr. HAYS. You are not under subpoena.

Mr. GELLHORN. I understand that, Mr. Chairman.

Mr. HAYS. We do not require your testimony.

Mr. GELLHORN. I well understand that, sir.

Mr. HAYS. Do you solemnly swear that the testimony you shall give to this committee will be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. GELLHORN. I do, sir.

Mr. HAYS. I will ask Mr. Keele to proceed with the direct examination.

**TESTIMONY OF WALTER GELLHORN, ENGLEWOOD, N. J.**

Mr. KEELE. Mr. Gellhorn, will you state for the record your name, your residence, and your profession or business?

Mr. GELLHORN. My name is Walter Gellhorn. I reside at 186 East Palisade Avenue, Englewood, N. J. I am professor of law at Columbia University.

Mr. KEELE. Mr. Gellhorn, it was brought to your attention that you have been named by Louis Budenz in his testimony last week before the committee, was it not?

Mr. GELLHORN. It was.

Mr. KEELE. And you came here today to discuss with the committee and with counsel those charges?

Mr. GELLHORN. That is correct.

Mr. KEELE. And you now want an opportunity, as I understand it, to deny those charges under oath?

Mr. GELLHORN. That is correct.

Mr. KEELE. Now, you are familiar with it. You have read the record, and you know what was said by Mr. Budenz, do you not?

Mr. GELLHORN. Yes, I do.

Mr. HAYS. The committee will hear any statement, Mr. Gellhorn, that you would like to make.

Mr. GELLHORN. Thank you, Mr. Chairman. I thought perhaps that I might be able to save the committee's time, since I knew its proceedings were drawing to a close, by submitting an affidavit responsive to the comments of Mr. Budenz, but upon further discussion it seemed best to appear personally before the committee, and I am happy to do that.

My statement is this, Mr. Chairman:

Mr. Louis Budenz recently stated to this committee that I am or was a Communist. This is completely and absolutely untrue. I am not and have never been a member of the Communist Party. Mr. Budenz's assertion was completely unsupported by any specific facts or statements. His entire testimony about me in the record appears in 23 words. This is not evidence; it is mere denunciation.

My name first came before the committee in connection with its inquiry into the Rockefeller Foundation. That foundation facilitated a study under the auspices of Cornell University in which I participated. The first results of my work appeared in my book, *Security, Loyalty, and Science*. I have taken the liberty of submitting a copy of that book to the chairman as well as excerpts from a number of book reviews that have appeared in scholarly journals and in the periodical and daily press throughout the country. If the committee's record would not be unduly encumbered by it, I would ask that this summary of excerpts of book reviews be included in the committee's record, and to the extent that any member of the committee is interested, of course, I shall be honored and flattered if my book were referred to.

As stated by the reviews that I have handed to the chairman earlier today, by a number of distinguished, qualified scholars, such as the

president of the Massachusetts Institute of Technology, the book is an objective, factual study of a great problem of our time.

My capacity and integrity as a legal scholar can be measured by the work of 20 years. My principal teaching field is administrative law. I have published books and numerous articles on the subject. At present, on behalf of the Association of the Bar of the City of New York, I am making a study of law administration affecting families and children. For many years the only organization, outside my profession, in which I have been active is the American Civil Liberties Union, of which I am a director. I am, and propose to continue to be, a student and advocate of the basic American freedoms—freedoms that are entirely incompatible with the principles and practices of the Communist Party. No Communist or Communist sympathizer could reflect the dedication to these values that has characterized my career.

That, Mr. Chairman, is the statement that I especially wished to bring to the committee's attention in connection with the comments made previously about me.

Mr. HAYS. You say you are now engaged in a survey at the request of the bar of New York City?

Mr. GELLHORN. Yes, sir.

Mr. HAYS. Are you a member of the American Bar Association?

Mr. GELLHORN. I have been, but I am not at the present. I am, in fact, not a member of any bar association.

Mr. HAYS. You are a teacher by profession?

Mr. GELLHORN. I am a teacher rather than a practitioner; yes, sir.

Mr. HAYS. Have you had any other assignments from bar associations?

Mr. GELLHORN. Some years ago I served on a committee that had to do with the public-utilities problem of the bar association, of the American Bar Association, and I served some years ago on the administrative law committee of the National Lawyers Guild. My present activity is with the Association of the Bar of the City of New York.

Mr. HAYS. Your special interests have been civil rights; is that right?

Mr. GELLHORN. Yes, sir; and administrative law, the administration of justice.

Mr. HAYS. Administrative law.

I had in my mind somehow that you were doing a study for the American Bar Association. I thought you might want to put that in the record. If I have not been succinct enough, maybe you can identify what is in my mind. I am sorry that I am not familiar—

Mr. GELLHORN. I think that the matter is in a preliminary stage, Mr. Chairman, and I am not sure that it warrants very extended discussion at this time. The fact is, though, that the American Bar Association, through one of its sections, has been planning a large-scale study of judicial administration of which I have been asked to be the director in New York. But that is in a preliminary and planning stage, and I do not think that it warrants any extended comment at this time, sir.

Mr. HAYS. I have a telegram directed to me from Mr. Lloyd K. Garrison, with reference to you, Mr. Gellhorn, and the committee has authorized the counsel and the chairman to include any statements that pertain to the testimony. If I find that it touches any activities of

that kind that would enlarge upon the committee's knowledge, I will include it. This is the telegram from Mr. Garrison.

Mr. GELLHORN. Thank you, sir.

Mr. HAYS. I thought perhaps I would clarify that point.

That is all.

Mr. Keele?

Mr. KEELE. Yes, just a few questions.

Mr. HAYS. Yes.

Mr. KEELE. Mr. Gellhorn, were you a member of the nonpartisan committee for the reelection of Congressman Vito Marcantonio?

Mr. GELLHORN. In the year 1936, I was, sir, and that was the only such occasion.

Mr. KEELE. That was cited as a Communist-front organization by the House Un-American, was it not?

Mr. GELLHORN. Will you excuse me just a minute until I get some papers out?

I should like, if I may, Mr. Chairman, to comment on the question that has just been put to me.

Mr. HAYS. Yes, sir.

Mr. GELLHORN. I indicated earlier that the committee in question, though I am not sure this is indicated in the records of the other House committee, Mr. Keele, functioned in the 1936 congressional elections. I do not believe at that time the drift of international affairs in later years, or Mr. Marcantonio's identification with the drift of political international affairs in later years, was in issue. At that time, Mr. Marcantonio was a political protégé of Fiorello LaGuardia, who was then the mayor of New York. He was being backed for reelection by a number of distinguished citizens of the country. I was invited to be a member of the nonpartisan committee of which the chairman was Morris L. Ernst, who is now, I understand, counsel for Mr. J. Edgar Hoover, his personal counsel, although that is only a matter of rumor. I do not testify to that as a matter of fact.

The committee, it seems to me, is being regarded, as a matter of hindsight, as though it were something that had occurred in 1950, or whenever it was that Mr. Marcantonio ran for office.

Mr. HAYS. Did Mayor LaGuardia support Mr. Marcantonio in 1936?

Mr. GELLHORN. He did, indeed, and Judge Samuel Seabury and others of the reform elements of New York. The issue, as I best recall it at the time, was not of the sort that might be drawn 14 or 15 years later.

Mr. KEELE. Were you a member of the International Juridical Association, Mr. Gellhorn?

Mr. GELLHORN. Yes, sir; I was, Mr. Keele.

Mr. KEELE. That was one of these that has been cited by the House Un-American Activities Committee as subversive organizations and publications, is it not?

Mr. GELLHORN. I am afraid that I cannot answer that unequivocally. I believe perhaps by the House committee, but I know quite definitely not by the Attorney General in his list.

Mr. KEELE. I did not ask you that question. I asked you, Mr. Gellhorn—

Mr. GELLHORN. I am sorry. I cannot answer it unequivocally, because I am not so sure where it is listed—

Mr. KEELE. You knew where it is not listed, but you do not know where it is listed.

Mr. GELLHORN. As I say, I think the House committee has so classified it, but I cannot answer that unequivocally.

Mr. KEELE. Do you know the manner in which the International Juridical Association was organized?

Mr. GELLHORN. I have been informed in recent years.

Mr. KEELE. Would you tell us about that?

Mr. GELLHORN. I can only at second-hand.

Mr. KEELE. Just your understanding.

Mr. GELLHORN. Yes; I know. I just wanted to make it clear that I had no part in the formation of the organization. But I have been told that it was an outgrowth of some sort of conference in Paris, and that it was intended to be an element of an international organization which never came into being, so far as I know. Though the high-sounding name, "International Juridical Association," suggested some internationality, as far as I am aware, it functioned exclusively in this country.

I would be glad to tell you what I do know about the association, if you wish me to.

Mr. KEELE. We will give you an opportunity. And what about the National Lawyers Guild? Are you a member of that?

Mr. GELLHORN. You say, am I a member of that?

Mr. KEELE. Yes; or were you a member of that?

Mr. GELLHORN. I am not now, but I have been a member of that. I might say, just going back to the International Juridical Association, that it terminated its activities in 1942, I believe, and has not been in existence for 10 years.

Mr. KEELE. I think we were talking about the National Lawyers Guild.

Mr. GELLHORN. I was just interpolating that. I have been a member of the National Lawyers Guild but am not now.

Mr. KEELE. Were you a member of the group known as the Open Road?

Mr. GELLHORN. Yes. May I comment on that?

Mr. KEELE. You have answered the question. I would be glad to come back to this, if you want to speak further on it.

Mr. FORAND. What was that name again?

Mr. KEELE. The Open Road.

Mr. GELLHORN. I should be glad to comment on that.

Mr. HAYS. Yes, indeed.

Mr. GELLHORN. I do not want to take up too much of your committee's time, but this is a reference that frankly so surprised me that when I found out that this was a citation in the records of the House Committee on Un-American Activities, I was at some pains to find out, or try as best I could to recapture any awareness of the organization. I was a member of the board of directors of the Open Road, Inc., for 2 years, 1929-31, when I was 23 and 24 years old, and I was then a student in law school.

Mr. FORAND. What is the Open Road?

Mr. GELLHORN. I am just going to tell you, Congressman Forand. That was a nonprofit membership corporation that was formed in 1925. Its function was educational and nonpolitical. Its purpose was to assist students and other Americans to travel abroad,



and, while traveling, to have intellectual and educational experiences which the casual tourist does not ordinarily achieve. It never received a subsidy from any government or front organization. Its chief sponsors during the period of my connection with it were President Neilson, of Smith College; President MacCracken, of Vassar; President Woolley, of Mount Holyoke; President Garfield, of Williams; President Farrand, of Cornell; and other educators of that general stamp.

Now, when this citation to which Mr. Keele refers was brought to my attention, I, for many, many years, had nothing to do with the Open Road, and it had become defunct because wartime travel, of course, was impossible. But, with some effort, I managed to obtain its brochure for 1939, which shows trips to Mexico, the Soviet Union, Scandinavia, a trip through western Europe, to study rural and urban cooperatives, another trip through Europe to study public-housing development, and a trip for music teachers and an international relations trip through western and central Europe, and so on; a number of cycling trips for students through Scotland, England, Holland, and France, and so on, were devised to bring students into contact with peoples of other countries, with the hope that their understanding of the world and its inhabitants would be enriched.

All I can say about the organization is that certainly during the years of my association with it, it had no political orientation or motivation whatsoever. I never heard that it acquired any in the years after 1931, when I dropped out of touch with it, because then I moved to Washington in order to become the law clerk to Justice Stone of the Supreme Court.

The worst that can be said about the young people who were interested in that organization, as I was at that time, is that they entertained the perhaps naive belief that the world would be a friendlier place if its inhabitants became a little better acquainted.

Mr. HAYS. Your identification with the organization was a known fact, was it? It was not a secret membership?

Mr. GELLHORN. Oh, no. There was not anything that was secret about the organization. It was seeking, on the contrary, to sell travel services, and things of that sort.

Mr. HAYS. Was that prior to the time Justice Stone designated you as his clerk?

Mr. GELLHORN. Yes, sir. And I terminated my connection with it when I came down here, because it functioned in New York, and I was going to be in Washington.

Mr. HAYS. How long did you serve as his clerk?

Mr. GELLHORN. For just a little over a year, and then I went on to other things. That was his habit.

Mr. KEELE. Did you have anything to do with the National Emergency Conference for Democratic Rights?

Mr. GELLHORN. No, sir; I did not.

Mr. KEELE. Did you ever grant permission for your name to be used by the conference as one of the sponsors of antialien legislation?

Mr. GELLHORN. The national conference on alien legislation, did you say, Mr. Keele? I am sorry, I did not quite hear you.

Mr. KEELE. Did you grant permission for your name to be used by the National Emergency Conference for Democratic Rights as one of the sponsors of antialien legislation?

Mr. GELLHORN. I am not sure that I understand the question. But I never granted the use of my name to the National Emergency Conference for Democratic Rights, and happily this is a matter that I can document, because it came to my attention on March 5, 1940, that my name had been listed as a sponsor of that organization. On that date I addressed a letter to the lady, a Mrs. Foss, who was secretary of the National Emergency Conference for Democratic Rights. I wrote as follows:

I received a day or two ago a circular letter forwarded from New York signed by Mr. Erskine Caldwell requesting contributions for the National Emergency Conference for Democratic Rights. Enclosed with the letter was a leaflet describing that organization and its sponsors. In the board of sponsors I find my own name. I have no recollection of having consented to the use of my name in this connection. Since I do not remember correspondence with this particular organization, I am naturally doubtful that my prior permission was obtained.

So I requested Mrs. Foss to search her files and to communicate to me the basis on which my name had been included as a sponsor of an organization of which I had never previously heard.

She replied to me on March 18, 1940, referring to a letter that I had written on April 17, 1939, about an entirely different matter, which I shall be glad to go into if the committee wishes to take the time for it.

Mr. KEELE. What was that matter?

Mr. GELLHORN. The other matter was a similarly named thing, in the sense that "National Emergency Conference" appeared in it. The other National Emergency Conference convened here in this city in May of 1939, and it was a conference on a specific, limited purpose, and one that was quite clearly stated. That is, that at that time there were some 60 pending bills that were directed in their initial impact against aliens and naturalized citizens in this country.

I had no recollection of this conference, but when the matter was brought up in the source to which Mr. Keele is now referring I had a search made of the press at that time, and I should just like to read you the lead paragraph from the Washington Star for May 14, 1939, about that conference, of which I was one of the sponsors:

Supported by spokesmen of such varied groups as the American Bar Association, the Congress of Industrial Organizations, and university educators, the National Emergency Conference to Combat Repressive Legislation yesterday opened a campaign here to insure the defeat of 70 bills pending in Congress designed to curtail the civil rights of aliens in the United States.

The main addresses on that date, as the newspapers tell me, were delivered by Monsignor Ryan, Senator Murray, and Dr. Urey, who was then at Columbia and now at the University of Chicago, and, as you know, one of our Nobel Prize winners.

The Washington Post contained a long editorial which summarized the bills that were under consideration, and then continued with the following remarks:

There is no valid excuse for repressive legislation of the type which the justly named National Emergency Conference has been called upon to combat. Convening in Washington today, that conference, representing 150 different organizations, will discuss pending measures which are not only a menace to aliens but a threat to the freedom and security of American citizens as well. The sponsors of the conference are men and women who have distinguished themselves in law, science, social work and academic professions. The speakers have been recruited from many different fields of activity.

The Washington Daily News story, may I say, was in exactly the same terms.

Now, it was that organization, that National Emergency Conference, for that limited and specific purpose, of which I was a sponsor. Wholly without any warrant or consultation with me, my name was carried over from that group to the subsequently formed organization of which I had never heard, the National Emergency Conference for Democratic Rights. And Mrs. Foss told me that that was the chain of events.

I wrote her on March 20, 1940, that my letter of April 17, 1939, made it clear that the extent of my intended participation was to respond favorably to the request that I support the Washington conference, which I have just described. I added the following sentences:

In the previous correspondence, there was no suggestion of a continuing organization. "Conference" in the context of the previous exchange of letters referred to a thoroughly specific gathering for the named purpose of addressing attention to certain antialien legislation. Since in the case of the National Emergency Conference for Democratic Rights I am unable to participate actively in shaping and directing its policies and since, moreover, it is plain to me that the listing of my name as one of the board of sponsors was a misrepresentation, although no doubt an inadvertent one of the extent of my affiliation with the organization, I now request you to withdraw my name from the board of sponsors.

That, Mr. Chairman and gentlemen of the committee, is the full extent of my relationship with that organization.

Mr. KEELE. What about the American Rescue Ship Mission? Were you a sponsor of that organization?

Mr. GELLHORN. I was at one time, Mr. Keele.

Mr. KEELE. Was that cited by the House Un-American?

Mr. GELLHORN. That was the one organization of which I have any recollection of ever having been connected with that has been more than cited by the House committee. It is on the list of organizations compiled by the Attorney General. I say, so far as I have any present recollection, that is the only organization with which I have had contact in that category.

Mr. HAYS. You mean, it was designated by him as a subversive organization?

Mr. GELLHORN. Not as a subversive organization—

Mr. HAYS. Or as a Communist-front organization?

Mr. GELLHORN (continuing). But as a Communist-front organization.

I would like, if the committee will bear with me, to go into the circumstances of my connection and withdrawal from that organization, if the committee is patient enough.

Mr. HAYS. Yes. We will hear it.

Mr. GELLHORN. The American Rescue Ship Mission was organized in 1940. Its purpose, its declared purpose, was to help a large number of opponents of the Franco regime who had been driven across the border from Barcelona into France, and as you gentlemen will remember, they had, quite properly, as far as France was concerned, been confined in what we would now call concentration camps, because they were refugees with no means of support.

Mexico and a number of other Latin-American countries formally declared their willingness to receive these people as settlers in their countries if transportation could be provided. I was asked to become one of the sponsors of the American Rescue Ship Mission, which was formed for the purpose of trying to obtain that transportation for

these refugees. I was asked, I say, to become one of its sponsors by Miss Helen Keller.

I might say that the selection of the persons who would be received in the Latin-American countries was entirely in the hands of the governments of those countries. The sponsors of the American Rescue Ship Mission at the beginning were, I think, a very distinguished group of public figures.

But late in 1940, or early 1941—I have not been able to recapture in my mind the precise date—the organization was exposed by a columnist in one of the newspapers as a Communist-front organization, and a number of the sponsors at that time withdrew from it.

I did not instantly withdraw from it, because just before Miss Keller herself withdrew as chairman of the organization, which was in February of 1941, the American Rescue Ship Mission had announced the completion of a charter agreement for a ship which was adequate for the purpose of transporting refugees from the Old World to the New.

I felt unwilling to withdraw from an humanitarian endeavor, as I believed it to be, because of the general exodus which seemed at that moment to me to be a response to fear rather than reason. But I did at that time, in the winter of 1941, send under my direction a young lawyer who was working for me at that time to make a careful check of the organization's books and records, because I wanted to be sure that the funds that it was securing through public donations were going to be used for the purpose that was declared, and not for some other purpose.

He made a close comparison of the receipts and disbursements, and he then reported to me his clear conclusion that the organization was at that time engaged in an honest endeavor to rescue distressed persons.

Early in the next month, that is, March of 1941, the British Government refused to grant the necessary certificate to the owners of the ship that had been obtained. Apparently the owners of that ship were regarded by the British as having used some other vessels in their fleet in blockade running, and at that time, in order to get in and out of the Mediterranean, as I recall it, you needed some sort of documentation from the British, which was not forthcoming.

Then it seemed to me that the whole thing started to collapse. The hope of any success seemed to me to be farther and farther from fulfillment.

A few days after that, I wrote to the executive secretary of the mission saying that the denials of the certificate for the ship that had been chartered and the resulting withdrawal of the Mexican Government's readiness to go on with the venture, seemed to me to be highly damaging, if not fatal to the success of the mission, and said that there should be a careful review of the facts to ascertain whether the mission's program could still be fulfilled.

Then without any consultation with the sponsors at all, the executive officials of the mission announced that it was going to use whatever funds it had obtained for the purpose of reimbursing our State Department and the governments of some Latin-American countries for the cost of repatriating our and other citizens who were held in Franco jails, as well as to grant direct relief to some 2,500 Spanish professionals and intellectuals who had fled as refugees to the Dominican Republic, and who were in need of aid.

On March 10, 1941, I withdrew my sponsorship of the American Rescue Ship Mission. I stated that—and I am now quoting from my letter of withdrawal—

The American Rescue Ship Mission seemed to me at its inception to voice a high aspiration and to offer a dramatic and effective instrumentality for achieving a moving humanitarian purpose.

But as matters had developed in the way that I have just indicated, I felt that the mission had failed, and that acknowledgment of that fact should not be withheld from those who had supported it.

I said the new program that I have just outlined was perhaps worthy enough in itself, but that those were not the purposes for which the mission has been founded, and I was unwilling to continue as a sponsor of an organization that it seemed to me was not candidly stating what it was doing.

I therefore stated in conclusion:

I cannot in all candor continue in association with a venture which seems to me now to come perilously close to sailing under false colors.

I might say just parenthetically, lest there be any thought that I have, as it were, plucked at random from correspondence, that in thumbing through my files before coming down to this session, I found in them, though I had quite forgotten that it was there, a copy of a letter I wrote to my own mother on March 20, 1941. She said that she had been solicited for funds by this organization, and she asked me about it, and I find that my letter to her exactly reviews what I have just reviewed to you concerning my connection with the organization and my withdrawal from it.

Mr. HAYS. Where did she live, Mr. Gellhorn? Where was your home?

Mr. GELLHORN. St. Louis, Mo., Mr. Chairman.

Mr. REECE. Did that organization continue functioning?

Mr. GELLHORN. Not so far as I know, Congressman. I had no further contact with it, after March 20, 1941. I do not know what happened to it. I think that the reason that it is listed by the Attorney General, sir, is this. As later events seemed to indicate, the organization was fostered and encouraged by some one of the Spanish aid groups that is on the Attorney Generals' list. This is, I might say, a covert sponsorship. It was not disclosed to those of us who were asked to be sponsors. I forget what the Spanish aid committee was that was somehow or other linked with the genesis of the American Rescue Ship Mission.

I recall that, as I say, it was Miss Keller who asked me to join it, and I recall that there were a number of other much more distinguished people than I who at that time did.

Mr. HAYS. Mr. Forand?

Mr. FORAND. I have no questions.

Mr. HAYS. Mr. Goodwin?

Mr. GOODWIN. No questions.

Mr. HAYS. Mr. Reece?

Mr. REECE. Did you know or have any knowledge of Mr. Budenz during the period of his admitted membership in the Communist Party?

Mr. GELLHORN. I have never met him, Mr. Reece. I have never had contact with him of any sort.

Mr. REECE. Did you know or have any contact with this Mr. Stachel, Mr. Jerome, or Mr. Trachtenberg?

Mr. GELLHORN. I do not even know who they are, sir.

Mr. REECE. Mr. Budenz states that he had repeatedly had official communications on Dr. Walter Gellhorn. He was from, certainly, about 1942 on, a member of the Communist Party.

You have no knowledge of any association or correspondence or conduct on your part that might have brought you in as a subject of correspondence with Mr. Budenz?

Mr. GELLHORN. There is none, Mr. Reece. I not only have no recollection of such, but I state unequivocally that there is none. My only conclusion from that statement is that Mr. Budenz either confused some names in correspondence, or was mistaken in his recollection of the content of whatever communications he referred to.

Mr. REECE. Did you know Hans Eisler?

Mr. GELLHORN. No, sir.

Mr. REECE. That is all.

Mr. FORAND. Mr. Chairman, I think it might be well at this point, in view of the fact that reference has been made to the word "communication" by Mr. Budenz, to say that Mr. Budenz explained to the committee that "communication" was word of mouth from some of his superiors, and therefore it was more or less hearsay on his part, and therefore he could not testify to his own knowledge, but rather from communications, as he used the term. I believe that should be in the record for clarification of the situation.

Mr. GELLHORN. I appreciate that, Mr. Forand. I only say again that I think that he did not at this late stage have a clear recollection of whatever those communications were, if I was ever involved in them.

Mr. FORAND. Using the term "communication" might indicate correspondence.

Mr. GELLHORN. I appreciate your saying that.

Mr. FORAND. But Mr. Budenz made it clear that that was not what he intended, but rather it was word of mouth from some of his superiors.

Mr. REECE. To carry the question on further, to your knowledge did you ever have at any time association with anyone who you had reason to believe was a member of the Communist Party or working toward the same objectives?

Mr. GELLHORN. Yes; I have known people that I thought to be Communists, if that is your question.

Mr. REECE. No. "Had association with them."

Mr. GELLHORN. I am not trying to be unresponsive, Mr. Reece, but I honestly just do not know what to say to that. I have known Communists. In that sense, I have had association with them, as many people have known Communists. But if you mean, did I ever have association with persons working either toward the objectives of the Communist Party or under its direction, or as instruments of the Communist Party, the answer is unequivocally "No."

Mr. REECE. Did you ever work with these people on any purpose?

Mr. GELLHORN. I think that there have been Communists in organizations like the National Lawyers Guild and the International Juridical Association, about both of which Mr. Keele asked me questions

earlier. But whatever I did in any of those organizations had nothing to do with any of them as Communists.

Mr. REECE. I was not intending for my question to be quite that general. Have you worked with any known Communists on any program in carrying out a purpose in which the known Communists might have been interested?

Mr. GELLHORN. To the end of furthering the Communist purpose? Definitely not. But the reason I am trying to be quite precise in my answer, Mr. Reece, is simply this: The International Juridical Association, about which inquiry was made earlier, was an organization which published a monthly bulletin that had to do with civil liberties and labor problems, and things of that sort. It was a rather well-regarded bulletin while it was being published. It prospered in a period when the Communists were pushing the American line rather than the Russian.

You perhaps remember yourself that at one point they proclaimed themselves as a party of Jefferson and Lincoln; and Marx and Lenin and those fellows were rather ignored. During that period of time that I was interested in the publication of a bulletin on civil liberties and labor rights, some of those fellows were, too, and in that sense I was associated with them, but only in the publication of something that had nothing to do with the Communist Party.

Is that responsive to your question? I am doing my best, really, to pin point it as best I can, rather than otherwise.

Mr. REECE. I rather think so. You stated that you did not know these gentlemen to whom Mr. Budenz referred to, nor Mr. Budenz.

Mr. GELLHORN. That is correct, sir.

Mr. REECE. But that might not necessarily mean, unless you have since come to know them, so that you would be able to identify them, that you might not have had association with them on some programs?

Mr. GELLHORN. I think that I can say categorically that so far as I am aware, the only Communists that I have had any association with in the sense of doing anything with them have been members of my own legal profession, not functionaries of some sort in some broader political purpose.

Mr. REECE. You referred to the fact that you do not now belong to any bar associations. Why did you give up your memberships in those associations?

Mr. GELLHORN. I gave up my membership in the National Lawyers Guild because I was out of sympathy with what I thought were some of its trends. I think I gave up my membership in the American Bar Association out of lethargy, perhaps, more than anything else.

Mr. GOODWIN. The bar associations have no particular—there is nothing in which they are interested that is particularly of interest to a teacher; is that not so? The bar associations are principally for practicing attorneys?

Mr. GELLHORN. That is their chief focus, I should say, sir. There are some teachers who take more active part in bar associations than I ever have.

Mr. HAYS. Is there an association of law-school instructors or professors?

Mr. GELLHORN. There is an Association of American Law Schools which is, as it were, if I may put it this way, the trade association of the recognized law schools.

Mr. HAYS. Is Columbia a member of that?

Mr. GELLHORN. And all the leading law schools are members of that; yes, sir.

Mr. HAYS. Dr. Gellhorn, as I understand, it was at your request, and you appear here to deny the statements in the testimony of Mr. Budenz?

Mr. GELLHORN. I do, sir.

Mr. HAYS. Do you have anything further that you would like to say?

Mr. GELLHORN. No.

I appreciate the committee's courtesy and attention.

Mr. HAYS. If you have nothing further, then that will be all.

Mr. GELLHORN. Thank you, sir.

Mr. HAYS. This concludes the open hearing. The committee will now go into executive session.

(Whereupon, at 3:45 p. m., the select committee retired into executive session.)



**QUESTIONNAIRES SUBMITTED TO FOUNDATIONS AND  
SIMILAR ORGANIZATIONS BY THE SELECT COM-  
MITTEE ON FOUNDATIONS**

(The following questionnaire was submitted to those foundations with assets of \$10,000,000 or more:)

QUESTIONNAIRE SUBMITTED BY THE SELECT COMMITTEE OF THE HOUSE OF  
REPRESENTATIVES OF THE CONGRESS OF THE UNITED STATES

Created by House Resolution 561, Eighty-second Congress, Second Session, To  
Investigate Tax-Exempt Foundations and Comparable Organizations

INSTRUCTIONS

1. Answers to the questionnaire should be made to the committee in duplicate.
2. Answers should be prepared so that they are carefully keyed to the section and question number of each section. No particular form other than reference to section and question number need be observed. However, in order to avoid confusion and expedite processing, it is requested that the answers to each section should begin on a page separate from those on which answers to another section have been given. In other words, when beginning answers to any section please use a sheet of paper on which no other answers have been made.
3. The committee places a higher premium on clarity and substance than on style and form; on speed of completion rather than on niceties of phrase. Write as much or as little as is deemed necessary to answer the questions. The committee wishes your best thinking but will appreciate such brevity and compression as is consonant with clear exposition.
4. Please use one side only of regular 8½ by 11 letter-size paper for your answers, double-spaced and numbered serially at the top irrespective of section, with the name of your organization at the top of each page.

SECTION A

- A-1. What is the name of your organization?
- A-2. What is its legal nature, i. e., a trust, a corporation, or other type of association?
- A-3. If a corporation, in what State is it incorporated and by what State agency?
- A-4. Where is its principal office located?
- A-5. When was it chartered or otherwise organized?
- A-6. Is it the outgrowth or continuation of a form of predecessor organization, or the result of a merger? Explain.
- A-7. (a) Has it been declared exempt from taxation under section 101 (6) or any other section of the Internal Revenue Code by the Commissioner of Internal Revenue? If so, when was such exemption granted?  
(b) Has its exemption ever been removed, suspended, or challenged by the Commissioner of Internal Revenue? If so, state when and the circumstances thereof.
- A-8. If it is in the nature of a trust, is it permitted deductions for charitable and related contributions as provided by section 162 of the Internal Revenue Code?
- A-9. Give the names, addresses (business or mailing) and terms of all trustees or members of your board of directors since 1935.
- A-10. Is any of your trustees, members of your board of directors, or executive officers the creator of your organization or a contributor, present or past, to your

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organization, or a brother or sister (whole or half blood), spouse, ancestor, or lineal descendant of such creator or contributor? If so, explain.

A-11. Is any of your trustees, members of your board of directors, or executive officers also a trustee, director, or officer of any other tax-exempt organization or of any corporation or other business organization related directly or indirectly to your organization? If so, explain in detail.

A-12. List the names and addresses of the principal executive officers of your organization.

A-13. What was the amount of your original endowment and in what manner was it granted to your organization?

A-14. What capital additions over \$10,000 in amount have you received since your original endowment and from what sources?

A-15. Is your endowment fund perpetual or is it expendable on an optional or determined liquidating basis? Explain.

A-16. What is the amount of your present endowment?

A-17. Attach a balance sheet indicating the amounts of your assets, liabilities, and net worth as of the close of your last fiscal year.

A-18. What was your average gross income for the years 1946-51, both years inclusive?

#### SECTION B

B-1. What is the purpose or purposes for which your organization was created as defined by your charter or other instrument creating your organization?

B-2. State the activities which your organization considers permissible under the purpose or purposes stated in your answer to question 1.

B-3. Who determines whether the funds of your organization are being spent within the limitations set forth in your answers to questions 1 and 2?

B-4. Who determines what gifts, grants, loans, contributions, or expenditures are to be made by your organization?

B-5. On what are the determinations specified in question 4 based?

B-6. With whom do proposals submitted to the person, persons, or group named in your answer to question 4 for gifts, grants, loans, contributions, and expenditures originate?

B-7. Is any individual or group of individuals charged with the duty of originating and developing plans, programs, and proposals for the distribution of your funds?

B-8. If the answer to question 7 is in the affirmative, state the names and positions of such persons.

B-9. Was an investigation of each individual named or specified in your answers to questions 3, 4, 7, and 8 made into his or her background and qualifications before he or she was elected, appointed, employed, or otherwise entrusted with his or her duties or responsibilities?

B-10. If the answer to question 9 is in the affirmative, give details as to the nature of such investigations, the manner in which they were conducted, and by whom.

B-11. If the answer to question 9 is in the affirmative, state when such investigations were first instituted.

B-12. If the answer to question 9 is in the affirmative, state the reasons for making such investigations, whether there has been any change in the policy of your organization in relation thereto, and, if so, the date and reasons therefor.

B-13. If the answer to question 9 is in the affirmative, state whether the results of such investigations were reduced to writing or if any memoranda were made in connection therewith.

B-14. If the answer to question 13 is in the affirmative, state whether such writings or memoranda (a) were extant as of January 1951, (b) are extant now, and (c) if extant, the person, firm, corporation, or organization in whose possession or custody they are.

B-15. If the answer to question 9 is in the affirmative, state whether any such investigation revealed any person hired or employed by or affiliated with your organization who at the time of the investigation had or prior thereto had had any affiliations with communist-front organizations.

B-16. If the answer to question 15 is in the affirmative, state the name or names of such person or persons.

B-17. If the answer to question 9 is in the negative, state whether such investigations were ever considered or discussed by your organization or the trustees, board of directors, or officers thereof, and, if so, by whom, and the basis of any decision reached in connection therewith.

B18. If the answer to question 15 is in the affirmative, state what action was taken by your organization with reference to such person or persons.

B19. What steps, if any, have been or are being taken to prevent infiltration of your organization by subversive persons?

B-20. If the answer to question 19 is in the negative, state whether you think it necessary or advisable to initiate procedures to prevent possible infiltration of subversives into your organization; and, if so, whether you intend to do so and the general routine of the intended procedures.

## SECTION C

C-1. Have any gifts, grants, loans, contributions, or expenditures been made by your organization which were not in accordance with the purpose or purposes defined by the instrument establishing or creating your organization or the permissible activities of your organization set forth in your answers to questions 1 and 2 of section B?

C-2. If the answer to question 1 is in the affirmative, list the amount, recipient, date, and nature of such gift, grant, loan, contribution, or expenditure.

C-3. Does your organization follow up gifts, grants, loans, or contributions made by it to other foundations, agencies, institutions, or groups by investigation to determine the ultimate disposition of such moneys?

C-4. Has any gift, grant, loan, or contribution been made by you to another foundation, agency, organization, institution, or group which in turn made or makes gifts, grants, loans, contributions, or expenditures which are not permissible under your charter or instrument establishing your organization?

C-5. If the answer to question 4 is in the affirmative, list the amount, recipient, date, and nature of each such gift, grant, loan, contribution, or expenditure and the reasons for the making thereof.

C-6. In the making of gifts, grants, loans, contributions, or other expenditures does your organization consult with any other organizations such as the United States Government, educational groups, religious groups, labor groups, veterans' societies, patriotic societies, foreign governments, other foreign agencies? If so, explain.

C-7. List those institutions, operating agencies, publications, specific projects, and individuals which have received aid from your organization and the amounts and years and nature of such aid since 1935. (NOTE.—(a) If your filing system is so set up, it is desired that the lists be made up in alphabetical order. (b) Lists that are included as sections of published works will be accepted in fulfillment of 7 above.)

## SECTION D

D-1. State your definition and your understanding of the meaning of the term "subversive" as that term is commonly used in public print today as applied to the activities of an individual, individuals, groups of individuals, an organization, or an institution in relation to the government of the United States.

D-2. Does your organization make any attempt to determine whether the immediate or eventual recipient (whether an individual, group of individuals, association, institution, or organization) of any grant, gift, loan, contribution, or expenditure made by your organization has been or is "subversive" as you have defined that term in answer to question 1, in advance of and/or after making such grant, gift, loan, contribution, or expenditure?

D-3. If the answer to question 2 is in the affirmative, state the nature of such attempted determination, how made, by whom, whether the results thereof are reduced to writing, and, if so, whether they are extant and where?

D-4. If the answer to question 2 is in the affirmative, state when such attempts were first initiated and why; also state whether such attempts have been made sporadically or whether such is established policy, and if the latter, when such policy was established.

D-5. If the answer to question 2 is in the negative, state whether such attempts were ever considered or discussed by your organization, its trustees, directors, or officers, and if so, by whom and the basis of any decision reached in connection therewith.

D-6. Does your organization check immediate, intermediary, or eventual recipients of grants, gifts, loans, or contributions from your organization against

the list of subversive and related organizations prepared by the Attorney General of the United States?\*

D-7. If your answer to question 6 is in the affirmative, state whether such listing of an organization by the Attorney General of the United States influences you in the making or withholding of grants, gifts, loans, contributions, or expenditures either directly or indirectly to organizations so listed.

D-8. If your answer to question 6 is in the negative, state the reasons therefor fully.

D-9. Do you consider it your duty or responsibility to consider the possible effects of grants, gifts, loans, or contributions to organizations which have been so listed by the Attorney General of the United States?

D-10. Has your organization made any grants, gifts, loans, contributions, or expenditures either directly or indirectly through other organizations to any organization so listed by the Attorney General of the United States or to any individual, individuals, or organizations considered "subversive" as you have defined that term in answer to question 1?

D-11. If your answer to question 10 is in the affirmative, list the recipient and date of each such grant, gift, loan, contribution, or expenditure and the amount and nature thereof.

D-12. If your answer to question 10 is in the affirmative, state whether you knew such organization had been so listed by the Attorney General or was considered "subversive" at the time you made such grant, gift, loan, contribution, or expenditure.

D-13. If your answer to question 10 and 12 are both in the affirmative, state your reasons for making such grant, gift, loan, contribution, or expenditure.

D-14. Has your organization made any grant, gift, loan, contribution, or expenditure directly or indirectly to any individual, individuals, group, organization, or institution which grant, gift, loan, contribution, or expenditure or recipient has been criticized or cited by the Un-American Activities Committee of the United States House of Representatives or the Subcommittee on Internal Security of the Judiciary Committee of the United States Senate?

D-15. If your answer to question 14 is in the affirmative, list the recipient and date of each such grant, gift, loan, contribution, or expenditure and the amount and nature thereof.

D-16. Does your organization consult the "Guide to Subversive Organizations and Publications," House Document No. 137, prepared and released by the Committee on Un-American Activities, United States House of Representatives? If so, for what purpose and to what effect?

#### SECTION E

E-1. In your opinion, should educational and philanthropic foundations and other comparable organizations which are exempt from Federal income taxation finance or sponsor projects which may have as a direct result the influencing of public opinion in the fields of politics? Economics? Education? International relations? Religion? Government and Public Administration? Other Fields? Explain fully.

E-2. In your opinion, should a tax-exempt foundation which makes a grant to an individual, a group, institution, or organization:

(a) Indicate the conclusions to be reached?

(b) Withdraw its grant or discontinue it if conclusions different from those held by the foundation are reached?

(c) Suppress the findings if they differ from the views of the foundation? Explain fully.

E-3. Explain in detail the activities, if any, of your organization in the field of education both within and outside the territorial limits of the United States. The following questions should be covered fully, but your answer need not be limited thereto:

(a) What policies govern your activities in this field, and who formulates said policies?

(d) Do you consult individuals or groups other than those employed or otherwise directly connected with your organization in the formulation of policies in this field? Explain.

\*List of organizations designated by the Attorney General as within Executive Order No. 9835 according to the classification of Section 3, Part III, of the Executive Order.

(c) Is an effort made to aid, assist, or support individuals, groups, or projects representing divergent views on controversial educational issues? If so, explain how this is accomplished. If not, explain the reasons therefor.

(d) Is any assistance provided by you for projects in this field conducted by religious or sectarian educational groups, associations, schools, colleges, or universities? If so, is an effort made to secure an equal distribution of moneys during the various major religious groups or sects? If such an effort is not made, why is it not made?

(e) With whom do you consult with regard to financing educational projects outside the territorial limits of the United States? Do you consult with any United States Government agencies, including the United States State Department?

(f) In your opinion, what effect, if any, has your organization had on education in the United States? In other countries?

(g) Does your organization directly or indirectly sponsor or otherwise support proposed or pending State or Federal legislation within the United States or legislation in foreign countries in the field of education? Explain.

(h) In your opinion, what effect have educational and philanthropic foundations and comparable organizations had on education in the United States? In other countries?

E-4. Explain in detail the activities of your organization in the field of international relations both within and outside the territorial limits of the United States. The following questions should be covered fully, but your answer need not be limited thereto:

(a) What policies govern your activities in this field and who formulates said policies?

(b) Do you consult individuals or groups other than those employed or otherwise directly connected with your organization in the formulation of your policies in this field? Explain fully.

(c) Is an effort made to aid, assist, or support individuals, groups, or projects representing divergent views on controversial international issues? If so, explain how this is accomplished. If not, explain the reasons therefor.

(d) Explain in detail the relationship your organization has had with the League of Nations and the United Nations or any of its related agencies.

(e) Explain in detail your relationship with the State Department and any other Government agencies in this field.

(f) In your opinion, what effect, if any, has your organization had on the foreign policies of the United States? On the policies of the United Nations? On the policies of other nations?

(g) Does your organization directly or indirectly sponsor or support any proposed or pending State or Federal legislation or legislation in foreign countries in the field of international relations?

(h) In your opinion, what effect, if any, have educational and philanthropic foundations and comparable organizations had on international relations? On the foreign policies of the United States? On the policies of the United Nations? On the policies of other nations?

E-5. Explain in detail the activities of your organization in the field of government and public administration. The following questions should be answered fully, but your answer need not be limited thereto:

(a) What policies govern your activities in this field, and who formulates said policies?

(b) Do you consult individuals or groups other than those employed or otherwise directly connected with your organization in the formulation of your policies in this field? Explain fully.

(c) Is an effort made to aid, assist, or support individuals, groups, or projects representing divergent views on controversial governmental and public administration issues? If so, explain how this is accomplished. If not, explain the reasons therefor.

(d) Explain in detail your relationship with United States Government agencies in this field.

(e) Does your organization directly or indirectly sponsor or support pending or proposed State, Federal, or foreign legislation in this field? Explain.

(f) In your opinion, what effect has your organization had on governmental and public administration matters in the United States? In other countries?

(g) In your opinion, what effect have educational and philanthropic foundations and comparable organizations had on governmental and public administration matters in the United States? In other countries?

E-6. Explain in detail the activities of your organization in the field of economics. The following questions should be answered fully, but your answer need not be limited thereto:

(a) What policies govern your activities in this field, and who formulates said policies?

(b) Do you consult individuals or groups other than those employed or otherwise directly connected with your organization in the formulation of policies in this field? Explain fully.

(c) Is an effort made to aid, assist, or support individuals, groups, or projects representing divergent views on controversial economic issues? If so, explain how this is accomplished. If not, explain the reasons therefor.

(d) In your opinion, what effect has your organization had on the economic life of the United States?

(e) Does your organization directly or indirectly sponsor or otherwise support proposed or pending State or Federal legislation in the field of economics? Explain.

(f) In your opinion, what effect have educational and philanthropic foundations and comparable organizations had on the economic life of the United States?

E-7. (a) Has your organization ever contributed any funds to any individual, individuals, group, or organization within or without the United States for political purposes? Explain.

(b) Has your organization ever contributed any funds to any individual, individuals, group, or organization for nonpolitical purposes, which funds were nevertheless actually used for political purposes? Explain.

#### SECTION F

F-1. Is your organization engaged in any activities in foreign countries other than those which you have indicated in your answers to prior sections of this questionnaire? Explain fully.

F-2. Does your organization maintain offices or agents in any foreign country?

F-3. If your answer to question 2 is in the affirmative, explain fully, giving the number of agents in each country who are employees, the nature of their duties, the amounts which they are paid and by whom.

F-4. Does your organization promote activities in any foreign country through any foreign organizations or foreign individuals not in your employ? Explain fully.

F-5. If you are engaged in any activities in foreign countries, state the amount of your average annual total budget for such activities during the past 5 years, and give the proportion of such budget to the total amount expended by you during the same period in the United States.

F-6. Does your organization deal directly with the governments of foreign countries in which funds are spent or activity is promoted? Do you deal with any particular political party or group in said countries? Explain fully.

F-7. Is any agent, employee, or affiliate of your organization engaged in political activities in any foreign country? If so, explain fully.

F-8. If your organization is engaged in any activity in foreign countries, do you consult with reference thereto with the United States Department of State? Explain fully.

#### SECTION G

G-1. What, in your opinion, is the function of tax-exempt philanthropic and educational foundations in society today? Are they supplying a vital need? If so, to what extent?

G-2. In your opinion, could the functions of foundations be effectively performed by government? Explain your answer fully.

G-3. State as succinctly as possible your views on the following:

(a) What contributions to society have foundations made to date?

(b) Have they succeeded in making the maximum use of their potentialities?

(c) What mistakes, if any, have they made?

(d) What are the principal difficulties they face in achieving maximum results?

G-4. In your opinion, has the public a direct interest in tax-exempt foundations and comparable organizations? State the reasons for your answer fully.

G-5. In your opinion, is some form of governmental regulation of foundations necessary or desirable?

G-6. If your answer to question 5 is in the affirmative, give your reasons therefor and state the form such regulation should take.

G-7. If your answer to question 5 is in the negative, give the reasons for your view.

G-8. Do you believe that the charters or other instruments creating educational and philanthropic foundations and comparable organizations should specifically describe the type of activity in which the foundation will engage? Or do you feel it is sufficient to indicate the organization's purpose in general terms as "promotion of human welfare," "diffusion of knowledge," "betterment of mankind"? Explain.

G-9. Do you feel that any limits should be placed on educational and philanthropic foundations and comparable organizations as to the size of endowment, legal life, right of trustees to spend its capital funds, etc.?

#### SECTION H

H-1. If you have any views or suggestions concerning educational and philanthropic foundations which you have not covered elsewhere in your answers to this questionnaire, the committee will welcome them.

#### SECTION I

I-1. Name and identify those persons, firms, or organizations, both within and outside your organization, which have had responsibility for preparing the answers to this questionnaire.

I-2. State whether you have consulted with the representatives of other foundations with reference to this questionnaire and the answers thereto after receipt of this questionnaire.

I-3. If your answer to question 2 is in the affirmative, give the names, addresses, and titles of those persons with whom you have consulted.

I-4. State whom, if anyone, you have consulted with reference to this questionnaire in any branch, department, or agency of the United States Government other than the representatives of the Select Committee submitting this questionnaire. Give the names and titles of such individuals.

(The following questionnaire was submitted to a selected group of foundations with assets of less than \$10,000,000:)

#### FORM A

##### QUESTIONNAIRE SUBMITTED BY THE SELECT COMMITTEE OF THE HOUSE OF REPRESENTATIVES OF THE CONGRESS OF THE UNITED STATES

CREATED BY HOUSE RESOLUTION 561, EIGHTY-SECOND CONGRESS, SECOND SESSION, TO INVESTIGATE TAX-EXEMPT FOUNDATIONS AND COMPARABLE ORGANIZATIONS

BROOKS HAYS, Arkansas	E. E. Cox, Georgia, <i>Chairman</i>	RICHARD M. SIMPSON, Pennsylvania
DONALD L. O'TOOLE, New York		ANGIER L. GOODWIN, Massachusetts
AIME J. FORAND, Rhode Island		B. CARROLL REECE, Tennessee

#### STATEMENT AND INSTRUCTIONS

House Resolution 561 of the Eighty-second Congress, second session, authorized and directed the select committee created by the resolution "to conduct a full and complete investigation and study of educational and philanthropic foundations and other comparable organizations which are exempt from Federal income taxation to determine which such foundations and organizations are using their resources for purposes other than the purposes for which they were established, and especially to determine which such foundations and organizations are using their resources for un-American and subversive activities or for purposes not in the interest or tradition of the United States," and to report the results of its investigation and study by January 1, 1953, together with such recommendations as are, by the committee, deemed advisable. The resolution invested the committee with the power to compel the attendance of witnesses and the production of records by subpoena.

This questionnaire is submitted by the committee to enable it to gather information pertinent to its investigation. The committee expects that the questionnaire will supply in large part the data which can otherwise be obtained only by subpoenaing witnesses and records. You can assist the committee by making full, frank, and direct answers to the questions herewith submitted to you and

returning the questionnaire as quickly as possible in accordance with the following instructions:

1. Return three (3) copies of the completed questionnaire to the Committee on Foundations, 104 House Office Building, Washington, D. C., Within 10 Days After Receipt.

2. You may use the regular mails in returning the questionnaire. You need not return the questionnaire by registered mail.

3. If the space provided is insufficient for your answers, you may attach sheets of paper on which you have given your answers. In any event, please type the name of your organization at the top of each page of the questionnaire and any supplementary pages.

4. Make certain that your return address is on the envelope in which you return the questionnaire.

5. The questionnaire should be certified by one of the principal executive officers or one of the members of the governing body of the organization such as the chairman, or one of the trustees or members of the board of directors, etc.

If you have any questions, you may communicate directly with Mr. Harold M. Keele, counsel for the committee, or with his staff at the offices of the committee—104 HOUSE OFFICE BUILDING, WASHINGTON, D. C.—Telephone NATIONAL 3120, Extensions 2243 and 2244.

E. E. Cox, M. C., *Chairman.*

1. What is the name of your organization?
2. What is its legal nature, i. e., a trust, a corporation, or other type of association?
3. If a corporation, in what State is it incorporated and by what State agency?
4. Where is its principal office located, and what is its correct address?
5. When was it chartered or otherwise organized?
6. Is it the outgrowth or continuation of a form of predecessor organization, or the result of a merger? Explain.
7. How many paid employees does it have?
8. Are any of its paid employees related by blood or marriage to the creator of your organization? If so, state the number of such employees.
9. Has it been declared exempt from taxation under section 101 (6) or any other section of the Internal Revenue Code by the Commissioner of Internal Revenue? If so, when was such exemption granted?
10. If it is in the nature of a trust, is it permitted deductions for charitable and related contributions as provided by section 162 of the Internal Revenue Code?
11. Give the names and addresses (business or mailing) of all members of your board of directors or trustees, and of the principal executive officers of your organization.
12. What was the amount of your original endowment?
13. What is the amount of your present endowment?
14. Is your endowment fund perpetual, or is it expendable on an optional or determined liquidating basis? Explain.
15. Attach a balance sheet indicating the amounts of your assets, liabilities, and net worth as of the close of your last fiscal year.
16. What was your average gross income for the years 1946-1951, both years inclusive.
17. What is the purpose or purposes for which your organization was created as defined by your charter or other instrument creating your organization?
18. For the period of your last fiscal year give the percentage of your total expenditures in the following fields: Education, social welfare, health, recreation, religion, international relations, race relations, government and public administration, economics, and miscellaneous.
19. Is your organization engaged in any activities in foreign countries? If so, briefly indicate the nature of such activities.
20. Has your organization made any grant, gift, loan, contribution, or expenditure to any organization, directly or indirectly, which organization is on the list of subversive and related organizations prepared by the Attorney General of the United States?\* If so, set forth the pertinent facts relative thereto.
21. In your opinion is some form of governmental regulation of foundations necessary or desirable? Explain.

\*List of organizations designated by the Attorney General as within Executive Order No. 9835 according to the classification of section 3, part III, of the Executive Order.



22. If you have any views or suggestions concerning educational and philanthropic foundations and comparable organizations, the committee will welcome them.

I certify that the above answers are, to the best of my ability and information, true and correct.

-----  
(Name and title of party certifying)

-----  
(Signature of party certifying)

(The following questionnaire was submitted to a selected group of organizations that receive a large portion of their funds from the foundations:)

FORM B

QUESTIONNAIRE SUBMITTED BY THE SELECT COMMITTEE OF THE HOUSE OF REPRESENTATIVES OF THE CONGRESS OF THE UNITED STATES

Created by House Resolution 561, Eighty-second Congress, Second Session, To Investigate Tax-Exempt Foundations and Comparable Organizations

E. E. COX, Georgia, *Chairman*

BROOKS HAYS, Arkansas

DONALD L. O'TOOLE, New York

AIME J. FORAND, Rhode Island

RICHARD M. SIMPSON, Pennsylvania

ANGIER L. GOODWIN, Massachusetts

B. CARROLL REECE, Tennessee

STATEMENT AND INSTRUCTIONS

House Resolution 561 of the Eighty-second Congress, Second Session, authorized and directed the Select Committee created by the resolution "to conduct a full and complete investigation and study of educational and philanthropic foundations and other comparable organizations which are exempt from Federal income taxation to determine which such foundations and organizations are using their resources for purposes other than the purposes for which they were established, and especially to determine which such foundations and organizations are using their resources for un-American and subversive activities or for purposes not in the interest or tradition of the United States," and to report the results of its investigation and study by January 1, 1953, together with such recommendations as are, by the Committee, deemed advisable. The resolution invested the Committee with the power to compel the attendance of witnesses and the production of records by subpoena.

This questionnaire is submitted by the Committee to enable it to gather information pertinent to its investigation. The Committee expects that the questionnaire will supply in large part the data which can otherwise be obtained only by subpoenaing witnesses and records. You can assist the Committee by making full, frank, and direct answers to the questions herewith submitted to you and returning the questionnaire as quickly as possible in accordance with the following instructions:

1. Return TWO (2) copies of the completed questionnaire to the COMMITTEE ON FOUNDATIONS—104 HOUSE OFFICE BUILDING, WASHINGTON, D. C., WITHIN TEN DAYS AFTER RECEIPT.
2. Answers should be prepared so that they are carefully keyed to the section and question number of each section. No particular form other than reference to section and question number need be observed. However, in order to avoid confusion and expedite processing, it is requested that the answers to each section should begin on a page separate from those on which answers to another section have been given. In other words, when beginning answers to any section, please use a sheet of paper on which no other answers have been made.
3. The committee places a higher premium on clarity and substance than on style and form; on speed of completion rather than on niceties of phrase. Write as much or as little as is deemed necessary to answer the questions. The committee wishes your best thinking but will appreciate such brevity and compression as is consonant with clear exposition.
4. Please use one side only of regular 8½ by 11 letter-size paper for your answers, double-spaced and numbered serially at the top irrespective of section, with the name of your organization at the top of each page.

If you have any questions, you may communicate directly with Mr. Harold M. Keele, Counsel for the Committee, or with his staff, at the offices of the Committee—104 HOUSE OFFICE BUILDING, WASHINGTON, D. C.—Telephone NATIONAL 3120, Extensions 2243 and 2244.

E. E. Cox, M. C., *Chairman.*

#### SECTION A

- A-1. What is the name of your organization?  
 A-2. What is its legal nature, i. e., a trust, a corporation, or other type of association?  
 A-3. If a corporation, in what State is it incorporated and by what State agency?  
 A-4. Where is its principal office located, and what is its correct address?  
 A-5. When was it chartered or otherwise organized?  
 A-6. Is it the outgrowth or continuation of a form of predecessor organization, or the result of a merger? Explain.  
 A-7. (a) Has it been declared exempt from taxation under section 101 (6) or any other section of the Internal Revenue Code by the Commissioner of Internal Revenue? If so, when was such exemption granted?  
 (b) Has its exemption ever been removed, suspended, or challenged by the Commissioner of Internal Revenue? If so, state when and the circumstances thereof.  
 A-8. If it is in the nature of a trust, is it permitted deductions for charitable and related contributions as provided by section 162 of the Internal Revenue Code?  
 A-9. Give the names, addresses (business or mailing), and terms of all trustees, members of your board of directors, or members of your governing body since 1935 or since the inception of your organization, whichever is the later.  
 A-10. Is any of your trustees, members of your board of directors, members of your governing body, or executive officers also a trustee, director, or officer of any other tax-exempt organization; of any corporation or other business organization related directly or indirectly to your organization? If so, explain in detail.  
 A-11. List the names and addresses of the principal executive officers of your organization.  
 A-12. Do you have an endowment fund?  
 A-13. If your answer to question 12 is in the affirmative, answer questions 14, 15, 16, and 17.  
 A-14. What was the amount of your original endowment and in what manner was it granted to your organization?  
 A-15. What capital additions over \$10,000 in amount have you received since your original endowment and from what sources?  
 A-16. Is your endowment fund perpetual or is it expendable on an optional or determined liquidating basis? Explain.  
 A-17. What is the amount of your present endowment?  
 A-18. What sources of income, other than from an endowment fund, has your organization?  
 A-19. List all gifts, grants, loans, contributions, or other sources of income for the years 1937-1951, showing the name of the donor, grantor, person, firm, or corporation making each gift, grant, loan, or contribution, the amount thereof and the year received.  
 A-20. Attach a balance sheet indicating the amounts of your assets, liabilities, and net worth as of the close of your last fiscal year.  
 A-21. What was your average gross income for the years 1946-1951, both years inclusive?

#### SECTION B

- B-1. What is the purpose or purposes for which your organization was created as defined by your charter or other instrument creating your organization?  
 B-2. State the activities which your organization considers permissible under the purpose or purposes stated in your answer to question 1.  
 B-3. Who determines whether the funds of your organization are being spent within the limitations set forth in your answers to questions 1 and 2?  
 B-4. Who determines what gifts, grants, loans, contributions, or expenditures are to be made by your organization?  
 B-5. On what are the determinations specified in question 4 based?

B-6. With whom do proposals submitted to the person, persons, or group named in your answer to question 4 for gifts, grants, loans, contributions, and expenditures originate?

B-7. Is any individual or group of individuals charged with the duty of originating and developing plans, programs, and proposals for the distribution of your funds?

B-8. If the answer to question 7 is in the affirmative, state the names and positions of such persons.

B-9. Was an investigation of each individual named or specified in your answers to questions 3, 4, 7, and 8 made into his or her background and qualifications before he or she was elected, appointed, employed, or otherwise entrusted with his or her duties or responsibilities?

B-10. If the answer to question 9 is in the affirmative, give details as to the nature of such investigations, the manner in which they were conducted, and by whom.

B-11. If the answer to question 9 is in the affirmative, state when such investigations were first instituted.

B-12. If the answer to question 9 is in the affirmative, state the reasons for making such investigations, whether there has been any change in the policy of your organization in relation thereto, and, if so, the date and reasons therefor.

B-13. If the answer to question 9 is in the affirmative, state whether the results of such investigations were reduced to writing or if any memoranda were made in connection therewith.

B-14. If the answer to question 13 is in the affirmative, state whether such writings or memoranda (a) were extant as of January 1951, (b) are extant now, and (c) if extant, the person, firm, corporation, or organization in whose possession or custody they are.

B-15. If the answer to question 9 is in the affirmative, state whether any such investigation revealed any person hired or employed by or affiliated with your organization who at the time of the investigation had or prior thereto had had any affiliations with Communist-front organizations.

B-16. If the answer to question 15 is in the affirmative, state the name or names of such person or persons.

B-17. If the answer to question 9 is in the negative, state whether such investigations were ever considered or discussed by your organization or the trustees, board of directors, or officers thereof, and, if so, by whom and the basis of any decision reached in connection therewith.

B-18. If the answer to question 15 is in the affirmative, state what action was taken by your organization with reference to such person or persons.

B-19. What steps, if any, have been or are being taken to prevent infiltration of your organization by subversive persons?

B-20. If the answer to question 19 is in the negative, state whether you think it necessary or advisable to initiate procedures to prevent possible infiltration of subversives into your organization; and, if so, whether you intend to do so and the general routine of the intended procedures.

#### SECTION C

C-1. Have any gifts, grants, loans, contributions, or expenditures been made by your organization which were not in accordance with the purpose or purposes defined by the instrument establishing or creating your organization or the permissible activities of your organization set forth in your answers to questions 1 and 2 of section B?

C-2. If the answer to question 1 is in the affirmative, list the amount, recipient, date, and nature of such gift, grant, loan, contribution, or expenditure.

C-3. Does your organization follow up gifts, grants, loans, or contributions made by it to other agencies, foundations, institutions, or groups by investigation to determine the ultimate disposition of such moneys?

C-4. Has any gift, grant, loan, or contribution been made by you to another agency, foundation, organization, institution, or group which in turn made or makes gifts, grants, loans, contributions, or expenditures which are not permissible under your charter or instrument establishing your organization?

C-5. If the answer to question 4 is in the affirmative, list the amount, recipient, date, and nature of each such gift, grant, loan, contribution, or expenditure and the reasons for the making thereof.

C-6. In the making of gifts, grants, loans, contributions, or other expenditures does your organization consult with any other organizations such as the United States Government, educational groups, religious groups, labor groups, veterans'

societies, patriotic societies, foreign governments, other foreign agencies? If so, explain.

C-7. List those institutions, operating agencies, publications, specific projects, individuals, foundations, and other groups which have received aid from your organization and the amounts and years and nature of such aid since 1935. (NOTE.—(a) If your filing system is so set up, it is desired that the lists be made up in alphabetical order. (b) Lists that are included as sections of published works will be accepted in fulfillment of 7 above.)

D-1. State your definition and your understanding of the meaning of the term "subversive" as that term is commonly used in public print today as applied to the activities of an individual, group of individuals, an association, organization, or an institution in relation to the Government of the United States.

D-2. Does your organization make any attempt to determine whether the immediate or eventual recipient (whether an individual, group of individuals, association, institution, or organization) of any grant, gift, loan, contribution, or expenditure made by your organization has been or is "subversive," as you have defined that term in answer to question 1, in advance of and/or after making such grant, gift, loan, contribution, or expenditure?

D-3. If the answer to question 2 is in the affirmative, state the nature of such attempted determination, how made, by whom, whether the results thereof are reduced to writing, and, if so, whether they are extant and where?

D-4. If the answer to question 2 is in the affirmative, state when such attempts were first initiated and why; also state whether such attempts have been made sporadically or whether such is established policy, and if the latter, when such policy was established.

D-5. If the answer to question 2 is in the negative, state whether such attempts were ever considered or discussed by your organization, its trustees, directors, or officers, and if so, by whom, and the basis of any decision reached in connection therewith.

D-6. Does your organization check immediate, intermediary, or eventual recipients of grants, gifts, loans, or contributions from your organization against the list of subversive and related organizations prepared by the Attorney General of the United States?\*

D-7. If your answer to question 6 is in the affirmative, state whether such listing of an organization by the Attorney General of the United States influences you in the making or withholding of grants, gifts, loans, contributions, or expenditures either directly or indirectly to organizations so listed.

D-8. If your answer to question 6 is in the negative, state the reasons therefor fully.

D-9. Do you consider it your duty or responsibility to consider the possible effects of grants, gifts, loans, or contributions to organizations which have been so listed by the Attorney General of the United States?

D-10. Has your organization made any grants, gifts, loans, contributions, or expenditures either directly or indirectly through other organizations to any organization so listed by the Attorney General of the United States or to any individual, group of individuals, institution, or organization considered "subversive" as you have defined that term in answer to question 1?

D-11. If your answer to question 10 is in the affirmative, list the recipient and date of each such grant, gift, loan, contribution, or expenditure, and the amount and nature thereof.

D-12. If your answer to question 10 is in the affirmative, state whether you knew such organization had been so listed by the Attorney General or was considered "subversive" at the time you made such grant, gift, loan, contribution, or expenditure.

D-13. If your answer to questions 10 and 12 are both in the affirmative, state your reasons for making such grant, gift, loan, contribution, or expenditure.

D-14. Has your organization made any grant, gift, loan, contribution, or expenditure directly or indirectly to any individual, group of individuals, organization, or institution which grant, gift, loan, contribution, or expenditure or recipient has been criticized or cited by the Un-American Activities Committee of the United States House of Representatives or the Subcommittee on Internal Security of the Judiciary Committee of the United States Senate?

D-15. If your answer to question 14 is in the affirmative, list the recipient and date of each such grant, gift, loan, contribution, or expenditure, and the amount and nature thereof.

\*List of organizations designated by the Attorney General as within Executive Order No. 9835 according to the classification of Section 3, Part III, of the Executive Order.

## COMMENTS, STATEMENTS, AND LETTERS

COMMENTS BY RAYMOND B. FOSDICK, FORMER PRESIDENT OF THE ROCKEFELLER FOUNDATION

### THE ROLE OF FOUNDATIONS IN SOCIETY

A foundation represents a reservoir of free capital available for social purposes. This reservoir can be drawn on to meet some of the contemporary needs of our complex modern society—needs which cannot readily be handled by individuals or by public funds. In this sense, the philanthropic foundation, as it has been developed in the United States over the last half century, is a unique institution. Although it represents, so I am informed, but 3 percent of the annual contributions of the American people, its field of usefulness is far greater than is indicated by this figure. As has been said many times during this investigation, its capital is venture capital. It can afford to take risks. It can blaze trails, find new methods, explore new techniques, pioneer in areas where public funds cannot readily go. A 200-inch telescope, or a giant cyclotron, or a fresh approach to some disease like tuberculosis or yellow fever, or the support of promising scholarship in studies of the vexing social and economic problems that threaten our generation—these are some of the types of activity that distinguish the work of our foundations. Without such assistance social growth would undoubtedly be a somewhat slower process, and the tools of knowledge and application would not be so readily available.

The accuracy of this thesis can be illustrated in many fields. Penicillin, the sulfa drugs, blood plasma, our knowledge of business cycles and the national income, the adequacy of our library methods—to list a few items out of hundreds that could be mentioned—these advances have been stimulated and hastened as a result of foundation support.

Of course the resources of a foundation are limited, and there are many worthy causes that cannot be supported. One thinks of new fields of medicine that could be developed, of schools and colleges that need help, of vast areas in the world where the science of agriculture could be pushed. But to the extent of their resources, the foundations—certainly the foundations with which I happen to be acquainted—are supplying a vital need in the society of the twentieth century.

### PRESENT NEED OF FOUNDATIONS AS OPPOSED TO PAST NEEDS

It seems to me that in the fast developing complexity of our modern life there is going to be an increasing need for free capital that can be used for social purposes. As Dr. Bush said in his testimony before this committee: "Every time that an important scientific discovery is made, it opens up the area for more research, and usually an important discovery makes way for work of much larger magnitude than was involved in the original discovery." Dr. Bush was speaking primarily of the natural sciences; but the same comment is true of the social sciences. One problem is resolved and a dozen new ones take its place. Our complexities multiply, and the need for scientific analysis, for empirically tested fact, for depth and objectivity in the study of social issues, grows with every year that passes.

Social problems cannot be clearly defined and understood except on the foundation of patient, long-sustained, and painstaking work. The final message that H. G. Wells left to our generation was in these words: "There is one thing and one thing only I know and it is this—that neither you nor I know enough, nor know the little that we do know well enough, to meet the needs of the world's occasions."

The question has been raised before this committee as to whether the funds to supply this growing need could not be supplied by Government. I have a feeling that the type of activity which I have been describing, i. e., research on the frontiers of knowledge, is beyond the administrative capacity of a Government already overloaded with a vast complex of difficult tasks. Moreover, re-

search involves intellectual adventure—complete freedom, the willingness to take chances, the ability to pioneer. Public money, generally speaking, can be allocated only to “sure bets,” to projects that have already proven themselves, to demonstrations that have been successfully applied. With public money, by and large, there can be little element of risk or chance, no possibility that the promise may prove a failure, or that the road may come to a dead end. “Most research,” said Dr. Simon Flexner, “is a discouraging process of following trails which lead nowhere.”

Moreover, there is at least the possibility that public opinion, impatient for quick results, may insist that tax money be directed to immediate utilitarian ends. Again, Government-supported research usually follows the tradition of Government budgeting: i. e., the purpose of the appropriation is first determined, then the amount to be spent is fixed, and finally the personnel is selected. Foundation-supported research, on the other hand, is apt to reverse this process by first finding the able men, and then building the research project, whatever it may be, around their special talents. First-class brains are not made to order, nor can they always be found for particularized tasks.

I would not want to minimize the value and significance of much publicly supported research; but it is undoubtedly a fair statement that in private institutions, where foundation funds have liberally been spent, originality, spontaneity of thought, variation, and freedom from tradition have had a peculiarly rich soil in which to grow.

To sum up, I see no substitute for the foundation in the immediate future, and I believe that the need for its far-ranging activities will increase rather than decline.

#### PUBLIC ACCOUNTABILITY

There can be no question about public accountability as far as foundations are concerned. As I said in my book, *The Story of the Rockefeller Foundation* (p. 289): “A foundation is not only a private philanthropy; it is affected with a public interest and is in a real sense a public trust. Exempt from taxation, it enjoys a favored legislative status. The grants which it makes are matters of public concern, and public confidence in the foundation as a social instrument must be based on an adequate understanding of its purposes and work. A foundation, therefore, cannot escape the responsibility, moral if not legal, for giving the public, preferably at regular intervals, complete information of its activities and finances.”

#### THE WEAK POINTS AS WELL AS THE STRONG POINTS IN FOUNDATIONS

I have already stressed the strong points of foundations—their complete freedom, their willingness to take chances, their ability to pioneer, their opportunity to set standards. By their untrammelled support of basic research, they can help to push back the limiting boundaries of knowledge.

But foundations admittedly have their weak points, or at least their disappointments. In my book, *The Story of the Rockefeller Foundation*, I made this comment (pp. 301–303):

“No institution is exempt from mistakes and shortcomings, and surely a foundation whose expenditures have run into hundreds of millions of dollars can scarcely be expected to produce a spotless record. No one knows better than the writer, much of whose life has been spent with foundations, how profitless some of the research is, how wide the gap between expenditure and product, how often the promising project ends in nothing but intangible or insignificant generalities. Sometimes the fault lies with the research group or institution; just as often, perhaps, it reflects the faulty judgment or misguided enthusiasm of the foundation. One of the great temptations that faces foundations is to seek for immediate returns, to judge their activities by standards of quickly maturing results, forgetting that in many fields growth is a slow process which requires a favorable soil. Dr. Buttrick said, years ago: ‘We may plant a germinal idea and water it, and fertilize it, but God, or the nature of things, if you please, must give the increase.’ Foundations are particularly exposed to the evils of immediacy, and too often their work is handicapped by what might be called the lack of a sense of depth in time.

“A corollary difficulty in the management of foundations, as far as their programs are concerned, relates to their fear of being overreached or imposed upon. This can be a creditable attribute, but it is a handicap when it becomes a chronic state of mind masquerading as caution. Sometimes foundations resent the neces-

sity of giving support to an idea or an institution beyond a predetermined and rather optimistically reckoned date. Estimates of how long new developments in underprivileged countries may take to become self-supporting, naive assumptions about the prospects of men returning from training fellowships, disappointed expectations of the results of surveys and demonstrations, all these suggest a lack of tenacity, a poor sense of timing, and an anxiety lest the foundation has been victimized. This anxiety frequently inclines foundations to cut down the periods of grants and to increase the number of projects which seem worth while 'as a trial run.' The end result has not infrequently been that men with valuable ideas whom the foundations are trying to aid worry themselves into nonproductive anxiety about financial uncertainties because of an excess of caution or fear on the part of their supporters. To quote Dr. Buttrick again—and his mellow philosophy about foundations is as pertinent today as it was a quarter of a century ago when he died: 'The quality which a foundation needs almost above everything else is tenacity of patience and purpose. \* \* \*'

"Of course, a foundation needs knowledge and imagination, too. And mistakes are inevitable because human judgment is frail. Perhaps the mistakes are due in considerable degree to lack of what might be called a clairvoyant kind of imagination. So often a new germinal idea runs completely contrary to accepted opinion; it violates all the canons of current scientific thinking; or it is lodged in some remote and hidden corner. One wonders what would have been the answer of a foundation to Louis Pasteur if he had applied for aid in the development of his strange conception that the process of fermentation and the process of infection are related. Or what assistance from any responsible foundation could Mme. Curie have obtained during those years when with her own hands she shoveled tons of pitchblende in that old shed in the Rue Lhomond? One of the most mysteriously imaginative minds that ever pondered on the deep relations that exist between numbers was to be found, not so many years ago, in the delicate and diseased body of a humble civil servant in India; and at the turn of the century it was a patent examiner in Zurich who was beginning to see, with amazing clarity and insight, relations between time and space that were presently to revolutionize all scientific thought."

In balance, as I see it, the strength of foundation work far outweighs its weaknesses. The weaknesses are those which are inherent in any human organization. The strength derives from the unique opportunities which face foundations when they are managed, as most of them are, by intelligent and dedicated people.

#### YOUR VIEWS OF THEIR MISTAKES, IF ANY

I assume that this question relates more specifically to the charge that foundations are using their resources for so-called subversive activities. The charge, expressed in this unqualified fashion, seems little short of ludicrous. That a handful of grants have been given to individuals and institutions listed as subversive by some Government agency is admitted. But in all but a small proportion of the cases, the grants were made long before the political leanings of the individual or the institution were known. If out of the thousands and thousands of grants given by foundations over the last quarter of a century there had been no mistakes, no bad guesses, no rotten apple in all the barrels, the result would have been a superhuman achievement; or rather, perhaps, it would have proved that the foundations were operating within so wide a measure of safety and caution that their programs were barren and sterile.

The point must again be emphasized that foundations at their best represent intellectual adventure. They are concerned with the advancement of human knowledge. Whether it is astronomy or biology or physics or the social studies, they are supporting work that involves new ideas and new approaches. It would be a vast disservice to America and to the whole world if these foundations, through pressure or timidity, were forced to follow more conventional patterns, or were frightened away from controversial fields.

Controversy attaches to many types of intellectual undertaking, and our foundations, if they are to be true to their unique opportunities must help to maintain the tradition of objective scholarship—the tradition of fearless inquiry, the unintimidated search for truth, wherever the truth may lead.

In making this comment, I would want to add this obvious point: that objective scholarship means just what it says; it must be objective. And it is not objective if its conclusions are predetermined from without or made to conform to a dictated pattern. Under such conditions the search for truth becomes a mockery.

If I may digress for a moment—and it is a digression that is related to the future of foundations—I should hope that in our legitimate anxiety over com-

munism we would resist the easy temptation to apply the label "communistic" to all ideas that are new or different or unconventional. The effort to equate loyalty with conformity strikes at the root of American life. A democracy cannot wisely be concerned with monolithic thinking. That is the concern of totalitarianism. With us there must be room for unorthodoxy, room for nonconformity, room for diversity of opinion. This is the tradition of America, and this is the source of its strength and spiritual growth.

CONCLUSION

I have been connected with foundations directly and indirectly for nearly 40 years, and I think I know them well enough to assure this committee that they are in conservative hands. From the very nature of their origin the situation could hardly be otherwise. Indeed the persistent charge against foundations over the years is that they have been in too conservative hands, that their purposes were too closely related, certainly in terms of personnel, to the unprogressive ideas of an outmoded past. I do not believe this charge is true, but I never expected in my lifetime to have a charge coming from exactly the opposite quarter. Neither charge is true. I do not say that foundations have a spotless record. Like all human instruments they make mistakes—mistakes of judgment, mistakes due to inadequate information or to lack of infallibility in foreseeing the development of men and institutions. But to claim that there is something calculated about some of these mistakes, that there is some subversive element lurking in foundations, is, as far as my knowledge goes, utterly incredible and fantastic.

Equally fantastic in my belief is the idea, which has found expression in this investigation, that some degree of fault or weakness or infiltration is chargeable against the staffs of foundations as distinguished from the trustees. I have personally known the staffs of many of the foundations over nearly four decades. In the group of foundations with which I was officially connected I have known them closely and intimately. They were in my time—and are today—a fine, intelligent, loyal, and conscientious group of men and women, chosen with scrupulous care, and enjoying the complete and continuing confidence of the trustees under whom they serve. Any intimation to the contrary is based on fancy rather than fact.

I was a trustee of the Rockefeller Foundation for 27 years, and I have seen at first-hand the devotion, the integrity and the high sense of responsibility and dedication with which its affairs have been administered by officers and trustees alike. I am proud of its record. I believe its influence for good around the world have been incalculable, and I am happy to have been associated on an intimate basis with so unique and worthy an undertaking.

NEW YORK 36, N. Y., December 15, 1952.

MR. HAROLD M. KEELE,  
*Congress of the United States, House of Representatives,  
House Office Building, Washington, D. C.*

DEAR MR. KEELE: Mr. Dollard of the Carnegie Corp. had prepared me for the receipt of your letter of the 13th which came this morning. I appreciate the shortness of time at your disposal, and I am very glad to tell you briefly what I think of the investigation now in progress.

It seems to me that a little reflection on the part of Congress would have convinced them that an investigation largely devoted to uncovering subversive acts or policies of foundations means simply that the inquiry starts on an altogether false scent. The foundations have been created by capitalists. On the boards of trustees are bankers, lawyers, a few college presidents. Is it conceivable that these men are tainted or that any of their acts are tainted by subversive purposes? Some years ago I asked Mr. Roscoe Pound, then dean of the Harvard Law School, whether he had any fear that foundations would become radical. He replied, "No, my sole fear is that they will become sterile."

It is true that any foundation in making a small appropriation to an individual might be helping a person who years later became a radical, but what of it? It is surely not worth the time and expense involved in a congressional investigation to try to uncover what any foundation executive would frankly admit.

In reply to your question as to the present need of foundations as opposed to past needs, I have no hesitation in saying that they need to be bolder, not more



conservative. No one knows from what source valuable ideas will come. To instil fear into those who determine foundation policies does harm if it does anything.

As to the role of foundations, they are experimental or should be. They can take care of needs that are not met in other ways. To speak from my own experience—in 1910 the Carnegie Foundation for the Advancement of Teaching requested me to make a study of medical education in the United States and Canada. No Government agency could have made a frank, full, unprejudiced study such as that was. Only a foundation and a bold foundation could have undertaken it. The result was a publication which did much to revolutionize medical education in the United States. Its main effect was to stimulate the Rockefeller General Education Board to devote approximately \$50,000,000 to reorganize American medical schools. With that sum over \$600,000,000 was added to the endowment of American medical schools, which are now the best in the world.

The same can be said of public health. It was the Rockefeller Foundation that exposed the evil effects of the hookworm in our Southern States, which led to the creation of the International Health Board which, under the leadership of Dr. Wickliffe Rose, exterminated the hookworm in the South and brought enormous gains in dealing with other diseases, malaria, yellow fever, etc. Finally, it was the need of trained health officials to carry on this work that led once more the Rockefeller Foundation to establish the Johns Hopkins School of Public Health, the first institution of the kind in this country. There are a half-dozen institutes of public health—perhaps more—all of them established with foundation money.

As to accountability, foundations should render annual reports, as the well-known foundations now do. There are perhaps a few foundations that do not do this. If so, it should be required of them.

The present weak points in foundations are timidity and lack of ideas. The strong point is their freedom from governmental or any other type of interference.

I think what I have already said covers my view of their mistakes, if any. Compared to the good they have done, these mistakes are trivial and not worth serious consideration. There is not a nation in Europe that does not envy us the public spirit which our wealthy men have shown in dedicating a large part of their wealth to public services, in the form of foundations.

In conclusion, may I say that I shall be glad to answer any other question that occurs to you or your associates, and I shall be glad to meet you at your convenience.

With every good wish,  
Sincerely yours,

ABRAHAM FLEXNER.

#### NOTES ON CERTAIN FOUNDATION PROBLEMS

Beardsley Ruml

##### I. PERSONAL AND FAMILY FOUNDATIONS

The personal and family foundation serves a useful purpose in that it permits regularizing the contributions and donations of individuals freed from the artificiality of the calendar year. It also makes possible accumulation for larger contributions than would be financially possible for any one individual in any one year; for example, the establishment of a memorial scholarship or chair in an educational institution.

In principle, the family foundation should be able to enjoy the privileges accorded to the individual as a person while gaining the structural advantages of the foundation form referred to above. Possible abuses should be prevented, but not at the cost of destroying the essential rights in individual giving.

First, let us define the family foundation as a body corporate the trustees of which consist of persons, two-thirds of whom are related by blood or marriage, and 90 percent of whose funds are received from a person or persons related to the majority of the trustees by blood or marriage.

Such a family foundation should be required to report only as an individual, namely, to the Bureau of Internal Revenue. No other disclosure as to the existence or contributions of a family foundation should be required.

Certain safeguards are necessary:

*1. Against undue accumulation of funds*

(a) Provisions should be made that not more than the total of the previous 3 years' contributions may be held without distribution. This will effectively protect against large onetime gifts to the foundation intended to be held idle in perpetuity.

(b) In addition, a working reserve of one-half the largest gift receipts of the previous 3 years should be permitted in order to make possible the equalization of gifts from the foundation to beneficiaries from year to year.

*2. Against improper employment of personnel and other expense items*

Full disclosure should be made to the Bureau of Internal Revenue of all persons employed and other items of expense properly classified. These noncontribution items of the family foundation should be scrutinized just as they would be if claimed as a deduction by an individual. If the charges are found to be either excessive or improper, they should be charged back and disallowed pro rata on the individuals' income-tax return for the year prior to the foundation's disallowed expense. It should be emphasized that abuse at this point is to be guarded against with great care, the temptation to abuse is serious, and widespread abuse would make the family foundation, for all its potential merits, a practical impossibility.

*3. Against undue perpetuation of control of business operations*

The family foundation should not be used as an alternative to a voting trust for the control of business properties. Accordingly it should be required to hold not more than 10 percent of the voting stock of any company, subject only to a 3-year period to allow orderly divestiture of holdings in excess of 10 percent. This problem is not likely to be a frequent one, but it could easily arise under circumstances where several members of a family join together in establishing and maintaining a family foundation. The bona fide family foundation will have no difficulty in meeting this requirement.

## II. CONTROL OF CORPORATIONS THROUGH FOUNDATIONS

No foundation, public or private, should be permitted to hold more than 10 percent of the voting stock of any single corporation. A period of 3 years for the divestiture of holdings in excess of 10 percent should be allowed. Note that the large holdings of Ford stock by the Ford Foundation are in nonvoting stock, and would not be affected by this provision.

## III. PERPETUITY

The trustees of a foundation should be permitted to liquidate the foundation at their discretion regardless of any expressions by the donor specifying perpetuity.

## IV. REPORTING

All public foundations, except those under a certain size, say, \$100,000, should be required to report annually to the Library of Congress and the Library of Congress should release monthly a listing of the reports which have been received.

These reports should show all contributions in detail regardless of size, and expense items in sufficient detail to give names and compensation of the three principal officers, other salary expense, rent paid, travel expense, printing, and miscellaneous. If more than 25 percent of the income of a foundation goes for expense, it is presumably an "operating" foundation and it should report on its operations as well as on its contributions.

The reports should also give names of trustees, date of incorporation, and place of business. The source of funds of a public corporation probably should be disclosed.

## V. FOUNDATIONS ESTABLISHED BY BUSINESS

The establishment of foundations by business under the 5-percent provision may be expected to increase. These foundations should meet all the requirements of public foundations, and in addition if controlled directly or indirectly by the donor, should be required to distribute over a reasonable period of time. There is no need for a corporation-controlled foundation to hold funds over a long period of time. An independent public foundation can be found or created to administer long-range programs. Adequate equalizing reserves should, of course, be permitted.

*General observations*

Many specific criticisms of foundation activity could be made, but these are overwhelmingly matters of judgment, and even when warranted, criticisms of how specific people can and do discharge their responsibilities as trustees and officers.

One general observation, however, may be made. The foundations today seem to lack the boldness, imagination, and sense of scale of their founders and of their founders' associates. Consider some of the magnificent creations of private philanthropy and of the foundations when more intimately in touch with their founders:

The University of Chicago  
 Duke University  
 The National Gallery  
 Metropolitan Museum of Art  
 Carnegie Hall  
 Rosenwald Museum of Industry  
 The Cloisters  
 New York Public Library  
 Brookings Institution  
 Rochester University

to mention only a few.

The foundation reports of the past 10 years on the whole are timid and colorless by comparison.

Why should this be? Certainly the funds and the opportunities remain for equally significant private undertakings.

One can only guess. My guess is that the trustees and officers of the great foundations, particularly the officers, never having made very large sums of money themselves, and for the most part having no intimate contact with anyone who ever did, are not well prepared for the efficient use of money in the grand manner. Messrs. Carnegie, Rockefeller, Morgan, Mellon, Rosenwald, etc., well understood that money was to be used, not merely to be admired. Today the foundations seem to have so much time to spend on so many good, but essentially tactical objectives. Where are the single-purpose contributions of foundations in the old amounts of 5, 10, or even 20 or more million dollars? It is at this level that philanthropic strategy lies, and it needs to be restored.

It would be a false inference to say that I am urging that the management of foundations should be taken from the intellectuals and be given to the self-made rich. But I do think that the trustees and officers could learn much from studying the thinking, not only of the great benefactors, but also of their close associates, Elihu Root, the Reverend Dr. Gates, Wallace Buttrick, Abraham Flexner, Henry Pritchett, etc.

The problem is not of intelligence or effort, but of point of view, and I believe the correct point of view can be acquired. It will not be easy, it will take courage, mistakes will be made—Henry Ford had his peace ship—but above all, it will take practice. And on none of these points can we expect to get any help from legislation. It is something the foundations will have to work out for themselves.

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**THE PLACE OF FOUNDATIONS**

By Mark M. Jones, Consulting Economist, Princeton, N. J.

I appear by request to offer a general assessment of the private philanthropic foundation idea with particular reference to its place in society.

What I have to say is the result of experience in the field of private philanthropy over a considerable part of the past 30 years, and particularly along the lines of organization engineering applied both to profit and nonprofit organizations.

BASIS

All that I have to offer is based on the view that private capitalism represents the only going-concern system known for sustaining a society. Socialism, communism, and other forms of collectivism are not alternatives. These are devices which in contrast to private capitalism should be called schemes of liquidation.

Private capitalism is not perfect or complete. It is in but an early stage of its development. Its position is illustrated in part by a story of the Prince of

Wales. When asked what he thought of Christianity, he is reported to have said, "I think it is a good idea and I should like to see it tried."

In retrospect it seems clear that an outstanding characteristic of the past generation of detour into collectivism has been the almost passionate avoidance of measures which might meet needs without impairment of our developing private capitalism. Escapism has been dominant, and for too many the aim has been escape from private capitalism without realization that there is no alternative—no other place to go—and that the other isms are not alternatives.

#### PLACE

Assuming a sincere intent to maintain and improve private capitalism on a going-concern basis, it seems clear that the private philanthropic foundation of this century has a distinctive place and opportunity.

Because of its nature, a foundation should—

1. Initiate or finance measures which promise to meet outstanding needs of society—measures that will not otherwise be taken up.

2. Initiate or support projects to meet outstanding needs in which the risk of failure is believed to be such that it is not assumed by individuals, business corporations, associations, or others.

3. Initiate or support projects which involve creative or engineering developments that probably will require more time than could be taken by others who might be expected to undertake them.

4. Initiate or support projects for the common good that are highly important and necessary, but for which a commercial basis may not seem desirable or practicable.

The philosophy of the foundation should begin with recognition of the need and opportunity to plug leaks in dikes or meet emergencies like a fire department; to initiate, originate, or invent needed institutions, agencies, and instruments; and to provide measures which may temporarily serve in place of others that are worn out or showing the erosion of an effect of diminishing returns. In particular should foundations be concerned with the structure of society, the lag between what is known and what is used, and for the next generation at least, with the application of knowledge as much as if not more than creation or advancement of knowledge.

#### NEEDS

More specifically, the place of the foundation should be considered from the standpoint of primary needs of society today, such as the following:

First and foremost is the need to resume full going-concern private enterprise as the only dynamic system which will sustain 150 million people and make possible increasing realization by them of the fruits of advancing science and technology. After 20 years of an economy in liquidation, this involves more attention to the improvement of institutions, and especially the institutions of private nature which should deal with the problems in common of companies, industries, nonprofit organizations, communities, and regions.

Second and in a relative sense temporary, I hope, is the problem of maintaining the income of the people of the United States at the highest possible level. The present unprecedented level is in large part due to synthetic measures which are resulting in large amounts of income but it is income which may quickly fade. The problem of substituting more durable sources of income for those arising from war or defense projects and of doing so with the least possible decrease in so-called personal income, is one that is worthy of every attention, especially of agencies outside of Government. Everyone wants to maintain the income of the people at the highest possible level. Yet the greatest threat to this ideal is presented by measures taken by Government and which have thus contributed to the present unprecedented arithmetic or nominal total.

#### ORIGINS

Few foundations have confronted the question of their place in society primarily from the standpoint of the public interest or of relative needs. This has been a natural omission and is due primarily to the nature of their origins. Usually they have been established by an individual or a family. Sometimes this has occurred after a study of relative needs, but such an approach appears to have been the exception. Thus many are set up subject to limitations, imposed when created, and which prevent program-making on the basis of primary concern for the relative needs or problems of society or the day.

A charitable purpose has prompted the creation of some foundations. To the extent this has centered attention on charity, it has dealt with cure rather than prevention. The need for pure charity also may be relative, as has been demonstrated to many now living. The field of charity, including organizations and methods today, presents the need for fundamental reconsideration which may involve even philosophy.

A so-called educational purpose has prompted the creation of other foundations. To the extent that an educational purpose restricts the projects of foundations to education as it is now thought of, it appears to retard the evolutionary development of educational methods and means not now regarded as within the scope of education as it is delimited by its practitioners.

#### CAPTIVES OF EDUCATION?

In fact, too many foundations appear to have been largely surrounded and made the captives of education. An important factor in the resulting restrictions of purpose and means has been what might be termed the socialistic complex. According to this, anything for profit is suspect. Conversely, anything that is nonprofit is pure and holy.

Education for the most part has been "not for profit," and many think that this can be construed in more than one way.

Education as it is now known is based mainly on so-called equalitarian ideas. There is no reasonable basis for universal, free, compulsory education except to the extent necessary to qualify the individual for responsible, participating citizenship in a republic. Education does not respect this primary need.

The idea that every person is entitled to a free education to the extent that fancy dictates has no reasonable basis. It is principally the result of socialistic pressures applied to exploiting the instinctive desires of persons who are not really prepared for life in a republic and who do not realize what is going on.

Education today reflects the hopes of the people—not their understanding or approval. It costs more than it is worth. It takes longer than it should. It is largely intolerant of any questioning of its results. It does not prepare the individual for life as it should.

Thus it may be said that the economic basis of education is narrow, restrictive, monopolistic, and essentially socialistic in principle. Education for an opportunity system would involve fundamental and far-reaching changes going down even into philosophy. For foundations to put so much into what is so largely obsolete and contrary in principle to the needs of a going-concern economy would seem incredible if it did not confront us on every hand.

#### COMMISSIONS

From the standpoint of the objects supported by foundations, it seems clear that projects classified in the field of the social sciences have been most subject to doubt with respect to the public interest. This is largely because most of such projects have been executed by educational and charitable agencies. Many educational agencies appear to have been so intolerant even of the idea of profits that they naturally inclined toward means and measures not for profit. This inclination, of course, led many into collectivist channels of thought and action, probably without realization of what was happening. When the sophistries of John Maynard Keynes came along, they fell on receptive ground and were quickly made fashionable largely because of this attitude. We now have so-called social sciences under the aegis of education which are collectivist in character more than anything else. They represent too much socialism and not enough science.

#### OMISSIONS

From the standpoint of the place of the foundation, the most important question falls in the category of omissions. I have not heard of grants from foundations or of activities carried on directly by them which have been particularly noteworthy from the standpoint of the improvement of the capitalistic system. In other words, an agency which in theory at least should be concerned with survival of the framework of which it is a part and on which its own opportunity and survival depend, and which should serve regulating or adjustment purposes in an area of need that will not otherwise have attention, appears to ignore this fundamental organic need.

Foundations owe their existence to the capitalistic system. As has been well said, "Art, religion, and learning are all bent to the order in which they thrive,

and derive meaning and vitality only from their economic substructure." The principal question I should like to stress, therefore, is whether sufficient attention has been given to the economic substructure of the American society, particularly by foundations which by their nature are supposed to be competent to understand and improve it?

Among outstanding problems of private capitalism in the United States to which attention might well be devoted by foundations are the following:

1. Psychological leadership of large working forces.
2. The organization of the multiple-unit corporation from a going-concern standpoint.
3. The principles which should govern the balancing of the private interest against the public interest in business.
4. Exercise of the initiative in public affairs.
5. The primary elements of the gross national product—those which are durable and those which are transient—and how major fluctuations may be minimized without primary Government intervention.
6. The principal features of national policy which have been added during the past generation which are inconsistent with and threaten to prevent the restoration and equilibrium of a going-concern economy.

#### PROBLEMS

Among the problems of foundations as such, those which seem to me to be noteworthy from the standpoint of the public interest are as follows:

1. The lack of adequate program-making procedure.
2. The labored fallacy of the argument that although a grant is made the foundation has no responsibility.
3. Insufficient attention to the assessment of the results of grants.
4. Too long tenure of office of both board members and employed personnel.
5. Articulation of boards and staffs to increase the effectiveness of both.
6. The relationships of foundations as investors to corporations in which they have investments.
7. Insufficient pooling of experience among foundations.

#### FURTHER INVESTIGATION

Although I may not be fully informed about this inquiry, I do not believe it has had sufficient time to meet an important need from a public standpoint now that it has been started. This is to classify all the projects to which grants were made by foundations in a particular year and interpret the significance and effects thereof. Neither do I believe it could have had time to delve sufficiently into the activities of organizations in the category of the social sciences, to which foundations have made grants, to demonstrate and interpret the significance of the chaos in that field.

Investigation seems desirable also of means by which foundations which have a restricted purpose may make adjustments to serve relatively more important needs of the day. In particular, consideration might be given to legal means by which such restrictions would be limited to a term of years for recommendation to the States.

#### LEGISLATION

The only Federal legislation which has occurred to me as worthy of consideration on the basis of what is now public information about foundations would require that each foundation make an annual report according to categories specified in the law, that it be filed with an appropriate Federal Government agency, and that it be made public. Such reports should include lists of projects operated by the foundations and those to which grants were made, lists of applications declined, and noteworthy results accruing from such activities.

UNIVERSITY OF MINNESOTA,  
Minneapolis, December 10, 1952.

MR. HAROLD M. KEELE,  
Counsel, Committee of Foundations, House Office Building,  
Washington, D. C.

DEAR MR. KEELE: My colleagues and I at the University of Minnesota have given careful consideration to the communication from Congressman E. E. Cox, of Georgia, under date of October 29 inviting an expression of our views with regard to educational and philanthropic foundations.

## EXHIBITS

To document our reply and to indicate the extent of the financial assistance which foundations provide for us, I am enclosing with this communication the two most recent financial reports of the University of Minnesota covering the fiscal years 1950-51 and 1951-52. Each report contains a statement of trust funds—endowed, schedule B-2c, pages 90-94 (1950-51 report), pages 96-100 (1951-52 report); statement of trust funds—gifts, schedule B-2d, pages 95-125 (1950-51 report), pages 101-135 (1951-52 report); and statement of loan funds, schedule C, pages 130-35 (1950-51 report), pages 140-45 (1951-52 report). These schedules reveal the sources for scholarships, fellowships, prizes, and loan funds, and for educational purposes (including research and curricular improvement), other than State and Federal appropriations. Foundations, it should be pointed out, are only one group providing these funds, but an item by item analysis will, in each case, make clear the donor, the purpose, and the amount.

Few laymen, I am sure, realize how important to research, to scholarship, to teaching, to graduate and undergraduate study, and to the general welfare of the public are the grants which the University of Minnesota and similar institutions receive from educational and philanthropic foundations.

## CONSERVATION OF HUMAN RESOURCES

Through education, our Nation conserves its human resources and benefits our entire society as well as the individual. Scholarships, many of which are provided by educational and philanthropic foundations, make it possible for a larger proportion of our able high-school graduates each year to enter college and thus better prepare themselves as more productive members of society and as citizens.

Similarly, fellowships provide education beyond that of a 4-year college course for those who, as college undergraduates, have demonstrated the highest capacity to teach and/or carry on research in higher educational institutions, in Government at all levels, in business, and in industry.

Students are also assisted in going to college and in remaining there longer through the existence of student-loan funds and prizes which, like the scholarships and fellowships, are made possible through gifts.

In this connection, studies of Minnesota high-school graduates reveal that, of the most able (those in the upper tenth of their high school graduating classes), only half have been able in the past to secure any type of post-high-school education. This is attributable primarily to family financial situations. This condition, I am sure you will agree, involves waste of human resources. It reveals the pressing need for more scholarships, fellowships, prizes, and loan funds than are now provided so generously by foundations, by associations, and by individuals.

## RESEARCH IS OF VITAL IMPORTANCE

Research in all areas of human endeavor is one of the most important contributions of our American universities. It is one of the three major functions or objectives of State-supported institutions of higher education, the other two being teaching and State-wide service.

Research is of two kinds: fundamental and applied. Fundamental or basic research is, of course, the most important and at the same time the most difficult to prosecute successfully. Nevertheless, it is the foundation stone of progress and the "on going" of society is closely tied to the rate at which new truths in all fields are identified and verified. Basic research cannot be bought, ordered, or secured by prescription. Such research is most likely to result when an able scholar is provided with the materials and assistance necessary for his use in pursuing those puzzling problems for which his inquiring mind and intellectual curiosity have not yet been able to find a satisfactory answer.

It was basic research which Nier at Minnesota, Urey at Chicago, and others carried on more than a dozen years ago as one essential step to make possible atomic fission, and eventually, the atomic bomb. It was basic research which made it possible for the Scottish mathematician, James Clerk Maxwell, first to outline and predict in 1873 the action of electromagnetic waves. No one at that time realized that Maxwell's research would make possible radio and television as we know them today.

Applied research attempts to take out of the laboratory and bring into practical use the findings which basic or fundamental research have revealed. World War II was won because the fundamental research had already been done on the problems which then were basic. Thus all scientific work could be concentrated

on making, delivering, and detonating the atomic bomb; or perfecting radar so that enemy planes and vessels could be detected even though they were invisible to the eye. During the war, unfortunately, it was necessary to sidetrack fundamental research so that all scientific effort could be concentrated on the immediate problems essential to the winning of the war. Fortunately, the war ended before the lack of basic research began to slow down or halt scientific efforts. Now our most immediate task is to regain the lost ground in basic research.

#### FOUNDATIONS GIVE GENEROUS SUPPORT

Fortunately, foundations render a unique service in providing funds for research, both basic and applied. Their boards are sensitive to research needs. They have greater facility, perhaps, than either individuals or Government to adapt their grants to promising new demands. They have made it their business to identify the institutions and individuals that can be depended upon to carry on scholarly work. They have the ability to evaluate the probable importance of individual projects for which grants are sought. But they know also that free and independent scholarship is fostered best when the researcher rather than his immediate project is used as the final basis for their decision. They realize also the importance of freedom for the researcher to bring his scientific and scholarly talents to bear on the areas of his interests. And when a grant is once made, present foundation policy is to keep hands off and to permit the researcher to proceed in his own way. They have found out through years of experience that the integrity of the institution constitutes the best guaranty of the integrity of the individual.

#### FOUNDATIONS SUPPORT AGRICULTURAL RESEARCH

Even in such an important area as agriculture, to which the Federal and State Governments, especially the former, have been most generous in providing funds for research, private foundations have played an important role. For example, at the University of Minnesota a grant from the Nutrition Foundation, Inc., has led to the discovery of a nutritionally important oxidation product of vitamin E, has defined the chemical structures necessary for vitamin E activity, and has clarified the role of vitamin E in animal enzyme systems and in cattle nutrition. Funds from the same foundation have given additional understanding of the ways in which potassium and magnesium function in the animal body as essential cofactors for the enzymic utilization of the energy of foodstuffs.

Funds provided by the Louis W. and Maud Hill Family Foundation are currently supporting several agricultural research projects. One is concerned with the development of a practical method for the transfer of fertilized cow eggs. Another supports researches in the diagnosis of bovine vibriosis and in bovine functional infertility. Still another grant supports the testing of new techniques for the development of an inbred line of swine. A final grant supports a study of farm children who are currently experiencing serious community and family adjustment problems and a determination of the best means for their alleviation.

Funds provided by the Hormel Foundation are presently being used in research and experimentation looking toward the development of a miniature breed of swine.

#### VENTURE CAPITAL NEEDED

Available funds are never sufficient for a university to underwrite all apparently meritorious proposals for research. Neither are they sufficient to undertake sorely needed experimentation in new curricula. Such research and such experimentation need what might be called venture capital. Current funds are needed for day-to-day operations. They are seldom used except for projects whose success is unquestioned. It is to the foundations, particularly the larger ones, that higher educational institutions can and have looked for venture capital to support the scientific or scholarly work of their most promising faculty members. And the foundations have been one important factor in bringing the University of Minnesota to the distinguished position it now holds among American universities.

#### DEVELOPING NEW CURRICULA

Our general college, which offers 2-year terminal curricula for individuals who do not wish to enroll for the usual 4-year college course, or do not have the ability to profit from such a course, was made possible by a Rockefeller grant in the



early thirties. The work of this college and this curricular innovation has received world-wide recognition and the college is visited annually by scores of educators from all over the world who wish to study its methods and evaluate its success in the achievement of its objectives.

Another example of support for curricular innovations is that of our visual education program. This unique project, the first in the Nation, was made possible also by a Rockefeller grant. Still another is our institute of child welfare, which trains teachers for nursery school, kindergarten, and the early elementary grades, and carries on significant research in parent education and in early childhood education.

A few examples of significant research made possible initially through foundation grants might be mentioned. Grants from the National Foundation for Infantile Paralysis initiated the research and experimentation at the University of Minnesota in the now well-known Kenny treatment for polio victims. Our industrial-relations center, a leader on its field, began under a foundation grant. The Unemployment Stabilization Institute, the researches and publications of which have pointed the way for the entire Nation, likewise were made possible by a Rockefeller Foundation grant. Our public administration training center, which prepares outstanding individuals at the graduate level for Federal and State governmental service, was initiated under a Rockefeller grant. The important research in cancer being prosecuted vigorously here has been made possible by grants from the American Cancer Society, the Damon Runyan Memorial Fund, and other similar agencies. Curricular experimentation in the fields of nursing education, postgraduate dental education, and hospital administration have been carried on by means of grants from the W. K. Kellogg Foundation. The Scandinavian area program, financed by the Carnegie Corp. of New York, in addition to its scholarly and scientific importance, was designed to aid the United States in the training of personnel for service in the Scandinavian countries.

Foundations assist university research in still another way. Frequently research has started in a small way and preliminary findings indicate its further prosecution offers substantial likelihood of success. Funds may not, however, be available to carry on the research through the next step. At this point foundation support often enters as it did in the case of the nutrition studies of Dr. Ancel Keys. These studies, financed by the National Nutrition Foundation, have made possible the monumental work on starvation, the findings of which were utilized with so great effectiveness in the rehabilitation of undernourished victims of World War II.

Foundations may provide grants for permanent support of significant educational enterprises. The Mayo Foundation for Medical Education and Research conceived by the Mayo brothers, forms a department of the graduate school of the University of Minnesota and was founded to provide perpetual support to postgraduate medical education and to scholarly research in the various fields of medicine. Money from a fund provided by William J. Murphy, a Minneapolis newspaper publisher, made possible the erection of a building for the School of Journalism and provided continued support for some of the school's teaching and research activities.

#### INVESTMENT IN BRAINS

A final example of the outstanding contribution made by foundations is their willingness to invest in the area of promising men in terms of scholarship. The John and Mary R. Markle Foundation, which provides fellowships in the medical fields, gave aid at a crucial time to Dr. Cecil Watson, presently the distinguished head of the department of medicine in our Medical School. A Guggenheim fellowship made possible the important studies in economic history by Prof. Herbert Heaton of our department of history. A Social Science Research Council post-doctoral fellowship gave time and funds for research and writing to Prof. Richard L. Kozeika, who later became and still is the dean of our School of Business Administration.

Further enumeration of specific foundation grants which have benefited individual faculty members, the University of Minnesota, and the public at large would seem unnecessary. The record of all of these grants, two sample years of which are enclosed, is complete and speaks for itself. Financial assistance to students, experiments in the improvement of present-day curricula, and research in such fields as medicine, unemployment stabilization, atomic energy, human nutrition, area studies, and the like, all are prosecuted with the aim of building a better America and a better world. Foundation grants constitute a pattern of giving for the public good. Private benefaction is contagious, it meets a fundamental need of human beings. Our annual drives for the community chest, the

Red Cross, the March of Dimes, and other significant organizations and institutions which serve the public set a pattern for individual responsibility which a government which provides everything for its citizens could never achieve.

FOUNDATIONS FURTHER AMERICAN IDEALS

If the best defense against democracy's enemies is to make America a better place in which to live and to place human welfare first, American foundations have rendered service far beyond the actual sums they have contributed to higher educational institutions. Their dollars have been multiplied many times by additional or "matching" funds secured from individuals. They have distributed their funds widely rather than to a few of the largest institutions, thus making a maximum use of scientific and scholarly ability. And by their very broad charters they have been able to adapt themselves to changing times. The research they have sponsored continues to flow out through the public in human betterment. Thus, indirectly, the foundations can be credited with a significant role in the never-ending battle against democracy's enemies. And at this point I should like to add one fact of vital importance: In all our dealings with foundations and with their representatives, we have never found evidence of any motivation other than a sincere and patriotic desire to further scholarship in the best American tradition.

Sincerely,

J. L. MORRILL, *President.*

UNIVERSITY OF MICHIGAN,  
OFFICE OF THE PRESIDENT,  
Ann Arbor, November 20, 1952.

Mr. HAROLD M. KEELE,  
*Counsel for the Committee of Foundations,  
House Office Building, Washington, D. C.*

DEAR MR. KEELE: I have gone through the questionnaire submitted by Representative E. E. Cox, chairman of the select committee of the House of Representatives created to investigate tax-exempt foundations and comparable organizations. Most of the questions, of course, concern the internal and policy operations of the foundations, about which I have no adequate knowledge.

The University of Michigan has had a long and beneficial relationship with several of the leading foundations. The aid which they have given to this institution has been of almost incalculable value. The Rockefeller, Kellogg, and Kresge Foundations have all taken a particular interest in helping to develop the programs in the health sciences. They have not only made contributions for experimental work and for long-range research but have provided space through generous contributions for buildings. Their aid represents, in my opinion, the finest kind of combination of private and public support which has been traditional in this country since the founding of Harvard College in 1636. At no time, to my knowledge, has there ever been any interference with the institution's program or an instance of subversion under any possible definition of that term. Our relationships, I repeat, have been with a half dozen or so of the leading foundations.

I do not know whether I could bring any helpful testimony to bear upon your problem but if it should be the opinion of the committee that I could I hope you will feel free to call upon me.

Sincerely yours,

HARLAN HATCHER.

BELL, BOYD, MARSHALL & LLOYD,  
*Chicago, November 17, 1952.*

HAROLD M. KEELE, Esq.,  
*Counsel for the Committee on Foundations,  
House Office Building, Washington, D. C.*

DEAR MR. KEELE: I have read the letter of Chairman Cox dated October 30 and the questionnaire with much interest.

My experience in this field is based upon connection for many years with several educational institutions receiving grants from foundations and with some privately created foundations.

I don't believe there could be any question that the older foundations have made a great contribution to the advance of science and the conquest of disease.

The practical elimination of yellow fever and pellagra is a conspicuous example of their work. Their interest in and aid to the schools of the less prosperous Southern States illustrate another field where their contribution has been inestimable. Activities of such funds as the Sears, Roebuck Foundation in the field of Agriculture have likewise been very great. And many more examples, with which you are doubtless familiar, could be given.

As you know, a large increase in smaller foundations has taken place in recent years. Particularly corporations have been creating them. So far as my experience goes, these have almost all been set up in good faith and constitute a desirable development. It is sound public policy for corporations to contribute to charity, and particularly to education, and it is sound business practice to set aside funds in good years which will be able to help charities in lean years when the charities need help most. Foundations should not, of course, be used to set aside funds free of tax and sterilize them by inaction, but I think a fair examination of most of them will show that they are operated in good faith.

There is another type of foundation that I think would bear some study. It is my impression that a good many of the newer foundations were set up in good faith but without any clear idea of their purposes and that they are simply marking time. It would be a public service to encourage them to adopt and carry out well-considered policies, rather than the haphazard grants which are too common. With all charities, and particularly educational institutions gasping for breath, it seems to me that a little pressure to put the funds to work would be justified. It is not really a matter of the foundations using resources for purposes other than those for which they were established so much as it is for clarifying the purposes in the first place and justifying their tax exemption by carrying out purposes for which the exemption is granted.

The charge upon your committee is to determine which foundations are using their resources for purposes other than the purposes for which they were established. I know of no instance of this sort. But I am concerned from a reading of the questionnaire, and question E-1 particularly, that it may be the intention of the committee to go further. So far as direct propaganda is concerned, the revenue law withholds exemption from organizations carrying on propaganda or attempting to influence legislation. No one should complain of this. But when it comes to sponsoring projects which have a direct result on the influence of public opinion in the field of politics I submit that another question is involved. To forbid or hamper foundations studying and reporting matters in the fields of economics, education, international relations, government and public administration, is to deny or restrict the public access to the facts upon which judgment in a democracy should be based. Unless we want public decisions in these fields made in ignorance, agencies should have the same freedom as individuals to ascertain facts and express opinions. The agencies have better resources for this purpose than individuals and the very multiplicity of such agencies is a better defense against erroneous opinions than suppression or intimidation of the agencies.

Take education, for example. No one knows to what conclusions research in economics and sociology may lead. Any deviation from accepted orthodox views is bound to be objectionable to someone, and there is always, but particularly right now, the probability that someone will consider that a view differing from the conventional is subversive. The same is true in the whole field of international relations, education, and government administration.

The term "subversive" means different things to different people. I submit that there is a serious danger that the study of controversial questions, a study that in our complex civilization is increasingly important, may be discouraged by fear that some authorized or voluntary agency may choose to apply this dread word to activities which are entirely legitimate and in the public interest.

Thank you for the opportunity to express these views.

Very truly yours,

LAIRD BELL.

WABASH COLLEGE,  
OFFICE OF THE PRESIDENT,  
Crawfordsville, Ind., November 14, 1952.

MR. HAROLD M. KEELE,  
*Counsel for the Committee of Foundations,  
104 House Office Building, Washington, D. C.*

DEAR MR. KEELE: I'm writing in response to a letter received from Mr. E. E. Cox, chairman of the Committee of Foundations, dated October 29. My purpose is to be helpful to your committee in its exploration of the important and complex

activities of charitable foundations. What I have to say comes from my 11 years experience as president of Wabash College and is directed to the nine questions listed on page 13 of your questionnaire:

G-1. In my opinion the tax-exempt foundation is important in this era of corporations and high taxes in providing machinery for channeling funds to colleges and other similar organizations.

Practically all present-day independent colleges were financed originally by businessmen. These businessmen were at the time proprietors or partners in private enterprises. With the passage of time, business and industry has taken on corporate form and the flow of money from this source to the independent colleges has lessened, but the common stake of private enterprise and private education continues. Foundations open up the pipeline for corporate giving through foundations to enterprises of this sort.

G-2. In my opinion it would be a national calamity for government to attempt to replace private philanthropy. Great strength flows to our educational and charitable institutions as a consequence of the personal interest and concerns of the benefactors. This personal concern is lessened somewhat by the introduction of a foundation as a substitute for personal giving, but the foundation management is still far more personal than a government agency could possibly be. Also, there are thousands of charitable foundations. There is but one National Government and monopoly in the source of educational funds has all of the evils that accompany monopoly wherever it exists.

G-3. A. Foundations have performed a variety of services to education, but none more important than the supplying of risk capital for the financing of new undertakings.

B. Foundation management is cooperative, constructive, and helpful in its attitude.

C. I am not aware of any chronic weaknesses.

D. The principal difficulties faced by foundations are, I think, the same as faced by an individual attempting to put his charities to the most effective use. It is not easy to spend money wisely.

G-4. Every expenditure of a foundation affects the public interest and to that extent the public is definitely concerned. I am personally very skeptical, however, of any procedure that would attempt to provide public representation in the administrative control of foundations.

G-5. This question is somewhat anticipated in my answer to G-4. I suspect the present exploration into the activities of foundations is a good thing because none of us wants these agencies used for unworthy ends. At the same time I think it is of paramount importance that the management and objectives of foundations should remain as free and unimpeded by controls as possible.

G-6. No answer.

G-7. It is my observation that the management of our charitable foundations is by and large unusually competent and sensitive to its responsibilities.

G-8. There are so many advantages in the "general" form of corporate charters that I have a strong preference for that type of legal entity.

G-9. I am not conscious of the need for any such limitation.

FRANK H. SPARKS.

MACALESTER COLLEGE,  
OFFICE OF THE PRESIDENT,  
St. Paul, Minn., November 4, 1952.

Mr. E. E. Cox,  
*Chairman, Committee To Investigate Foundations,*  
*House Office Building, Washington, D. C.*

MY DEAR MR. COX: For more than 22 years, I have had contact with many educational and philanthropic organizations. As president first of Centre College and now of Macalester College, I have tried—not always with success—to obtain grants for the educational work of the college. I have never had the slightest suspicion that any of these foundations, their officers or employees were "subversives," "disloyal," or "poor security risks." None of them has attempted in any way to control the use of the funds except for the general purposes for which they were given. None of them has been a "false front" by which the creator of the trust pays salaries to members of his family, etc. I am shocked indeed to think that the subject is deemed necessary for congressional inquiry, although of course I have no criticism of what your committee, on the basis of

evidence you have, may decide to do. No such evidence has ever come to my knowledge, and I can recall only two such instances in the public press over a period of 22 years.

Very sincerely yours,

CHARLES J. TURCH.

STANDARD OIL CO. (INDIANA),  
Chicago, Ill., November 4, 1952.

Hon. E. E. Cox,  
*Chairman, Select Committee To Investigate Foundations and Other Organizations, House of Representatives, House Office Building, Washington, D. C.*

DEAR MR. COX: Replying to yours of October 29, I am generally familiar with the problems and some of the discussions which led to the formation of your committee, and am glad to answer your inquiry.

I am convinced that while some of the better known foundations, such as the various Rockefeller, Carnegie, and other foundations, may occasionally have been misled into making contributions to some organization which might later be found to be subject to criticism, such incidents happen very seldom. With their excellent boards of able and patriotic Americans, I am sure such incidents are rare and comparatively unimportant, and their outstanding contributions to science and human welfare should not be hampered because of an occasional slip. I am also confident that the same is true of the overwhelming majority of other foundations which are sincerely trying to devote their funds to worthy purposes, even though they, like all of us, may occasionally be misled.

To my mind, the most useful thing which your committee could do, would be to dig out the examples where really crooked use is being made of the tax-exempt foundation to channel funds to organizations officered on a salaried basis by members of the donor's family or to take care of what really amount to personal obligations of the donor. Such things not only cheat the Government out of tax money, but tend to discredit the foundation scheme, without which many of the educational institutions, hospitals, and other worthy causes in our country simply could not operate.

The real job to be done by your committee is not to make headlines by trying to ask embarrassing questions of the honest foundations which may have made a mistake, but to dig deep and uproot the cheaters and chiselers.

Very truly yours,

ROBERT R. WILSON.

VANDERBILT UNIVERSITY,  
OFFICE OF THE CHANCELLOR,  
Nashville, Tenn., November 8, 1952.

Mr. HAROLD M. KEELE,  
*Counsel for the Committee of Foundations,  
House Office Building, Washington, D. C.*

DEAR MR. KEELE: I have a letter from the Honorable E. E. Cox, asking me to write you expressing views with reference to educational and philanthropic foundations.

Foundations vary so greatly that it is difficult to make statements concerning all foundations which would be accurate. It seems to me that the problem can only be approached by dividing them into two major groups: family trusts and foundations, most of them moderate in size; and the very large, well-known foundations.

We at Vanderbilt University have had more experience with the latter. In fact the Carnegie Corp. and the Rockefeller Foundation, with its sister organization the General Education Board, have contributed more than half of the permanent funds of Vanderbilt University. The General Education Board was responsible for the creation of the present Medical School and provided its endowment.

The one major point I can testify to in our dealings with these two major foundations is the freedom which they have given us in carrying out the purposes of their grants. While I cannot speak for every period, certainly during my administration, now in its seventh year, I have never had suggested to me a single individual whom we should employ nor seen any evidence of an attempt to carry out programs of social change or improvement which the foundation was trying to put over. Their gifts to us have been for the purpose of studying

problems, or providing a teaching program broadly defined in a field, or engaging in a specifically defined piece of research, the last named always of our own choosing. Their grants to us have been liberating ones, not controlling ones.

These large foundations may have made some grants which were unwise. For several years I have sat as trustee on the General Education Board, and I know how difficult it is to determine in advance how each pending grant might work out. The importance of correct procedures, therefore, is great. The larger foundations usually have these worked out, at least so far as the investigation of proposed projects, consultation by the officers with individuals who know the situation, and recommendations to the trustees are concerned.

On one issue as regards foundations, educators are not in entire agreement. The foundations like to start up new programs. The officers like to feel that they accomplished something which had not been done previously, and in recent years they have tended to initiate new programs rather than support older ones. Their grounds for this tendency are broad ones, namely, that a foundation cannot carry the continuing work of the world but can advance exploratory money, funds to test out new ideas to see if they are sound. Two results of this, however, have to be reckoned with, but I do not see how they can be avoided. One is that some of the projects will turn out to be undesirable, and one might cite programs which may have been actually harmful. This, however, is the price which society must pay if it is to move constantly into new ground. The other result is that the educational institutions sometimes are induced to start projects which may be good but which they do not have the funds to continue to support.

Another criticism of the larger foundations is, in my judgment, an unfair one, though in particular instances we have all made it. The officers of a foundation may decide that a certain selected field offers the greatest opportunity for usefulness, and a considerable number of grants may go into that field. At times this can look like riding a hobby of the director of the foundation. The value of such a program depends entirely upon the wisdom with which the field was chosen. Foundations cannot work in all fields, and there is a natural desire not to spread themselves so thin as to see no results from one's endeavors.

A further fact about foundations is that they inevitably reflect the temper and mood of a period. This, however, is true of government, and of most other agencies of society. In the 1930's the foundations may have reflected the desire of the White House to promote friendship with Russia, just as in the 1950's they are reflecting the widespread feeling that scientific knowledge is not enough and that we must somehow strengthen and revive the influences of humanistic studies.

I do not know very much about the smaller foundations but know of certain abuses. Some of them are family foundations which make contributions to local charities, relieving the family of this obligation. Some of them, while devoted to the broadest objectives, have a small group of directors, members of the family, or a few personal friends, so that their direction is far more limited than their published commitment. It might be possible to require that the directors of a foundation shall be sufficiently representative to carry out its announced intentions. Some of the foundations do not publish their figures, and secrecy is always an incentive to abuse.

These are some of the thoughts which occur to me in answer to the letter of inquiry. I will be glad to amplify these or discuss other matters if the committee may desire.

Yours sincerely,

HARVIE BRANSCOMB.

LEVER BROS. Co.,  
New York 22, N. Y., November 14, 1952.

HAROLD M. KEELE, Esq.,  
Counsel for the Committee of Foundations,  
House Office Building, Washington, D. C.

DEAR MR. KEELE: I acknowledge receipt of your letter sent to me by Congressman Cox, dated October 29.

I have read with interest the questionnaire which Congressman Cox sent to me to indicate an outline of the inquiry that the committee is making as part of its study of educational and philanthropic foundations.

Although I have not made a detailed study which, in my opinion, would be necessary to enable me to express views which could be of value to you in reaching conclusions with respect to the subject of your inquiry, it is my impression that foundations have stimulated and resulted in a vast amount of scientific and social progress. Industry will, of course, foster research for particular ends, but we must depend on the universities and foundations to support research of the broadest character and to pursue philanthropic objectives.

I appreciate your suggestion that I might appear as a witness at your committee hearings. However, as I have indicated, I have nothing more than general information about educational and philanthropic foundations and do not believe that I could add anything to the enormous amount of information which your committee and its staff will obtain from the very complete questionnaire which you sent out.

Sincerely,

JERVIS J. BABB.

LAW SCHOOL OF HARVARD UNIVERSITY,  
OFFICE OF THE DEAN,  
Cambridge 38, Mass., November 14, 1952.

HAROLD N. KEELE, Esq.,  
Counsel for the Committee on Foundations,  
House Office Building, Washington, D. C.

DEAR MR. KEELE: I am writing in reply to the letter which was addressed to me under date of October 30, 1952, by Congressman E. E. Cox, chairman of the Select Committee To Investigate Foundations and Other Organizations. In this letter, Congressman Cox asked for my views with regard to educational and philanthropic foundations. He also sent with his letter a questionnaire as an illustration of the sort of subjects in which the committee might be interested.

During the past 20 years, I have had considerable opportunity to observe the operations of educational and philanthropic foundations in this country. My interest has naturally been in the general area of the social sciences, and I shall confine my observations to the activities of foundations in that area.

About 25 years ago, the Harvard Law School received support from the General Education Board. This has been of great importance in the development of the work of the school. In the intervening years, the school has received a considerable number of relatively small grants from a number of foundations and others for the support of the outstanding research work into the causes of juvenile delinquency which has long been conducted at the Harvard Law School under the direction of Prof. and Mrs. Sheldon Glueck. Within the past few months, this work has received substantial support from a foundation, so that it is now possible to plan the work for the next 3 or 4 years.

It is wholly clear that the productive and pioneering work of Professor and Mrs. Glueck could not have been carried out without foundation support. Their recently published book, entitled "Unravelling Juvenile Delinquency," is only one of the many fruits of their long career in this field. It is quite clear that this work has provided much important information, not previously known, about the factors that lead to criminality in juveniles. This is a fine example of the sort of work that can be done, that badly needs to be done, and which has been made possible by foundation support.

In addition to work done at the Harvard Law School, I have had personal familiarity with a number of other projects which have been supported by foundations. For many years I have participated in the work of the American Law Institute, which has done much to make American law more definite and certain, and to improve it. This work has been supported by the Carnegie Corp., and more recently by the Falk Foundation. For 4 years, from 1942 to 1946, I served as a trustee, elected by the policyholders, of Teachers Insurance and Annuity Association. From that experience, and from my experience as a trustee of Overlin College, I have come to know of the crucial part which the Carnegie Corp. has played in the whole field of college pensions. This is an area not only of great importance to American education, but also of extreme difficulty, as experience over the past 30 or 40 years has shown. It seems to me fair to say that this whole problem could not have been satisfactorily handled by American educational institutions without the wholehearted understanding and large-scale support of the Carnegie funds.

My experience with foundations would lead me to feel that they have made a remarkable and important contribution to the development of thought and knowledge and understanding in the field of social sciences. Naturally, I have not agreed with all the policies and procedures of every one of them. Out of the thousands of decisions they have made, they may have made some errors. I do not expect foundations, any more than any other American institutions, to be free from mistakes, or to follow a common pattern. In the field of the social sciences, their work has necessarily been experimental. The essence of experiment, I would suppose, is trial and error, with knowledge gained both from the successes and from the mistakes. In my opinion, the errors made by foundations in the administration of their work are far outweighed by the great good which they have done.

The record of achievement of these private agencies in the past century, and at the present time is enormous. Many of the constructive results they have aided in bringing about could not desirably have been produced by governmental agencies. We are in great need of objective studies of controversial problems, which abound in the field of the social sciences. These are almost certain to yield findings and conclusions with which some citizens will strongly disagree. When foundations act in this field, they necessarily take a risk that some grants will be made to persons who prove to be blessed or incompetent, or otherwise badly chosen. Yet, if foundations are to help to push forward the bounds of knowledge in areas of debate, they must be free to sponsor studies that may sometimes run counter to widely held views. They must be free to inquire into controversial areas. Indeed, those are the areas where inquiry is most needed. And they must be free to make some mistakes, they will learn from them.

In my experience, the boards of trustees of American foundations are composed of responsible American citizens. Fortunately, they have not been timid souls, and they have felt free to blaze new paths, and to support persons who were working on novel projects. In the work that they have done, they have accomplished great good. They have been one of the important sources of initiative and stimulation of thought in areas in which the inquiring mind can fruitfully operate for the common benefit.

American foundations have been, in my opinion, a fine instance of the effective operation of private initiative. As such, I do not think that they should be needlessly encroached upon by Government. In particular, I would think that it was at least unwise and unfortunate for Government to interfere with freedom of inquiry, thought, and belief. And indirect encroachment, even though made with the best of motives, may in the long run prove just as serious as direct controls. American foundations are instruments for the exercise of the right of private inquiry. If they should be forced out of the fields of social reform or other fields, or if their independence should be curbed, then we would have to turn to the State for the support of further investigations in these important areas. It is hard to see how that could be a desirable development.

In closing, I would like to make it plain that I am in sympathy with the measures taken by the Congress, in the Revenue Act of 1950 to prevent donors from using tax-exempt organizations for personal benefit. There have undoubtedly been a few, relatively small, family foundations, making little or no public report, which have been improperly used for tax-avoidance purposes. I believe that this problem has been largely taken care of already by the change in the taxing laws. If there remain further loopholes, the Ways and Means Committee is clearly aware of the problem, and can be counted upon to take appropriate action. It is quite apparent, I believe, that no element of tax avoidance is involved in the operations of the larger and more important foundations which have made so important a contribution to American life over a period of many years.

Very truly yours,

ERWIN N. GRISWOLD, *Dean.*



SWARTHMORE COLLEGE,  
PRESIDENT'S OFFICE,  
Swarthmore, Pa., December 22, 1952.

HAROLD M. KEELE, Esq.,  
Counsel for the Committee of Foundations,  
House Office Building, Washington, D. C.

DEAR MR. KEELE: The decision to resign the presidency of Swarthmore College after 20 years on this campus has so preoccupied my time and attention for the past 2 months that I have neglected Congressman Cox's request of October 29. I send my apologies with this belated reply.

The brief newspaper accounts of the recent hearings in Washington have been very interesting, and I should like to begin by congratulating you on the fine way in which these hearings have been conducted. Philanthropic foundations play so important a role in the United States, particularly in scientific and educational fields, that it is entirely proper that they should be investigated and any abuses removed. It is also important, as I think you fully appreciate, that they be left as free as possible to fulfill their constructive functions in our society.

The colleges and universities of the country are very much concerned with the outcome of the committee hearings and recommendations. We have no brief to make for foundations which are essentially tax-evasion devices. I hope you will be successful in bringing about legislation to prevent this particular abuse.

If in your report you can do proper justice to the constructive effect of the activities of the foundations of this country you will have done a very real service to the United States. It seems to me important to emphasize the positive accomplishments of the foundations. I am sure that all of them will admit to having made mistakes in judgment—some of these errors being connected with the political views of recipients of grants, but most of them involving the expenditure of sums of money in ways which did not turn out to be productive. It has often been said that the foundations represent the venture capital of the educational, scientific, and cultural life of our Nation. To the extent that that is true, they must take risks and must expect a certain number of failures and mistakes. The fact that they may have made grants to individuals who were members of subversive groups is not more significant than the fact that some college graduates ultimately join the Communist Party or support subversive activities. Unless the foundations can be proved to be responsible for the subversive views of recipients, they can hardly be criticized for their actions.

I believe that your hearings will be nearly over by the time you receive this letter. Consequently, any offer on my part to appear before the committee would be a meaningless gesture. If there is anything which I can do to forward the present investigation, I hope that you will feel free to call upon me.

Yours sincerely,

JOHN W. NASON.

**EXCHANGE OF CORRESPONDENCE WITH  
JOHN FOSTER DULLES**

WILLIAMSBURG, VA., *December 25, 1952.*

JOHN FOSTER DULLES,  
CARE SULLIVAN & CROMWELL,  
*New York City.*

In view of the testimony of John W. Davis and Alfred Kohlberg before the Select Committee of the House Investigating Foundations the committee felt that you might wish to appear and testify. To that end I have been authorized to extend to you an opportunity to appear before the committee Monday, Tuesday, or Wednesday of next week. The committee's life terminates coincidentally with that of the new Congress.

HAROLD M. KEELE,  
*Counsel for the Committee.*

[Telegram dictated over telephone to Western Union]

DECEMBER 27, 1952.

HAROLD M. KEELE, Esq.,  
*Counsel, Select Committee of House of Representatives,  
House Office Building, Washington, D. C.*

On my return from Washington I find your telegram of December 25. I greatly appreciate courtesy of committee and yourself in offering me opportunity to appear prior to January 1 and termination of your committee's life. My available time within this brief period is sharply limited by already made engagements relating to public matters of urgency and I doubt that my appearance would serve any useful public purpose since as witness for prosecution of Hiss I testified twice fully under oath and subject to cross-examination as to the matters to which your telegram relates. I am asking counsel for Carnegie Endowment to forward to you transcripts of this testimony. Kind regards.

JOHN FOSTER DULLES.

## REFUTATIONS AND REBUTTALS

COUNCIL ON FOREIGN RELATIONS, INC.,  
New York, N. Y., December 30, 1952.

Mr. HAROLD M. KEELE,  
House Office Building, Washington, D. C.

DEAR MR. KEELE: In reading over the testimony of Mr. Alfred Kohlberg on December 17, 1952, before the Select Committee To Investigate Tax Exempt Foundations and Comparable Organizations, I have noted a number of misstatements of fact with respect to the Council on Foreign Relations. I hope you will include this letter in the committee's record so that these misstatements will be corrected.

Mr. Kohlberg states, page 1526, volume 15 of the hearings, that "The Council on Foreign Relations \* \* \* is very little infiltrated, but is infiltrated." On page 1536 he indicates that this presumed infiltration is "at the staff level." Many of the members of the council's board of directors have taken an active part in its work and have had an opportunity to become well acquainted with all of the leading members of its staff. Many of the members of our board have not only served on the council's standing committees, but also as chairmen, secretaries, or members of our study and discussion groups. For example, this past year I have been chairman of the council's committee on studies, which is charged with the initiation and supervision of its research and publication program and which approves all council books. I was also chairman of its committee on policy, which was established to appraise the council's program and to make recommendations for its future, and of the council's study group on Anglo-American relations. As a result of my constant participation in council activities, I know well all of the leading members of the council's staff and have observed nothing to indicate that any of them are "infiltrated." I am definitely clear that all of them are patriotic Americans.

On page 1537 Mr. Kohlberg states that he spoke to one of the trustees of the council about the council's annual survey of American foreign relations, which is entitled "The United States in World Affairs" and which Mr. Kohlberg called "American Foreign Policy." He stated that the 1950 volume said "that McCarthyism and the China Lobby were one of the prime causes that brought the Chinese Communists into the Korean war late in 1950." Mr. Kohlberg's statement is not correct. No such statement is in the book. Also I would like to add that the volume as a whole is principally concerned with the extremely serious problems created for the United States by the aggressive policies of the Soviet Union and the Communist governments under its influence. The gravity of the Soviet-Communist threat to the United States and to the entire free world is strongly emphasized both in the introductory chapter and throughout the volume. I would also like to call your attention to the following statement which appears in all council books and immediately after the title page of the 1950 volume of "The United States in World Affairs": "The authors of books published under the auspices of the council are responsible for their statements of fact and expressions of opinion. The council is responsible only for determining that they should be presented to the public." I should add that the council's committee on studies endeavors to insure that misstatements of fact do not appear in council publications.

Mr. Kohlberg, on page 1538 of his testimony, stated that the United States in World Affairs is subsidized by either the Carnegie or Rockefeller Foundations. The volume is paid for out of the general research funds of the council. In the fiscal year ending July 31, 1952, the general research expenses of the council, not including special projects separately financed by special grants, amounted to \$133,251. The only foundation contribution to the council's general research program, as distinct from special projects, was a grant of \$35,000 from the Carnegie Corp.

On page 1536 of his testimony Mr. Kohlberg states with respect to the Council on Foreign Relations: "I think that if the men who belonged to that had put up

their own money to make what studies they made or write what histories they wrote they would have been much more careful about them." In this connection I point out that during the fiscal year ending July 31, 1952, dues of the council members amounted to over \$60,000, while contributions of over \$33,000 were made by members and corporations.

During the present fiscal year, in addition to dues, over \$25,000 has been contributed by the council's board of directors, and an appeal has just been sent to all members for an additional \$100,000 to make up the deficit for fiscal year 1951-52 and to eliminate the prospective deficit for fiscal year 1952-53.

In view of the testimony on pages 1542 and 1543, I would like to state that the Council on Foreign Relations was not organized at the instance of the State Department. Actually, it was formed in 1921 from the merger of two organizations—the Council on Foreign Relations, a New York dinner group created in 1918 to entertain distinguished foreigners coming to America in connection with the conduct of the war and the making of the peace, and the Institute of International Affairs, founded at Paris in 1919 by a group of men at the Versailles Peace Conference, who concluded that a nongovernmental organization for the study of international affairs was badly needed. The council has always been completely independent of Government and has never received any subsidies from Government, but it is always anxious to be helpful to the Government whenever possible.

I shall appreciate very much your putting this letter in the committee's record.

Sincerely yours,

HENRY M. WRISTON, *President.*

NEW REPUBLIC,

Washington, D. C., December 23, 1952.

MR. HAROLD M. KEELE,

*Counsel, Select Committee To Investigate Tax-Exempt Foundations and Comparable Organizations, House of Representatives, Washington, D. C.*

MY DEAR MR. KEELE: The transcript of hearings before the select committee of December 22, 1952, records the following testimony given under oath by Mr. Maurice Malkin:

"Michael Straight has been used, originally started using him on the so-called Committee Against, that was organized to combat the John Dewey Committee that was collaborating with the Trotskyists to defend the Moscow trials, that is, those were purged in the trials. In fact, they were favoring the Trotsky group. "Now the Communist Committee under the leadership of Carlton Beal and a few more with Michael Straight was organized to try to convince this committee that they're wrong.

"That was strictly Communist Committee organized under the direction of the C. I. representative. And since then has been in every Communist front practically, most important Communist fronts since its inception.

"\* \* \* I doubt very much whether he is actually a card-carrying Party member, because with my experience in the Party I doubt that he was that type that would actually bind himself by card-carrying discipline, but I might be wrong. Many things happen."

Concerning first the "John Dewey Committee" and the "Communist Committee" that was created to oppose it. I assume that the Dewey Committee was created during the trials of 1936 and 1937 and I assume that a counter-committee was established during that period. If these are the facts, they are unknown to me. I was during 1936 and 1937 an undergraduate at Cambridge University in England and a resident of Devonshire, England. I returned to this country late in 1937 and played no part whatever in this or any other political controversy. I was, in fact, 20 years old at the time. It is inconceivable to me that I could have been listed as a sponsor of any Communist committee. If I was so listed, it was most certainly without my knowledge or consent. I have endeavored to obtain the facts on this matter and I am quite certain that they will confirm that I was not a member or a sponsor of any such committee.

Concerning the further statements by Mr. Malkin, that I have belonged to every Communist front, I wish to state that this is wholly without foundation. I have, in fact, belonged to no Communist front. Accounts in the New York Times and other newspapers which I will be glad to provide the committee will attest to my activities in opposing the Communist Party in such organizations as the American Veterans Committee and the Americans for Democratic Action, as will numerous editorials in the New Republic under my editorship.

I will be very happy to provide the committee with any additional information they may desire on this matter, and, of course, to repeat any of these statements under oath.

Sincerely yours,

MICHAEL STRAIGHT.

Mr. HAROLD M. KEELE,

*General Counsel, Select Committee To Investigate Foundations.*

DEAR MR. KEELE: In my testimony for your committee on December 22, I named one Michael Straight as a fellow traveler or front man for communism. After a close check of my papers and documents, I find that I have been mistaken in naming Mr. Straight with a Mr. Robert Strong or Michael Strong who was a close and trusted party follower since 1931 and up to 1939 whose name also appears as the author of articles in the party publications such as the Labor Defender and other Communist publications.

I therefore wish to correct the record of your committee report and eliminate and repair any harm to a man of whom I know nothing about.

Yours truly,

MAURICE MALKIN.

THE FIELD FOUNDATION, INC.,  
New York, December 29, 1952.

HON. HAROLD M. KEELE,

*General Counsel, Select Committee To Investigate Foundations and Other Organizations, House Office Building, Washington, D. C.*

DEAR MR. KEELE: This will confirm the telegram which I sent earlier this afternoon. I am requesting the Select Committee To Investigate Tax Exempt Foundations, in the preparation of its report, to take note of and make part of the record my statement of last Tuesday afternoon, December 23, to the press, as follows:

"Louis S. Weiss was secretary and a member of the board of the Field Foundation until his death November 13, 1950. At that time the foundation stated in a tribute published in the foundation's annual report that "his (Weiss') sympathies for the oppressed, his passion for justice, and his faith in American democracy were the touchstones of his entire life.' The statement that Mr. Weiss was a Communist is completely untrue and without foundation in fact."

A press report of the Budenz testimony, which was telephoned to me December 23 and which also appeared in various newspapers, stated that it was testified that Frederick Vanderbilt Field was associated with the Field Foundation. I wish to call attention in this connection to that part of my statement which said that "Frederick Vanderbilt Field is not connected with the Field Foundation, Inc., and never has had any connection or association of any sort with the Field Foundation. Marshall Field, president of the Field Foundation, since its founding in 1940, is not related to Frederick Vanderbilt Field and has never met the man. Neither has any other member of the foundation board or staff to the best of my knowledge."

I shall appreciate very much inclusion of my statement in reference to Louis S. Weiss and to Frederick Vanderbilt Field in the report of the select committee.

Sincerely yours,

MAXWELL HAHN.

YALE UNIVERSITY, SCHOOL OF LAW,  
New Haven, Conn., December 26, 1952.

SPECIAL HOUSE COMMITTEE INVESTIGATING TAX-EXEMPT FOUNDATIONS,  
*House of Representatives, Washington, D. C.*

GENTLEMEN: I have not yet been able to obtain a transcript of the testimony of Louis Budenz before your committee charging me with having been a member of the Communist Party. Hence the information now available to me concerning his testimony is based upon newspaper reports. I am writing this letter at this time, however, in order that it may be included in the record before the expiration of your committee with the close of the Eighty-second Congress.

I have never been, and am not now, a member of the Communist Party. I have made this statement under oath on numerous occasions, including two voluntary appearances before congressional committees.

Nor have I ever been under the discipline, domination, or control of the Communist Party. On the contrary I have differed openly and publicly with the

Communist Party on many basic issues throughout my career, including the Nazi-Soviet pact, the Soviet invasion of Finland, lend-lease, the Marshall plan, the North Korean aggression against South Korea, the right of all groups to civil liberties, and the whole philosophy and practice of totalitarianism.

My position has always been that of an independent liberal. I have never been willing to have any person or group determine my stand on questions of public policy.

I request that this letter be included in the printed record of the proceedings before your committee.

Sincerely,

THOMAS I. EMERSON.

NEW YORK, N. Y., *December 31, 1952.*

HON. BROOKS HAYS,  
*Chairman, Special House Committee,  
House Office Building, Washington, D. C.:*

According to press reports, Budenz testified before your committee that I was a member of the Communist Party. This is an absolute lie without any foundation and facts. I regret that I was not given an opportunity to testify before your committee. I appeal to you for the opportunity of so testifying. In any event, please include this telegram in the published record of your committee.

CLARK FOREMAN,  
*421 Seventh Avenue, New York City.*

CONGRESS OF THE UNITED STATES,  
HOUSE OF REPRESENTATIVES,  
SELECT COMMITTEE TO INVESTIGATE FOUNDATIONS  
AND OTHER ORGANIZATIONS,  
*Washington, D. C., January 10, 1953.*

MR. CLARK FOREMAN,  
*421 Seventh Avenue, New York, N. Y.*

DEAR SIR: During the morning of January 1, 1953, the following telegram was received at the offices of the committee:

NEW YORK, N. Y., *December 31, 1952.*

HON. BROOKS HAYS,  
*Chairman, Special House Committee,  
House Office Building, Washington, D. C.:*

According to press reports Budenz testified before your committee that I was a member of the Communist Party. This is an absolute lie without any foundation and facts. I regret that I was not given an opportunity to testify before your committee. I appeal to you for the opportunity of so testifying. In any event, please include this telegram in the published record of your committee.

CLARK FOREMAN,  
*421 Seventh Avenue, New York City.*

I direct your attention to the following:

1. Testimony of Louis Budenz was taken before the committee on Tuesday, December 23. His testimony was given wide publicity in the public press on Tuesday, December 23, and Wednesday, December 24.
2. Of those named by Budenz four persons, Walter Gellhorn, Ira D. A. Reid, Thomas I. Emerson, and you, registered protests or made formal denials.
3. Walter Gellhorn and Ira D. A. Reid appeared at their own request before the committee and gave testimony under oath on December 30. Thomas I. Emerson addressed a letter to the committee under date of December 26, and requested publication of the same but did not offer to appear before the committee. Your telegram carries a dateline of 5:15 p. m., December 31, and the receiving stamp shows that it was received at the Washington offices of Western Union at 6:18 p. m., December 31.
4. Resolution 561, which created the committee, required that the committee's report be filed on or before January 1, 1953. You waited 8 days and until 5 p. m. on the evening before the day the report was due to be filed to express regret that you had no opportunity to testify before the committee and to appeal for an opportunity to do so.

5. According to the press, on January 3, 1953, the very day on which the committee's life terminated as of 11:59 a. m., you issued a statement to the press calling attention to the fact that you had asked on December 30 for an opportunity to appear before the committee.

It seems to me that the conclusion is inescapable that you deliberately waited until it was too late to afford you an opportunity to appear before the committee to make any protest; that you deliberately misrepresented to the press the date of your communication to the committee; that you chose to wait until such time as you would not have to make an oath to deny statements made under oath, and then resorted to the device of a telegram, which has not yet been confirmed by letter. In view of the action of Walter Gellhorn and Ira D. A. Reid, I can only conclude that you dared not appear and testify under oath. An opportunity to do so would have been given you, as it was given others, had you made such a request in due time. Under the circumstances, and in fairness to Gellhorn and Reid, I think it must be said that your action in delaying until the evening of December 31 to communicate with the committee, offers persuasive evidence of your reluctance to testify under oath and gives credence to the statement of Louis Budenz.

At the direction of the acting chairman, your unconfirmed telegram will be included in the record of the proceedings.

Very truly yours,

HAROLD M. KEELE.

NEW YORK, N. Y., December 30, 1952.

HON. BROOKS HAYS,

*Chairman, Select Committee To Investigate Foundations,  
House of Representatives, New House Office Building, Washington, D. C.:*

I have known Walter Gellhorn for a great many years, and when I was general counsel and later Chairman of National War Labor Board in New York, where he did an outstanding job with firmness, ability, and impartiality. Knowing him as I do, I simply cannot give credence to Budenz' testimony and I hope very much that your committee will not further impair Gellhorn's standing in the community by naming him in your report. I have also great confidence in Ira Reid, chairman of department of sociology at Haverford College. I first knew him some 20 years ago when he was on the staff of the National Urban League and I was its treasurer. I was president of the league from 1947 to 1952 and in that capacity had further occasion to meet with Dr. Reid and to learn of his reputation which has been of the very highest as to both his ability and his Americanism. I believe it would be a real injustice to him to dignify the unsupported accusation against him.

LLOYD K. GARRISON.

STATEMENT BY ISAAC DON LEVINE TO SPECIAL HOUSE COMMITTEE ON FOUNDATIONS

I fear that an unfortunate and wrong impression has been widely created by the press and radio reports of Mr. Alfred Kohlberg's testimony before this committee, an impression which is unfair to Secretary of State-designate John Foster Dulles and misleading as to my view of Mr. Whittaker Chambers. A few facts should be presented to correct the record.

1. Alger Hiss learned in September 1939, within a few days after I had brought Mr. Chambers to the home of Assistant Secretary of State Adolf Berle, that his name was on the list of Soviet agents submitted in my presence by Mr. Chambers to Mr. Berle. In accordance with the ironclad rule of the Soviet espionage system, Hiss immediately became inactive, i. e., he turned into what is known as a "sleeper." The role assigned to a "sleeper," after he severs all ties with the underground, is to lull everybody into a false sense of security. This role Hiss played well, as we know from the testimony of such anti-Communist conservatives as Mr. Stanley Hornbeck, who testified in court in defense of Hiss. With the possible exception of some steps taken by Hiss at the Yalta Conference, in the presence of his hero, Stalin, the behavior of Hiss from 1939 on was so circumspect that it is no wonder that many leading patriotic citizens could not believe the rumors about him.

2. In 1946, when Mr. Kohlberg first learned from me about Hiss, I did not know that Whittaker Chambers had the pumpkin papers. Chambers had told me in the summer of 1939, when I asked him what documentary evidence he had

to back up his story of the truth of which I was convinced, that he had destroyed all such evidence. I do not criticize him for withholding the information from me, considering the circumstances under which he lived then. But when Mr. Kohlberg informed me of his interview with Mr. Dulles about the Hiss appointment to the Carnegie Endowment post, I told him that there was no material evidence to support the Chambers charges, and that it would all come down to one man's word against another's, that of Mr. Chambers against Mr. Hiss.

3. My alleged description of Mr. Chambers "in unflattering terms" related only to his unprepossessing physical appearance. I said, if memory serves me right, that an admitted ex-Communist and ex-Soviet agent would not make as good an impression as the debonair Mr. Hiss who then enjoyed the confidence of many ranking State Department officials.

ISAAC DON LEVINE.

WASHINGTON, D. C., December 22, 1952.

## DIGEST OF STATE REGULATIONS

(The following is a digest of a manuscript written by Eleanor K. Taylor, associate professor in the School of Social Work, State University of Iowa. Miss Taylor began preparation of this material as a doctoral dissertation. In the course of the research the manuscript came to the attention of the Russell Sage Foundation. The foundation employed Miss Taylor to revise her study into one primarily designed to serve the interests and needs of Government officials, foundation officers and trustees, lawyers, and legislators interested in discovering the present facts as to the accountability of foundations and charitable trusts and working out a better future solution. For special assistance on legal aspects of this study the foundation retained Ray Garrett, chairman of the committee on corporate laws of the American Bar Association.)

### REGULATION OF CHARITABLE CORPORATIONS

While the trust is created by will or trust instrument, the incorporated foundation is created by legislative grant in the form of a corporate charter. Charters may be granted by special acts of the legislature or by administrative officials under the provisions of general corporation statutes.

American philanthropy has characteristically taken the form of endowments held by corporate directors granted power through a charter. The statutes governing the issuance of a charter vary from jurisdiction to jurisdiction. The person usually responsible for issuing a charter is the secretary of state. Sometimes the application is little more than the filing of appropriate papers with this official. Sometimes provision is made for a public notice, such as the appearance of the name of the organization and its incorporators in some official list, the lapse of a stipulated number of days before the application may be approved, or other routine measures. Sometimes officials other than the one responsible for issuing the charter are supposed to carry on an investigation of the proposed organization to assure that its purposes are those purported in the application and that the individuals seeking the incorporation are responsible persons.

### CHARTER ISSUANCE IN NEW YORK AND PENNSYLVANIA

The New York and Pennsylvania legislation are somewhat different. In New York the secretary of state is the official responsible for issuing the charter. However, a justice of the supreme court must approve the application prior to the issuance of a charter. This provision would appear to be a kind of licensing. Yet a search of citation sources indicates that charters are rarely contested. Only two of the six charters recently withheld were incorporated foundations. The others were those of associations claiming to be social or recreational groups having benevolent purposes. In three instances, however, suspicions aroused because of the name of the proposed organization seemed to have caused a review of the circumstances.

Pennsylvania has somewhat comparable provisions for investigation of the proposed organization prior to the granting of a charter. These are, however,



permissive and investigating is not intended in all cases as is the presumption of the New York statute. Inasmuch as Pennsylvania is one of the few States which publishes county and district reports, the limited number of hearings recorded is evidence of the infrequency of such actions.

Some of the Pennsylvania charter hearings exemplify the problems of attempting to judge in advance the nature of activities which may be carried on as a result of the grants of corporate power, particularly in the case of foundations which themselves only furnish the funds for other organizations.

It would be difficult to draw conclusions as to whether this intended safeguard in the chartering process operates as an additional check in the issuance of a charter. Investigation usually pivots about the motives and character of the incorporators. Some of the recent decisions suggest that suspicion of tax evasion led to careful review of the circumstances.

In view of the circumstances under which these Pennsylvania decisions were reached, it is apparent that the kind of routine chartering followed in most other States is hardly likely to bring to light the basic facts which should be known before a charter is granted. Nor does the chartering process provide protection beyond the initial step in the establishing of an organization.

#### REPORTING EXACTIONS

Almost every not-for-profit corporation law has some reporting exactions. Those found in sections 98 and 99 of the Illinois law are unusually stringent in granting interrogatory powers. Reporting failure is thus classified as a matter as serious as having obtained a franchise by fraud or abuse of corporate powers.

In California the attorney general is charged with special inspection duties with regard to charitable foundations and corporations so as to give additional force to the existing reporting machinery, but this more exacting statute is unenforceable without administrative provisions. Here also, interrogatory powers do not add materially to the effectiveness of reporting measures. The same problem exists with regard to reporting as in relation to chartering. The laxness of reporting measures raises question as to whether the actual writing into the statutes of specific prohibitions can be counted upon to deter wrongful acts. For example, the Illinois act prohibits the corporation from issuing shares or from distributing dividends or any part of the income to members, directors, or officers (excepting reasonable compensation for services and distributions upon liquidation). The act further prohibits the making of loans to officers and directors. These are important statutory safeguards and would certainly make more difficult deliberate misappropriations of funds or use as risk capital, such as the pyramiding pointed up in the Rhode Island investigation into the regulation of charitable trusts conducted by a special committee in 1950. However, the penalty provided is that directors who assent to the making of such loans shall be jointly and severally liable until its repayment. This statute certainly is a corrective to the vague permissiveness of many other nonprofit corporation laws. Indeed, the new Internal Revenue Code relies on such legislation as a basis for tax exemption. Yet knowledge of the details of the activities of these organizations is dependent upon the regularity and completeness of reporting.

#### DISSOLUTION OF CHARITABLE CORPORATIONS

Charitable corporations live and die almost anonymously. Certainly the statutes which provide some ritual observance of the events of corporate life fail to assure that the facts of their continuing existence are known. New York recently passed legislation requiring all corporations organized prior to January 1, 1948, to file a certificate of existence by June 15, 1952. Corporations failing to file by the stipulated date would then be dissolved through proclamation by the secretary of state. This action suggests the difficulties of carrying out the existing provisions for dissolution.

The present law provides that any membership corporation may be dissolved by filing in the office of the secretary of state a certificate of dissolution signed and acknowledged by all of the voting members, together with an affidavit of certain officers of the corporation and the approval of a Justice of the Supreme Court, and, where appropriate, the approval of the welfare agency whose approval of its creation would be required by the law.

#### SUPERVISION BY COURT LIMITED

Some of the States under consideration provide for court supervision of dissolution proceedings. In Illinois, for example, involuntary dissolution requires

a decree of court. The court is given authority to liquidate the assets and affairs of corporations in actions brought by members, directors, or creditors under certain conditions, or by the corporations themselves or in dissolution proceedings instituted by the attorney general; and in every such case the court may dissolve the corporation by decree.

In South Carolina a corporation may voluntarily dissolve upon a vote of two-thirds of its members and the filing of an appropriate certificate with the secretary of state. In Wisconsin voluntary dissolution requires the affirmative vote of a two-thirds of the voting stock in stock corporations or a majority of the members in other corporations, followed by the filing of a certificate with the secretary of state. In Pennsylvania voluntary dissolution requires a decree of the court of common pleas upon application by the corporation authorized by the requisite vote of the members, notice and hearing.

New Hampshire has a more stringent requirement consistent with the existence in that State of a registry of charitable trusts. Corporations wishing to dissolve must petition the superior court. The resulting record is filed with the secretary of state and open to the public.

The provisions governing corporate dissolution have varying degrees of effectiveness in the different States. However, they all depend on adequate administrative arrangements, for the most part lacking.

#### SUPERVISORY USE OF STATE BOARDS OF WELFARE

Charter issuance sometimes has the additional safeguard of coming under the authority of a State board charged with certain welfare functions. The Massachusetts and South Carolina statutes both require that the board investigate all applications and make recommendations to the secretary of state. The New York membership corporation law divides responsibility for approval of proposed charters among a number of State boards in accordance with their supervisory tasks relative to certain groups.

The State board of welfare is, however, the typical agency looked to for investigation and the full force of any not-for-profit corporation law must be evaluated in conjunction with the welfare law of a given jurisdiction. The Illinois law is illustrative, for the general not-for-profit corporation does not itself call for investigation. But the welfare law specifies in chapter 23, section 208, that any proposed corporation which includes in its charter purposes the care of children must have its charter approved by the department of public welfare before it is filed with the secretary of state. However, the welfare law makes plain both the delegation of the investigative function and the extent of the powers accorded to the department.

#### CONCLUSIONS

Analysis of the regulatory machinery applicable to charitable trusts made it plain that the protection of equity over trusts is more potential than real. Not only is equity machinery inadequate to supply basic information as to the existence of a trust, but in those instances in which the trust is known the peculiarities of the trust instrument with its emphasis upon trustee accountability to the donor means that it is possible for the trustee to be relieved of reporting responsibility. On the other hand, where the trustee is expected to make reports to the court the administrative and clerical staff necessary to this service are often not available. Furthermore, routine accounting might still fail to bring to light the need for redirection of the trust to other uses.

Similar enforcement difficulties have been pointed out with regard to the transfer of private wealth to public purposes through the medium of the charitable corporation. Chartering is routine and casual, and even in requirements such as those in New York for certification by a justice or provision in Pennsylvania for hearing by masters in chancery there is evidence that these are not the most effective safeguards for continuing supervision. Existing reporting measures are as ineffectual in the case of charitable corporations as they are in the instance of the trust.

The actual extent to which charitable trusts and foundations are abusing their privileges is still an open question. The important fact is that the prevailing statutes do not prevent abuse.

#### AMERICAN REGULATORY PROPOSALS

Since the hearings of the Commission on Industrial Relations in 1915 a number of investigative groups have grappled with the problem of charitable regulation.

Groups have argued before a subcommittee of the Senate investigating the Textron trusts and the Rhode Island committee that the multiplying of vast charitable endowments constituted a social danger. They urged the establishment of a special supervisory board and legislation which would limit the life of foundations to 25 years, restrict their investments, and force annual distribution of most of their income. Other witnesses have advocated strengthening the existing State regulation through implementing court and legislative machinery.

#### RECOMMENDATIONS OF THE INDUSTRIAL COMMISSION

The recommendations of the Industrial Commission are still important today because the general problems of economic control were first defined in these hearings and some of the measures advocated by the Commission have been repeated recently. Though the Commission divided, members were united in the view that Government should have a supervisory role over private endowments. The ultimate objective was the socialization of philanthropy. Minority members were more outspoken on this point than the majority. Their advocacy of a graduated inheritance tax was to bring about forced displacement and a gradual expansion of the public-welfare program. Majority members urged the expansion of governmental activities along lines similar to those of the private foundations. Stepped-up Federal appropriations for education and the social services would counteract the influence of the private endowments by competition. The Commission did not deny the value of philanthropy. Minority members acknowledged that services now carried by Government were developed first through private initiative. However, this historical fact was used as argument that the State could provide better and more universal charity. The majority recommended a Federal statute governing the chartering of all incorporated nonprofit organizations empowered to perform more than a single function and holding funds in excess of a million. Stipulations for such Federal charter were sixfold: (1) A limitation on the total funds to be held by the proposed organization, (2) specification of the powers and functions which were to be undertaken with provision for penalties if the corporation exceeded them, (3) prohibitions against accumulation of unexpended income and against the expenditure in any one year of more than 10 percent of the principal, (4) accounting of both investment and expenditure, (5) publicizing through open reports to a Government official, (6) banning of any alteration of charter purpose unless empowered by Congress at the end of a 6-months' waiting period.

#### THE RHODE ISLAND REPORT

The Rhode Island investigation came after a period of unprecedented foundation growth. The rise of a powerful labor movement refuted the prophecy that the foundation could be a strategic weapon in industrial warfare and foundations had become increasingly evaluated in terms of their programs and disassociated from judgments about their donors. Only with the sudden emergence of a new type of foundation was suspicion redirected to private philanthropy. The multiplication of small trusts, the increase of "family foundations," the use of lease-back arrangements raised question as to the legitimacy of many charitable organizations with no social-welfare program.

#### EMPHASIS ON PROTECTING LEGITIMATE FOUNDATIONS

Like the earlier commission, the Rhode Island committee directed its attention to the possible abuses of charitable foundations, but unlike the congressional commission the State investigation was concerned with protecting the legitimate foundation. The emphasis was upon providing adequate supervision to assure that funds set aside for charitable beneficiaries realized their purpose.

The explorations of the group involved them in consideration of the statutes governing labor relations, business tax laws, the organization of the attorney general's office, the powers of the secretary of state, the regulations of insurance companies, and a multitude of other questions. However, the committee brought the essential problem into sharp focus: the inadequacy of prevailing statutory machinery to provide for the simplest duties of supervision.

#### PROBLEM OF SPORADIC SUPERVISION

Admitting that the duty of the attorney general as a supervisory officer was unquestioned, the committee agreed that supervision was sporadic at best, and concluded that any accounting by trustees was a matter of "private discretion

rather than public obligation." They unanimously advocated a trust registry in the office of the attorney general.

The Rhode Island statute followed rather closely the committee recommendations. In this regard its omissions are as significant as its inclusions. The committee heard witnesses who advocated the establishment of a separate administrative board, some who urged that legislation require distribution of no less than 85 percent of annual income, and others who proposed limiting the life of charitable trusts to 25 years or restricting their size. There were also reformers who saw the solution of charitable supervision as primarily a problem in corporate regulation and advocated chartering controls.

#### IDEA OF SEPARATE BOARD REJECTED

The committee chose to meet the problem in terms of extending the already existing machinery. In so doing they both followed and deviated from the British pattern. They recognized the need for additional administrative powers and the staff to carry them out. However, they rejected the idea of a separate board and made the registry the function of the attorney general.

In regarding a trust registry supervised by the attorney general as the most practical solution to the problem of public accountability, the Rhode Island committee also focused on continuity in supervision as the essential issue. The possible use of the office of secretary of state, particularly as a basis for regulating corporate trusts, was disregarded. Chartering controls were thus considered secondary to the kind of regulation based on detailed knowledge of the activities of an organization.

The recommendations of the Rhode Island group, in following so closely the pattern of trust regulation in New Hampshire, commits a second State to a new supervisory pattern.

#### THE ENGLISH CHARITABLE TRUSTS ACTS

In England a special board is responsible for regulating charitable endowments. Trust abuses had been the subject of legislative reform from Tudor times, and the Elizabethan statute was the direct outgrowth of legislative concern with the problem of charitable supervision. The present legislation climaxed the investigations of the Brougham Commission. This inquiry continued for 19 years and its final report filled 37 volumes. The commission recommended two remedies: An accounting which would insure safe custody of funds, and modification of court machinery so that trust administration would be less involved and costly, particularly when it was necessary to redirect a charity to a new purpose.

#### POWERS OF THE COMMISSIONERS

The Charitable Trusts Act, finally passed August 20, 1853, was a compromise bill, but it did sanction the setting up of a separate administrative group for the supervision of charities. The Board of Charity Commissioners had power to exact accounts, including access to records, the right to demand written replies, and question trustees under oath. These reporting measures provided the basis for a national registry of trusts. The chief limitation was that the large ecclesiastical and educational charities, and all charities wholly or partially maintained by voluntary subscriptions, were exempted.

The commissioners were also given semijudicial powers. Their administrative hearings could be substituted for the more involved legal process of bringing "an information" and through the authorization to make "schemes" for the reorganization of a charity they could exercise a type of *cy pres* power. However, these powers were limited, because the commissioners could not make schemes for the reorganization of any charity having an annual income in excess of £50 except upon application of the majority of the trustees. Such schemes also had to be approved by Parliament.

#### DIFFICULTIES OF ENFORCEMENT

Soon after the passage of the legislation, critics began to attack the legislation and select committee hearings were held in 1881, 1884, and 1894. The commissioner's annual reports also point up administrative difficulties. Recent reports of the commissioners echo complaints made in 1883 and 1893, when the chief commissioner told investigative groups that the board had some check-back on charities created by will through duplicate returns from the inland revenue office, but that there was no basis for identifying endowments created by deed except

through the filing of reports by trustees or some accident bringing a charity to the attention of the board. The 1951 report admits that reports coming in represent only a small proportion of those expected.

#### CURRENT REVIEW IN ENGLAND

In 1950 a select committee headed by Lord Nathan began reviewing the question of trust supervision. Their report has not yet been made public; but preliminary discussion indicates that the Charitable Trusts Act have not succeeded in solving the very problem it was designed to meet, for this group is especially concerned with the continuing problem of obsolescent charities.

On the positive side the act has tended to minimize litigation. Statistics show an increase in the number of schemes and a decrease in the number of disputed cases carried to courts; but it would appear that the inherent weaknesses in the original act have never been overcome.

#### POSSIBLE STATUTORY MODIFICATION IN UNITED STATES

In considering modification of existing statutes, two possibilities exist—further extension on a national level or modification of regulatory machinery on the State level. Extension on the national level would necessitate the creation of a board having many of the powers now exercised through the various State attorneys general. The creation of a group comparable to the British Board of Charity Commissioners would be a fantastic break with American tradition. Resulting administrative problems might well cancel out the presumed gains of national uniformity. Supervision of charities has been defined as a State responsibility. Administrative adjustments accordingly must be on the State level.

#### A TRUST REGISTRY

A statute setting up a registry would effect such a purpose. Registration should be required of all charitable endowments whether set aside by the donor during his lifetime or provided for by will. Some modification could be allowed in the case of gifts dependent upon future contingencies; but these would be registered at the time of vesting. The registry should extend to every type of charitable bequest whether made in the form of a trust, a quasi trust, or a gift outright to a charitable corporation set up to hold funds or endowments for charitable purposes. Only gifts made to charitable corporations or associations actually operating as functional social agencies would be exempt from enrollment.

The creation of such a registry would effect two remedies: (1) The *inter vivos* trust by which charitable gifts may be made without official knowledge would cease to be a private affair; (2) the quasi trusts or charitable corporations would be winnowed out from the amorphous group of benevolent associations and recreational and social organizations with which they are now classified only because they share a declared nonpecuniary purpose. The registry thus would identify those philanthropic endowments which have special fiduciary responsibilities and bring them together in one file.

#### NEED FOR CONTINUING SUPERVISION

The logical place for this registry would seem to be the office of the attorney general. It is this official who is charged with trust enforcement and the setting up of a file in his office would bring together information now scattered between the courts and the office of the official responsible for charter issuance. The registry must, of course, call for annual reporting. Initial registry is only the first step in identifying the funds over which continuous supervision is necessary.

The statute setting up the registry should be a broad enabling act insuring powers sufficient to effect its purpose. It should make explicit the authority of the attorney general over charitable trusts and foundations, including powers to audit accounts, interrogatory powers to question trustees. *Cy pres* should be specified with regard to both trusts and philanthropic corporations. A statute comparable to those of Illinois and Michigan covering the use of *cy pres* in the process of corporate dissolution might be necessary in some jurisdictions. Only by such statutory definition could the attorney general function to prevent misapplication of funds and nonapplication due to outmoded purposes.

## ENFORCEMENT MACHINERY

Enforcement should be assured by providing adequate penalties. Failure to report for a 2-year period should be classed as an abuse of trust, and, in the instance of the charitable corporation, subject the organization to involuntary dissolution.

Care must be taken to provide the necessary administrative machinery for carrying out the tasks incidental to a registry. Adequate funds must be allocated for the attorney general to have sufficient clerical and accounting staff to audit accounts and conduct necessary investigations. The New Hampshire experiment has indicated that registry costs are higher during the first year of operation but may diminish thereafter.

The statutory modification which has been suggested does not, of course, solve all the problems of accountability. It does, however, solve the basic problem. It would assure that endowments are identified, that funds held for charitable purposes are safeguarded in the process of investment and disbursement. By focusing on the fund granting character of charitable trusts and foundations and providing appropriate registry and accounting methods, the legislative changes recommended do much to overcome the divorce between the initial step in giving from the final transfer of private wealth to public uses.

## FREEDOM AND REGULATION

Furthermore, the proposed statute is limited in two ways: (1) It does not attempt to cover type of abuse such as tax avoidance, which though implying statutory change are special problems calling for other legislation; (2) it does not attempt to solve problems of accountability outside the legislative field. It is important in this regard to acknowledge that the crux of the problem is beyond the power of legislation to correct. As has been pointed out in the previous discussion, the American foundation has because of its flexibility freed the donor from narrow adherence to purely charitable objectives and opened the way for an ameliorative and preventive approach to social problems. Had the fears of early opponents, voiced at the time that the Rockefeller and Carnegie Foundations were under attack, been heeded, much that has been constructive in foundation giving would have been impossible. Hurried legislation enactment to cope with the presumed abuses of charitable foundations today might be just as disastrous.

To point out that the more subtle aspects of accountability elude legislation is not to ignore them; it is rather to emphasize the burden which foundations themselves carry for trusteeship. The foundation has enjoyed a freedom which has enabled it to be a flexible instrument for an imaginative and resourceful philanthropy. This freedom is fraught, however, with the dangers of a narrow individualism. Charitable trusts and foundations share the responsibility of all philanthropy for social gifts. Full accounting of their activities is a necessary earnest of the stewardship they have assumed for wise giving.

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SELECT COMMITTEE TO INVESTIGATE  
FOUNDATIONS

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FINAL REPORT

OF THE

SELECT COMMITTEE TO INVESTIGATE  
FOUNDATIONS AND OTHER  
ORGANIZATIONS

(Pursuant to H. Res. 561, 82d Cong.)



JANUARY 1, 1953.—Committed to the Committee of the Whole House  
on the State of the Union and ordered to be printed

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UNITED STATES  
GOVERNMENT PRINTING OFFICE  
WASHINGTON : 1953

SELECT COMMITTEE TO INVESTIGATE AND STUDY EDUCATIONAL  
AND PHILANTHROPIC FOUNDATIONS AND OTHER COMPARABLE  
ORGANIZATIONS WHICH ARE EXEMPT FROM FEDERAL INCOME  
TAXATION

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LETTER OF TRANSMITTAL

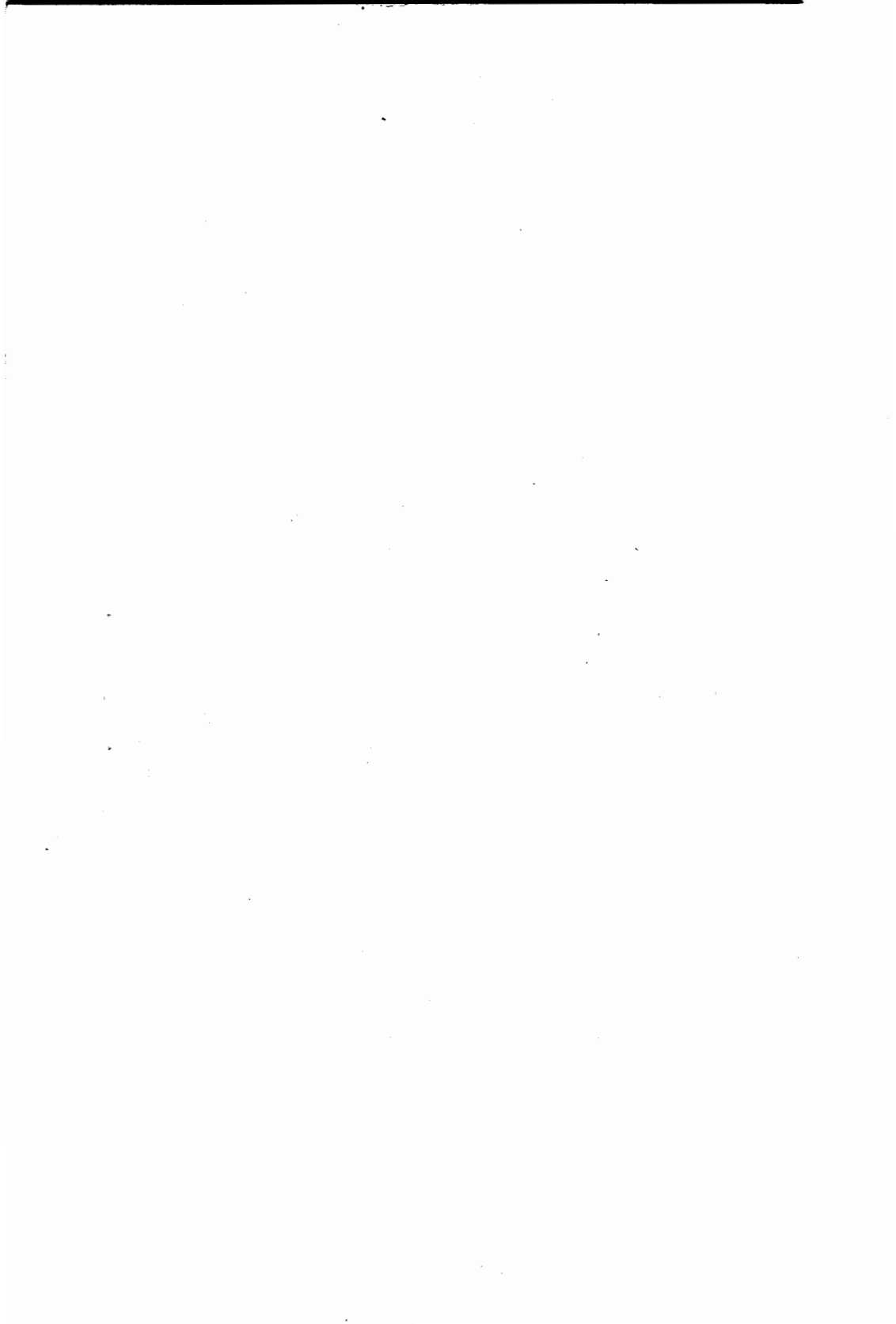
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HOUSE OF REPRESENTATIVES,  
*Washington, D. C., January 1, 1953.*

HON. RALPH R. ROBERTS,  
*Clerk of the House of Representatives,*  
*Washington, D. C.*

DEAR MR. CLERK: I submit herewith the final report of the Select  
Committee To Investigate Foundations and Other Organizations.

BROOKS HAYS, *Acting Chairman.*



# Union Calendar No. 801

82D CONGRESS } HOUSE OF REPRESENTATIVES { REPORT  
2d Session } { No. 2514

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SELECT COMMITTEE TO INVESTIGATE AND STUDY EDUCATIONAL  
AND PHILANTHROPIC FOUNDATIONS AND OTHER COMPARABLE  
ORGANIZATIONS WHICH ARE EXEMPT FROM FEDERAL INCOME  
TAXATION

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JANUARY 1, 1953.—Committed to the Committee of the Whole House on the  
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Mr. HAYS of Arkansas, acting chairman for the Select Committee  
To Investigate and Study Educational and Philanthropic and Other  
Comparable Organizations Which Are Exempt From Federal In-  
come Taxation, submitted the following

## FINAL REPORT

[Pursuant to H. Res. 561, 82d Cong.]

### COMMITTEE REPORT

Report of the select committee created by House Resolution 561,  
Eighty-second Congress, second session, to investigate and study  
educational and philanthropic foundations and other comparable  
organizations which are exempt from Federal income taxation.

The committee was saddened by the death, on December 24, 1952, of its chairman, Hon. E. E. Cox, of Georgia. While he did not have the opportunity of examining this report in its final form, the draft of the first half of the report was read to him by the counsel for the committee on the evening of December 22 and he approved it. The draft submitted to Mr. Cox, in manuscript, was adopted by the committee almost unchanged and is incorporated in this report in practically the identical form in which it was submitted to the chairman.

## 2 REPORT OF SELECT COMMITTEE TO INVESTIGATE FOUNDATIONS

This committee was created and its powers and duties were defined by House Resolution 561, Eighty-second Congress, second session, adopted April 4, 1952. By the terms of the resolution the committee was—

authorized and directed to conduct a full and complete investigation and study of educational and philanthropic foundations and other comparable organizations which are exempt from Federal income taxation to determine which such foundations and organizations are using their resources for purposes other than the purposes for which they were established and especially to determine which such foundations and organizations are using their resources for un-American and subversive activities or for purposes not in the interest or tradition of the United States

and to report not later than January 1, 1953, to the House of Representatives, or to the Clerk of the House if the House be not then in session, the results of its investigation and study together with such recommendations as it deems advisable.

The sum of \$75,000 was appropriated for the use of the committee by House Resolution 638, Eighty-second Congress, second session on July 2, 1952. Of this sum approximately \$25,000 will be returned unexpended.

In the course of its investigation the committee has (1) sent questionnaires to more than 1,500 organizations; (2) interviewed personally more than 200 persons deemed to possess pertinent information; (3) communicated by letter or telephone with approximately 200 additional persons, many of whom have established themselves in positions of achievement and competence; (4) heard the testimony of some twoscore persons; (5) received the prepared statements of approximately 50 other persons deemed to have some knowledge of the subject; (6) studied and analyzed thousands of pages of answers of foundations submitted in response to the questionnaires; (7) studied the available literature on foundations. The committee's findings and recommendations are based upon a consideration of the information and data assembled in the manner and by the methods stated.

### FINDINGS AND CONCLUSIONS

#### 1. NUMBER OF FOUNDATIONS, THEIR AGGREGATE CAPITAL AND INCOME

The committee was unable to arrive at any definite figures relative to the number of foundations, their aggregate resources, income, and expenditures. The 1950 Cumulative List of Organizations published by the Bureau of Internal Revenue lists more than 30,000 tax-exempt organizations. The number of these which can be classed as foundations varies according to the definition of a foundation. Estimates ranged as high as 32,500 under the broadest possible definition. For those organizations having a permanent endowment of \$50,000 or more and embarked upon a program of philanthropic giving the estimate was slightly more than a thousand with total assets of approximately \$2,600,000,000 and expenditures of approximately \$133,000,000 in 1950. Informed sources estimate the number of foundations having assets of \$10,000,000 to be between 60 and 100. This estimate excluded colleges, universities, and religious organizations. The committee was unable to obtain an Executive order, which would have permitted an examination of the returns required of tax-exempt organizations. A constructive effort which promises

to throw much light on these questions is now being made by the American Foundations Information Service, the results of which will be published in 1953.

It must be borne in mind that foundations range in size from the giants, such as the Ford and Rockefeller Foundations with assets of half a billion and 300 million, respectively, to those with no, or practically no, permanent endowment but with incomes from annual or sporadic contributions of a few hundreds or a few thousands of dollars. The committee knows of no manner in which even a reasonably accurate estimate of the aggregate assets, annual income, and expenditures of foundations can be obtained at the present time without (1) an Executive order permitting an examination of returns now filed with the Bureau of Internal Revenue, pursuant to the provisions of the tax laws, or (2) examination of these returns in the offices of the various directors of internal revenue where the returns are filed. The committee has received estimates which it considers reliable to the effect that all foundation expenditures aggregate only 3 cents of the annual American philanthropic dollar.

## 2. RATE OF GROWTH OF FOUNDATIONS

Despite the fact that there are notable foundations in foreign countries it may be said that modern foundations are confined largely to the United States and that they are the products of the last 50 years. While there has been a tremendous growth in the numbers of small foundations in the past 10 years it is unlikely that existing tax levies will permit the creation by individuals or families of large foundations (in the sense that the Ford, Rockefeller, and Carnegie Foundations are large) after the next 10 or 15 years. The small foundations which have mushroomed in the last decade are largely vehicles for the distribution of permissible tax-deductible philanthropies of modestly well-to-do individuals and families. There is a significant ground swell in the area of corporation giving with promise of the establishment of considerable numbers of sizable foundations to be established in the future by business corporations. Another significant development is to be found in the community trusts or foundations such as those in New York, Cleveland, Boston, and Chicago.

## 3. THE ROLE OF THE FOUNDATIONS IN MODERN SOCIETY

Foundations are almost as old as civilization. They were understood and used by the Egyptians, the Greeks, and the Romans. In one form or another they have played an important part in the development of the civilization of Western Europe. They have had their ups and downs. They have been regulated, abolished, reestablished. They remain today an important and vital force in American life and their influence is felt in Europe, Asia, and South America. While the important part they play and have played in palliative measures—that is, in relieving existing areas of suffering—must not be overlooked, their dominant and most significant function has been displayed in supplying the risk or venture capital expended in advancing the frontiers of knowledge. The large foundations are peculiarly well suited to play this role and it is doubtful if any other agency

could perform their part as well as they have performed and are performing it. With trained professional staffs drawing upon the knowledge gained through decades of experience, with the ability to attract and hold men of great competence both in their governing boards and their staffs, with large sums of money to back their judgment and with complete freedom to spend the money on calculated risks, they are able to do that which neither government nor individuals, nor even small foundations, could or probably should attempt. The record of their accomplishments gives ample proof of their value to civilization.

While the impact of the foundations upon modern society cannot be accurately gaged, it is safe to say that they have rendered great and significant services in many fields. Their contributions in the field of medicine and public health are too well known to require enumeration. The results of their campaigns against hookworm and yellow fever have been repeatedly told and extolled until they have become almost legendary. Less well understood but of great importance is the part played by foundations in raising the level of education in our colleges and universities, and, most strikingly, of elevating medical education in this country to a position of world eminence. In the field of the natural sciences, their contribution has been equally significant. In these days when an awareness of the needs for national security is uppermost in our minds we cannot fail to acknowledge our debt to the foundations for the assistance and support they have given to all branches of the natural sciences. Of recent years the foundations have given increasing support to the social sciences. This area of endeavor might be designated as the study of man's relationship to man. While the field has often proved controversial it is entirely possible that in a time when man's mastery over the physical sciences threatens him with possible extermination the eventual reward from the pursuit of the social sciences may prove even more important than the accomplishments in the physical sciences.

But these are not the only fields in which the foundations have given support and aid. They have pressed forward in the fields of international relations, public administration, and government, the humanities, race relations, the arts, adult education, recreation, and economics.

#### 4. PRESENT AND FUTURE NEED OF FOUNDATIONS

We have referred briefly to the past accomplishments of foundations and the importance of their role in modern-day life. It appears that the present need for foundations is even greater than it has been in the past and that there is great likelihood that the need will prove an increasing one in the future. Despite the vast sums being poured by Government into the various fields formerly occupied by foundations and into fields in which the foundations and Government are cotenants or at least coadventurers, the need for the basic research so largely supplied and supported by the foundations continues to increase. Every new headland of human knowledge which is won opens up new vistas to be explored. As each mountain peak of discovery is scaled, vast new areas are laid open to exploration. Aside from the pressing needs of national security there are ever-widening

and lengthening avenues of knowledge that require research and study of the type and kind best furnished or assisted by foundations. The foundation, once considered a boon to society, now seems to be a vital and essential factor in our progress.

On all points thus far raised there has been such a mass of provable data and such a unanimity of opinion among informed persons that the committee has no hesitancy in presenting its statements without qualification or reservation except where reservations were specified. It now approaches problems on which widely divergent views are held by responsible and informed persons. On some points the committee has little doubt; on others considerable.

#### 5. CRITICISMS OF FOUNDATIONS

The committee has striven to give careful attention to the major criticisms leveled at foundations. These criticisms have come from persons, groups, and organizations of widely different backgrounds and from all parts of the country. While some few complaints have been motivated by personal grudges or fanciful imaginings, the great proportion of them have come from well-meaning and sincere individuals or organizations whose integrity, loyalty, and patriotism cannot be questioned. The committee has earnestly endeavored to give sympathetic consideration to every communication, written or oral, to follow every lead which offered even slight promise of revelation, to acknowledge all letters and telegrams and to answer those where answers could be given. These complaints and criticisms, viewed broadly, raise the following questions:

1. Have foundation funds been diverted from the purposes established by the founders?
2. To what extent have foundations been infiltrated by Communists and Communist sympathizers?
3. Have foundation funds been channeled into the hands of subversive individuals and organizations, and, if so, to what extent?
4. Have foundations supported or assisted persons, organizations, and projects which, if not subversive in the extreme sense of that word, tend to weaken or discredit the capitalistic system as it exists in the United States and to favor Marxist socialism?
5. Are trustees of foundations absentee landlords who have delegated their duties and responsibilities to paid employees of the foundations?
6. Do foundations tend to be controlled by interlocking directorates composed primarily of individuals residing in the North and Middle-Atlantic States?
7. Through their power to grant and withhold funds have foundations tended to shift the center of gravity of colleges and other institutions to a point outside the institutions themselves?
8. Have foundations favored internationalism?
9. To what extent are foundations spending American money in foreign countries?
10. Do foundations recognize that they are in the nature of public trusts and are therefore accountable to the public or do they clothe their activities in secrecy and resent and repulse efforts to learn about them and their activities?

11. Are foundations being used as a device by which the control of great corporations are kept within the family of the foundation's founder or creator?

12. To what extent are foundations being used as a device for tax avoidance and tax evasion?

In dealing with these questions the committee recognizes all too clearly that which must be apparent to any intelligent observer, namely, that it was allotted insufficient time for the magnitude of its task.

Four successive royal commissions sat over a period of 18 years while engaged in the task of investigating and reporting on 28,880 charitable trusts existing in England well over a century ago. This committee was given a similar task and directed to complete its work in the less than 6 months remaining after funds were appropriated for the work. It is obvious that the committee could not investigate thousands of organizations within the limitations of the time allotted. Expediency compelled focusing attention on a small segment of the whole. Individual attention was given to a small number of the largest foundations, but even here investigation could not be made with the thoroughness the committee desired. For example, the Rockefeller Foundation alone has made almost 30,000 grants—approximately 6,000 of which were in the form of scholarships awarded to individuals. The committee has endeavored to make as thorough a survey as time permitted. Its findings and conclusions must, under the circumstances, be general rather than specific. It has endeavored to bring into this inquiry such information as it could assemble and to apply to this information, incomplete though it is, its best judgment. With these observations the committee will attempt to deal with the following major questions raised by criticisms received:

1. *Have foundation funds been diverted from the purposes established by the founders?*

So far as we can ascertain there is little basis for the belief expressed in some quarters that foundation funds are being diverted from their intended use. There have been instances of such diversion but we believe that the criticism is unwarranted in the main. It has been suggested that the smaller foundations, particularly those established to receive the allowable annual deductions of an individual or family and having no endowment other than that accumulated from yearly contribution from the individual donor or his family, have sometimes been used to take care of members of the family or of family pensioners by placing them on the payroll as employees or by granting to needy relatives scholarships; if done by outright gift of the individual creating the foundations, these would not be deductible contributions. That this is possible must be conceded. That it is a widespread practice is doubted. Nevertheless it is a possible abuse which should be guarded against. The committee believes that public accounting would go far toward eliminating such abuses.

2. *To what extent have foundations been infiltrated by Communists and Communist sympathizers?*

3. *Have foundation funds been channeled into the hands of subversive individuals and organizations, and, if so, to what extent?*

Questions 2 and 3 will be considered together. There can be no reasonable doubt concerning the efforts of the Communist Party both



to infiltrate the foundations and to make use, so far as it was possible, of foundation grants to finance Communist causes and Communist sympathizers. The committee is satisfied that as long as 20 years ago Moscow decided upon a program of infiltrating cultural and educational groups and organizations in this country, including the foundations. The American Communist Party, following the program laid down in Moscow, went so far as to create a subcommission of the Agit-Prop (Agitation-Propaganda) or Cultural Commission which gave specific attention to foundations. The aims were to capture the foundations where possible, and where this proved impossible, to infiltrate them for the purposes (1) of diverting their funds directly into Communist hands, and (2) procuring financial assistance for projects and individuals favorable to communism, while diverting assistance from projects and individuals unfavorable to communism. A few small foundations became the captives of the Communist Party. Here and there a foundation board included a Communist or a Communist sympathizer. Occasionally a Communist managed to secure a position on the staff of a foundation or a staff member was drawn into the Communist orbit. Our investigation, hurried by lack of time, indicates that very few actual Communists or Communist sympathizers obtained positions of influence in the foundations. However, there are some unhappy instances where the committee is convinced infiltration occurred. There remains the ugly unalterable fact that Alger Hiss became the president of the Carnegie Endowment for International Peace. And this despite the fact that his nomination and election came about through the efforts of men of proven loyalty and broad experience in public affairs.

So far as the committee can learn, during his term as president of the Carnegie Endowment, Hiss took no official action to further the Communist cause.

There is also the indisputable fact that Frederick Vanderbilt Field became the secretary of the American Council of the Institute of Pacific Relations. The whole unhappy story of the IPR, which was largely supported by foundation funds, has been so fully revealed by the investigation of the McCarran committee that there is no need to make further reference to it here.

There have been other less dramatic incidents, few in number but startling in their implications. That the Communists succeeded in obtaining from the foundations financial aid and assistance for numerous members and sympathizers seems conclusive to the committee. In the aggregate, the number of such grants and the amounts involved are alarming. Proportionately, when viewed in the light of the total grants made, they are surprisingly small.

Despite the fact that in all but a very few cases these unfortunate grants were made prior to the time that the individual grantees were exposed by duly constituted Government agencies, the responsibility for proper selection rests upon the foundations, not the Government. The foundations should be alert to the dangers of this situation as a result of this experience. We are impressed with the fact, however, that most of these malodorous individuals were selected under political conditions very different from those that now exist and the decisions were taken in a political and emotional climate very different from the present.

There are certain other aspects to be considered which, if not a defense to the charge of laxity on the part of foundations, offer, at

least, an understandable explanation of what occurred. It has been pointed out that the foundations operate on the frontiers of knowledge. Those foundations granting fellowships are seeking intellectuality of the highest order. It has been said in these hearings that there is no necessary correlation between political sagacity and scientific eminence, and it also has been said that there is a correlation between academic eminence and political naïveté. Irrespective of whether these generalizations can be taken literally it may safely be said that many individuals of unusual talent, particularly artists, poets, novelists, playwrights, and musicians, are often nonconformists. That this is apt to be the case is illustrated by the record of the John Simon Guggenheim Memorial Foundation. The Guggenheim Foundation restricts itself to the granting of fellowships to individuals. This obviously renders it more vulnerable than those foundations which make all or a part of their grants to institutions or organizations, for these latter are more easily cataloged than the individual, and with greater accuracy.

This greater vulnerability is attested by an examination of the Guggenheim grants. Admittedly this foundation has done an outstanding job in its selection of fellows. Literally scores of its more than 2,000 fellows have made outstanding records, including 3 Nobel prize winners. Yet despite this notable record, 40 of its fellows have received unfavorable mention by established governmental agencies and 41 additional Guggenheim fellows have received 10 or more citations; this is sufficient to render them, in the committee's opinion, extremely bad risks.

The foundations, for the most part, have made no secret of their mistakes, and have stated frankly that in recent years they have recognized the increasing need to be constantly alert to avoid giving unintended aid to subversives.

The committee believes that on balance the record of the foundations is good. It believes that there was infiltration and that judgments were made which, in the light of hindsight, were mistakes, but it also believes that many of these mistakes were made without the knowledge of facts which, while later obtainable, could not have been readily ascertained at the time decisions were taken. It further believes that the foundations are aware of the ever-present danger and are exerting and will continue to exert diligence in averting further mistakes. While unwilling to say the foundations are blameless, the committee believes they were guilty principally of indulging the same gullibility which infected far too many of our loyal and patriotic citizens and that the mistakes they made are unlikely to be repeated. The committee does not want to imply that errors of judgment constitute malfeasance.

The committee feels that it should warn foundations against what it considers to be evidence of a willingness to disregard danger signals as exemplified in the testimony of one witness given before the committee during the hearings. Intellectual assurance, if pushed too far, may become intellectual arrogance with all the dangers it entails.

4. *Have foundations supported or assisted persons, organizations, and projects which, if not subversive in the extreme sense of the word, tend to weaken or discredit the capitalistic system as it exists in the United States and to favor Marxist socialism?*

This is the criticism most frequently made against foundations and it is the one urged with the greatest vehemence. If, for the purpose of this report, we treat the term "subversive" as synonymous with "communism" or "communistic," or as applicable to the apparatus of communism, we can differentiate with greater exactitude between that which is definitely subversive and that which represents merely a criticism of the existing order or the advocacy of a change in the economic-political-social order by constitutional methods. Hereafter we shall treat the term "subversive" as characterizing the illegal and the conspiratorial and as being deeply inimical to this country, its traditions and its way of life. In the preceding paragraphs we have discussed the efforts of the Communists to capture, infiltrate, and influence foundations, and have indicated our view of the measure of success or failure their efforts met. We now pass to the question of whether the foundations have used their resources to weaken, undermine, or discredit the American system of free enterprise either by criticism, ridicule, or pale praise while at the same time extolling the virtues of the socialistic state.

The testimony does not establish this to be the case as to the foundation system in general. It has been established that some foundation funds have gone to the support of the Communist line or to proved Communists or Communist sympathizers, but where this occurred it is our belief that it occurred inadvertently or through the stealth and deceit of Communist "infiltrates." To these instances must be added those few isolated cases where foundations became captives of the Communist Party. What we are expressing here is our belief that the foundations, with the exception of the captive foundations noted above, have not deliberately thrown their support to the Marxist philosophy and against what we have come to regard as the American system of capitalistic free enterprise.

In refutation of our position will be cited the instances of foundation support for the Russian area studies at various universities, for the translation of Russian books, for studies in the social sciences deemed socialistic by some critics. We think the testimony given before the committee made clear the distinction between "study" of a subject and the "teaching" of it. The one embraces objective analysis. The other contemplates the advocacy of principles.

Area studies such as this should be made only after meticulous screening of those entrusted with the task and under constant safeguards.

The same reasoning must be applied to the new fields of inquiry in the social sciences which are receiving the support of foundations. Many of our citizens confuse the term "social," as applied to the discipline of the social sciences, with the term "socialism." And since the social sciences may be defined as the study of man's relationship to man, the problem of every man considering himself an expert in the field is ever present. Few individuals feel themselves qualified to express an expert opinion on nuclear fission or the value of isotopes

but most of us will not hesitate to express our opinions on such homely subjects as divorce, the causes for the increase in the cost of living, the psychological effect of segregation, the increase in juvenile delinquency, or the impact of television on the study habits of children. But these and other subjects within the orbit of the social sciences are proper subjects for objective study and analysis under conditions of control which give promise of revealing scientific facts.

The committee is impressed with the testimony of the foundations that their area of usefulness is to some extent in what they describe as controversial fields. In entering these fields, they knowingly invite criticism and thereby assume the calculated risks incident to exploring new fields of knowledge. They regard such risks as justified because of the great good that may evolve for mankind. The committee finds no fault with the general policy of the major foundations of promoting experiments designed to help men to live peaceably together, so long as they are conducted with devotion to the American tradition of freedom.

But there are additional arguments urged in favor of the foundations' work in the social sciences. Many studies in these fields have benefited government as well as business. Among these are studies of our national income, our markets, our productivity, our business cycles, the relationship between the productivity of the worker and the standard of living. It has been said in the hearings that the foundations, both in their conception and their work, give support to the capitalistic system. It seems paradoxical that in a previous congressional investigation in 1915 the fear most frequently expressed was that the foundations would prove the instruments of vested wealth, privilege, and reaction, while today the fear most frequently expressed is that they have become the enemy of the capitalistic system. In our opinion neither of these fears is justified.

5. *Are trustees of foundations absentee landlords who have delegated their duties and responsibilities to paid employees of the foundations?*

6. *Do foundations tend to be controlled by interlocking directorates composed primarily of individuals residing in the North and Middle-Atlantic States?*

Questions 5 and 6 may be discussed more conveniently if grouped together. The idea that the office of trustee or director of a large foundation is a sinecure involving little work, enormous prestige, and not inconsiderable power which is traditionally delegated to the paid members of the staff seems to have obtained widespread acceptance.

In part this idea is true but in larger part it is the child of misinformation. The position of trustee or director of one of the large foundations undoubtedly carries with it dignity and the badge of achievement. This is due not only to the prestige which foundations themselves enjoy in the public mind but also to the distinguished company of men who traditionally have held these positions of trust and responsibility. But the belief that a trustee has few if any duties connected with his office is contrary to all that this committee has been able to learn.

It appears that the duties and responsibilities of trustees of the large foundations are onerous to the point that they would seriously interfere with the work of the average businessman. As a group, trustees of the larger foundations are men of outstanding achievement,

broad interests, and proven competence who have demonstrated their capability for and willingness to assume heavy burdens of work. This latter qualification is an important one, and is well utilized by the foundations. Since many of the larger foundations have their headquarters in New York and since availability is an important consideration it is only natural that the great majority of trustees should come from New York and nearby areas. It is also understandable that the services of an outstanding man should be sought by more than one foundation and that we should therefore find a number of individuals serving on the board of more than one foundation.

Despite these considerations, all of which are persuasive, the committee feels that a wider geographical distribution would go far toward establishing greater public confidence in the foundations and would dispel much of the distrust which shelters under a traditional fear of Wall Street. It is also entirely possible that a sustained search for qualified individuals residing west of the Hudson River might assist the foundations to maintain the freshness of approach, flexibility, and breadth of vision for which they profess to strive. If, as the foundations maintain and the committee believes, foundations are public trusts then the public in its widest sense, including the geographical, should be fairly represented.

This observation leads naturally to a question which has given the committee some concern. Since practically all foundation trustees serve without compensation and since the duties of the trustees of the larger foundations require considerable expenditure of time and effort, are not foundation trusteeships largely limited to the very wealthy, the retired, or the academic circles? The committee recognizes that there are arguments both pro and con with respect to compensation of trustees but it feels that the question posed is worthy of consideration by the foundations.

As to the delegation by trustees of their duties and responsibilities, the problem is basically the same one that confronts the directors of a business corporation. Both must rely in large measure upon their staffs. There is this one important difference, in the opinion of the committee. The trustees of a public trust carry a heavier burden of responsibility than the directors of a business corporation. In fairness it should be said that in the opinion of the committee this principle is fully recognized by the trustees of foundations and that they make a determined effort to meet the challenge.

7. *Through their power to grant and withhold funds have foundations tended to shift the center of gravity of colleges and other institutions to a point outside the institutions themselves?*

This question arises from a criticism which has come to the committee from persons well informed generally and situated in positions from which a strategic view of the situation can be had. The committee does not consider itself sufficiently well advised on this point to hazard a view.

8. *Have foundations favored internationalism?*

9. *To what extent are foundations spending American money in foreign countries?*

Questions 8 and 9 present common problems and are discussed together. While the expenditure of money in foreign countries might,

in and of itself, be considered evidence of a bias toward internationalism, the committee does not feel that this is necessarily so. Those foundations which have made substantial foreign expenditures are frankly and openly in favor of international cooperation along cultural and educational lines. The Ford Foundation, for instance, has made the promotion of peace one of its major objectives and it believes this can best be achieved by international cooperation. To that end it has appropriated large sums of money for assistance to certain foreign countries and the bulk of this money is being spent in those countries where assistance is being given. The officials of the Ford Foundation have stated flatly that they believe the interests of the United States are being advanced by these expenditures and that if they did not so believe they would not make the expenditures.

The Carnegie Endowment for International Peace is committed by the very purpose for which it was founded to international cooperation. To the extent that it implements its avowed purpose it is in a sense internationalist.

Mr. Rockefeller once said that he had made his money all over the world and that he wished it spent on behalf of mankind throughout the world. The Rockefeller Foundation has followed the founder's thinking in this respect and approximately one-third of its grants are spent abroad. However, the thinking behind these grants does not appear to be internationalist in the sense in which that term is usually used. The committee gathers that the Rockefeller Foundation is thinking internationally in terms of culture, education, and public health rather than in terms of politics. The quest for total elimination of yellow fever has carried it across international boundaries and into other continents. Once on the scent it cares not where the trail leads. These are but a few instances. We think it a fair statement to say that activities on an international scale and foreign expenditures in significant amounts are limited to only the very largest of the foundations. Some of the smaller foundations cross international boundaries in connection with the granting of fellowships and grants-in-aid.

Considering the picture as a whole, those foundations operating on an international scale are very few in number, but because they are well known and their expenditures comparatively great, the attention focused on their foreign activities is disproportionate. Those foundations which are concerned with internationalism along political lines appear to center their activities around projects which support the Government policy of participation in United Nations activities. All foundations deny participation in politics or political propaganda. The committee believes that these international activities and foreign expenditures of the foundations are motivated chiefly by consideration of the welfare of the American people and as such are entirely praiseworthy.

10. *Do foundations recognize that they are in the nature of public trusts and are therefore accountable to the public or do they clothe their activities in secrecy and resent and repulse efforts to learn about them and their activities?*

All foundations questioned have, without exception, stated that they consider themselves to be public trusts. At that point unanimity ceases. The larger foundations take the position that as public trusts

they are accountable to the public and that the public is entitled to know in detail about their resources, income, expenditures, personnel, and programs. Stated in the words of one of their trustees "foundations should not only operate in a goldfish bowl—they should operate with glass pockets." In short the larger foundations favor public accountability and public accounting. To this end most of the larger foundations publish detailed annual reports which are given wide distribution among the various media of mass communication, public libraries, schools, and colleges.

On the other hand, many of the small foundations, particularly those designed to receive the deductible contributions from individuals and privately owned corporations, oppose public accounting on the ground that they do not wish the public to know the amount of contributions made by the donor and his family, or by corporations owned or controlled by the donor. To a lesser extent many of the smaller foundations oppose public disclosure of their expenditures. They argue that public disclosure of contributions and expenditures will cause the abandonment of many of the small foundations now in existence and will discourage the formation of new small foundations.

The committee recognizes that public disclosure of the names of contributors and the amounts contributed to foundations might result in an unfortunate curb on philanthropic giving. It does feel, however, that such information should be made known to the Bureau of Internal Revenue where it would also be available to the appropriate committees of Congress. It feels also that full public disclosure should be made by such organizations of all grants made so that the public will be in a position to determine whether tax-exempt moneys are being used for the purposes for which these organizations were created.

11. *Are foundations being used as a device by which the control of great corporations are kept within the family of the foundation's founder or creator?*

12. *To what extent are foundations being used as a device for tax avoidance and tax evasion?*

The committee regards questions 11 and 12 as matters for the consideration of the Committee on Ways and Means. It therefore has made no attempt to find the answers to these questions. We feel the questions are of sufficient importance to warrant inquiry by the Ways and Means Committee and this committee wishes to make its files available to the Ways and Means Committee if the latter believes they will be of assistance to it.

The committee's recommendations are as follows:

1. Public accounting should be required of all foundations. This can best be accomplished by amendment of the existing laws in substantially the form herewith submitted as appendix A, to which we direct the attention of the Eighty-third Congress.

2. That the Ways and Means Committee take cognizance of our finding that the maintenance of private sources of funds is essential to the proper growth of our free schools, colleges, churches, foundations, and other charitable institutions. We respectfully suggest that the committee reexamine pertinent tax laws, to the end that they may be so drawn as to encourage the free-enterprise system with its rewards from which private individuals may make gifts to these meritorious institutions.

The Committee has received material assistance from numerous Government agencies, and especially from the Bureau of Internal Revenue, the Library of Congress, the Committee on Un-American Activities, the McCarran committee, the Office of Education, the Banking and Currency Committee, the Committee on Labor and Education, and the Federal Bureau of Investigation.

The committee wishes to acknowledge the cooperation afforded it by the foundations. There has been no instance of obstruction, delay or resentment on the part of the foundations.

The committee was fortunate in securing the services of Harold M. Keele, of Chicago, as general counsel. Upon his approval by the committee, Mr. Keele arranged to devote his full time to this study and has rendered an outstanding service in directing the surveys and legal inquiries necessary to carry out the mandate of Congress. The committee appreciates his devotion to this task and the excellent service which he has rendered.

The committee desires to give recognition to the able and unremitting work of the following members of its staff:

Thomas J. Feeney, staff director; Edward C. Kennelly, attorney; Joseph C. Kiger, director of research; Mary E. Searight, clerk; Edith M. Knight, administrative assistant; Russell McFarland, investigator; Roger H. Mudd and William H. Snape, Jr., research assistants; Sarah Jane Billingsley, Mary L. Taylor, and Clarence A. McGillen, Jr., clerical assistants.

The foregoing report is respectfully submitted this 1st day of January 1953.

BROOKS HAYS,  
*Acting Chairman.*  
DONALD L. O'TOOLE.  
AIME J. FORAND.  
RICHARD M. SIMPSON.  
ANGIER L. GOODWIN.  
B. CARROLL REECE.

(As pointed out and stressed in this report, the select committee has had insufficient time for the magnitude of its task. Although I was unable to attend the full hearing I feel compelled to observe that, if a more comprehensive study is desired, the inquiry might be continued by the Eighty-third Congress with profit in view of the importance of the subject, the fact that tax-exempt funds in very large amounts are spent without public accountability or official supervision of any sort, and that, admittedly, considerable questionable expenditures have been made.—B. CARROLL REECE.)

#### APPENDIX A

AN ACT To provide for public accountability by tax-exempt organizations, and other purposes

*Be it enacted by the Senate and House of Representatives of the United of America in Congress assembled,* That this Act may be cited as the "Public Accountability Act for Tax-Exempt Organizations," and

That Section 153 of the Internal Revenue Code is hereby amended to read as follows:

"SECTION 153. Information Required From Certain Tax-Exempt Organizations and Certain Trusts.

"(a) CERTAIN TAX-EXEMPT ORGANIZATIONS.—Every organization described in section 101 (6) which is subject to the requirements of section 54 (f) shall



furnish annually information, at such time and in such manner as the Secretary may by regulations prescribe, setting forth—

- (1) Its total contributions received during the year;
- (2) Its gross income for the year;
- (3) Its expenses attributable to such income and incurred within the year;
- (4) A breakdown of such expenses to show its administrative overhead, including the annual salaries of any trustees, directors, officers or employees receiving more than \$4,000.00 per year;
- (5) Its disbursements out of income within the year for the purposes for which it is exempt;
- (6) Its accumulation of income within the year;
- (7) Its aggregate accumulations of income at the beginning of the year;
- (8) Its disbursements out of principal in the current and prior years for the purposes for which it is exempt;
- (9) A balance sheet showing its assets, liabilities and net worth as of the beginning of such year;
- (10) A complete list of all contributors and amounts contributed during the year where the amounts of such individual contributions exceed \$200.00;
- (11) The names and addresses of all persons or organizations receiving grants during the year and the amount and general purpose of each such grant.

“(b) TRUSTS CLAIMING CHARITABLE, ETC., DEDUCTIONS UNDER SECTION 162 (a).—Every trust claiming a charitable, etc., deduction under section 162 (a) for the taxable year shall furnish information with respect to such taxable year, at such time and in such manner as the Secretary may by regulations prescribe, setting forth—

- (1) the amount of the charitable, etc., deduction taken under section 162 (a) within such year (showing separately the amount of such deduction which was paid out and the amount which was permanently set aside for charitable, etc., purposes during such year);
- (2) the amount paid out within such year which represents amounts for which charitable, etc., deductions under section 162 (a) have been taken in prior years;
- (3) the amount for which charitable, etc., deductions have been taken in prior years but which has not been paid out at the beginning of such year;
- (4) the amount paid out of principal in the current and prior years for charitable, etc., purposes;
- (5) the total income of the trust within such year and the expenses attributable thereto; and
- (6) a balance sheet showing the assets, liabilities, and net worth of the trust as of the beginning of such year.

“This subsection shall not apply in the case of a taxable year if all the net income for such year, determined under the applicable principles of the law of trusts, is required to be distributed currently to the beneficiaries.

“(c) INFORMATION AVAILABLE TO THE PUBLIC.—The information required to be furnished by subsections (a) and (b), with the exception of that required by subsections (a) (4) and (a) (10) above, together with the names and addresses of such organizations and trusts, shall be made available to the public at such times and in such places as the Secretary may prescribe.

“(d) PENALTIES.—In the case of a willful failure to furnish the information required under this section, the penalties provided in section 145 (a) shall be applicable. In addition exemption under section 101 (6) shall be denied for the taxable year.”

