### 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 ad-

dress 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 some-

thing 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 aggres-

sively 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 con-

sumption 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 ex-

clusively 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, con-

cerning 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 founda-

tions 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 founda-

I think that is a really serious question, and I would like to point this out: that one of the oustanding 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.

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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 ex-

panding.

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

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 vear.

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 any-body confidence that the purposes of the foundation are being carried out.

I have already spoken about my belief that the reports to the pub-

lic, 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.

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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 signficant 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 Amer-

ican 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 founda-

tion 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

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.

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 salarly 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 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 reefrred 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

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 stock-

holders 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

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

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 percentagefor 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

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 con-

nection 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 con-

tribution.

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,

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 univer-

sities 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 De-

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 Rocke-

feller 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 Founda-

tion 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 Rocke-

feller 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.

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 pro-

posals 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

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

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

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 num-

ber 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

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 trus-

tees 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

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-inaid, 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

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

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

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 es-

tablished 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 offi-

cers, 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.

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 steadtly 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 imortance of a certain stability of program, believing that anxiety about quick results can undermine the patience necessary in ma-

turing 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

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

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

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

Mr. Rusk. It was clearly an entry into new fields and a change in

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=mc2, 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 deter-

mined, 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 Nielo 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 rext 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 oppor-

tunities 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

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 func-

tions 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 millionshowed 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 substan-

tial 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 experi-

mental 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 diffi-

cult 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 activi-

ties 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. thatMr. 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 institu-

tions 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.

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—anxious 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

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 rela-

tionship 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 "cooperate"—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 stra-

tegic 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 ap-

proach 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 somethting 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 Foun-

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 pro-

fessional 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

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

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 misunderstand-

ing, 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

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 or-

ganization to which he belongs?

Mr. Rusk. Both, if we had clear indication that either the organiza-

tion 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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