

COMMENTS, STATEMENTS, AND LETTERS

COMMENTS BY RAYMOND B. FOSDICK, FORMER PRESIDENT OF THE ROCKEFELLER
FOUNDATION

THE ROLE OF FOUNDATIONS IN SOCIETY

A foundation represents a reservoir of free capital available for social purposes. This reservoir can be drawn on to meet some of the contemporary needs of our complex modern society—needs which cannot readily be handled by individuals or by public funds. In this sense, the philanthropic foundation, as it has been developed in the United States over the last half century, is a unique institution. Although it represents, so I am informed, but 3 percent of the annual contributions of the American people, its field of usefulness is far greater than is indicated by this figure. As has been said many times during this investigation, its capital is venture capital. It can afford to take risks. It can blaze trails, find new methods, explore new techniques, pioneer in areas where public funds cannot readily go. A 200-inch telescope, or a giant cyclotron, or a fresh approach to some disease like tuberculosis or yellow fever, or the support of promising scholarship in studies of the vexing social and economic problems that threaten our generation—these are some of the types of activity that distinguish the work of our foundations. Without such assistance social growth would undoubtedly be a somewhat slower process, and the tools of knowledge and application would not be so readily available.

The accuracy of this thesis can be illustrated in many fields. Penicillin, the sulfa drugs, blood plasma, our knowledge of business cycles and the national income, the adequacy of our library methods—to list a few items out of hundreds that could be mentioned—these advances have been stimulated and hastened as a result of foundation support.

Of course the resources of a foundation are limited, and there are many worthy causes that cannot be supported. One thinks of new fields of medicine that could be developed, of schools and colleges that need help, of vast areas in the world where the science of agriculture could be pushed. But to the extent of their resources, the foundations—certainly the foundations with which I happen to be acquainted—are supplying a vital need in the society of the twentieth century.

PRESENT NEED OF FOUNDATIONS AS OPPOSED TO PAST NEEDS

It seems to me that in the fast developing complexity of our modern life there is going to be an increasing need for free capital that can be used for social purposes. As Dr. Bush said in his testimony before this committee: "Every time that an important scientific discovery is made, it opens up the area for more research, and usually an important discovery makes way for work of much larger magnitude than was involved in the original discovery." Dr. Bush was speaking primarily of the natural sciences; but the same comment is true of the social sciences. One problem is resolved and a dozen new ones take its place. Our complexities multiply, and the need for scientific analysis, for empirically tested fact, for depth and objectivity in the study of social issues, grows with every year that passes.

Social problems cannot be clearly defined and understood except on the foundation of patient, long-sustained, and painstaking work. The final message that H. G. Wells left to our generation was in these words: "There is one thing and one thing only I know and it is this—that neither you nor I know enough, nor know the little that we do know well enough, to meet the needs of the world's occasions."

The question has been raised before this committee as to whether the funds to supply this growing need could not be supplied by Government. I have a feeling that the type of activity which I have been describing, i. e., research on the frontiers of knowledge, is beyond the administrative capacity of a Government already overloaded with a vast complex of difficult tasks. Moreover, re-

search involves intellectual adventure—complete freedom, the willingness to take chances, the ability to pioneer. Public money, generally speaking, can be allocated only to “sure bets,” to projects that have already proven themselves, to demonstrations that have been successfully applied. With public money, by and large, there can be little element of risk or chance, no possibility that the promise may prove a failure, or that the road may come to a dead end. “Most research,” said Dr. Simon Flexner, “is a discouraging process of following trails which lead nowhere.”

Moreover, there is at least the possibility that public opinion, impatient for quick results, may insist that tax money be directed to immediate utilitarian ends. Again, Government-supported research usually follows the tradition of Government budgeting: i. e., the purpose of the appropriation is first determined, then the amount to be spent is fixed, and finally the personnel is selected. Foundation-supported research, on the other hand, is apt to reverse this process by first finding the able men, and then building the research project, whatever it may be, around their special talents. First-class brains are not made to order, nor can they always be found for particularized tasks.

I would not want to minimize the value and significance of much publicly supported research; but it is undoubtedly a fair statement that in private institutions, where foundation funds have liberally been spent, originality, spontaneity of thought, variation, and freedom from tradition have had a peculiarly rich soil in which to grow.

To sum up, I see no substitute for the foundation in the immediate future, and I believe that the need for its far-ranging activities will increase rather than decline.

PUBLIC ACCOUNTABILITY

There can be no question about public accountability as far as foundations are concerned. As I said in my book, *The Story of the Rockefeller Foundation* (p. 289): “A foundation is not only a private philanthropy; it is affected with a public interest and is in a real sense a public trust. Exempt from taxation, it enjoys a favored legislative status. The grants which it makes are matters of public concern, and public confidence in the foundation as a social instrument must be based on an adequate understanding of its purposes and work. A foundation, therefore, cannot escape the responsibility, moral if not legal, for giving the public, preferably at regular intervals, complete information of its activities and finances.”

THE WEAK POINTS AS WELL AS THE STRONG POINTS IN FOUNDATIONS

I have already stressed the strong points of foundations—their complete freedom, their willingness to take chances, their ability to pioneer, their opportunity to set standards. By their untrammelled support of basic research, they can help to push back the limiting boundaries of knowledge.

But foundations admittedly have their weak points, or at least their disappointments. In my book, *The Story of the Rockefeller Foundation*, I made this comment (pp. 301–303):

“No institution is exempt from mistakes and shortcomings, and surely a foundation whose expenditures have run into hundreds of millions of dollars can scarcely be expected to produce a spotless record. No one knows better than the writer, much of whose life has been spent with foundations, how profitless some of the research is, how wide the gap between expenditure and product, how often the promising project ends in nothing but intangible or insignificant generalities. Sometimes the fault lies with the research group or institution; just as often, perhaps, it reflects the faulty judgment or misguided enthusiasm of the foundation. One of the great temptations that faces foundations is to seek for immediate returns, to judge their activities by standards of quickly maturing results, forgetting that in many fields growth is a slow process which requires a favorable soil. Dr. Buttrick said, years ago: ‘We may plant a germinal idea and water it, and fertilize it, but God, or the nature of things, if you please, must give the increase.’ Foundations are particularly exposed to the evils of immediacy, and too often their work is handicapped by what might be called the lack of a sense of depth in time.

“A corollary difficulty in the management of foundations, as far as their programs are concerned, relates to their fear of being overreached or imposed upon. This can be a creditable attribute, but it is a handicap when it becomes a chronic state of mind masquerading as caution. Sometimes foundations resent the neces-

sity of giving support to an idea or an institution beyond a predetermined and rather optimistically reckoned date. Estimates of how long new developments in underprivileged countries may take to become self-supporting, naive assumptions about the prospects of men returning from training fellowships, disappointed expectations of the results of surveys and demonstrations, all these suggest a lack of tenacity, a poor sense of timing, and an anxiety lest the foundation has been victimized. This anxiety frequently inclines foundations to cut down the periods of grants and to increase the number of projects which seem worth while 'as a trial run.' The end result has not infrequently been that men with valuable ideas whom the foundations are trying to aid worry themselves into nonproductive anxiety about financial uncertainties because of an excess of caution or fear on the part of their supporters. To quote Dr. Buttrick again—and his mellow philosophy about foundations is as pertinent today as it was a quarter of a century ago when he died: "The quality which a foundation needs almost above everything else is tenacity of patience and purpose. * * *

"Of course, a foundation needs knowledge and imagination, too. And mistakes are inevitable because human judgment is frail. Perhaps the mistakes are due in considerable degree to lack of what might be called a clairvoyant kind of imagination. So often a new germinal idea runs completely contrary to accepted opinion; it violates all the canons of current scientific thinking; or it is lodged in some remote and hidden corner. One wonders what would have been the answer of a foundation to Louis Pasteur if he had applied for aid in the development of his strange conception that the process of fermentation and the process of infection are related. Or what assistance from any responsible foundation could Mme. Curie have obtained during those years when with her own hands she shoveled tons of pitchblende in that old shed in the Rue Lhomond? One of the most mysteriously imaginative minds that ever pondered on the deep relations that exist between numbers was to be found, not so many years ago, in the delicate and diseased body of a humble civil servant in India; and at the turn of the century it was a patent examiner in Zurich who was beginning to see, with amazing clarity and insight, relations between time and space that were presently to revolutionize all scientific thought."

In balance, as I see it, the strength of foundation work far outweighs its weaknesses. The weaknesses are those which are inherent in any human organization. The strength derives from the unique opportunities which face foundations when they are managed, as most of them are, by intelligent and dedicated people.

YOUR VIEWS OF THEIR MISTAKES, IF ANY

I assume that this question relates more specifically to the charge that foundations are using their resources for so-called subversive activities. The charge, expressed in this unqualified fashion, seems little short of ludicrous. That a handful of grants have been given to individuals and institutions listed as subversive by some Government agency is admitted. But in all but a small proportion of the cases, the grants were made long before the political leanings of the individual or the institution were known. If out of the thousands and thousands of grants given by foundations over the last quarter of a century there had been no mistakes, no bad guesses, no rotten apple in all the barrels, the result would have been a superhuman achievement; or rather, perhaps, it would have proved that the foundations were operating within so wide a measure of safety and caution that their programs were barren and sterile.

The point must again be emphasized that foundations at their best represent intellectual adventure. They are concerned with the advancement of human knowledge. Whether it is astronomy or biology or physics or the social studies, they are supporting work that involves new ideas and new approaches. It would be a vast disservice to America and to the whole world if these foundations, through pressure or timidity, were forced to follow more conventional patterns, or were frightened away from controversial fields.

Controversy attaches to many types of intellectual undertaking, and our foundations, if they are to be true to their unique opportunities must help to maintain the tradition of objective scholarship—the tradition of fearless inquiry, the un intimidated search for truth, wherever the truth may lead.

In making this comment, I would want to add this obvious point: that objective scholarship means just what it says; it must be objective. And it is not objective if its conclusions are predetermined from without or made to conform to a dictated pattern. Under such conditions the search for truth becomes a mockery.

If I may digress for a moment—and it is a digression that is related to the future of foundations—I should hope that in our legitimate anxiety over com-

munism we would resist the easy temptation to apply the label "communistic" to all ideas that are new or different or unconventional. The effort to equate loyalty with conformity strikes at the root of American life. A democracy cannot wisely be concerned with monolithic thinking. That is the concern of totalitarianism. With us there must be room for unorthodoxy, room for nonconformity, room for diversity of opinion. This is the tradition of America, and this is the source of its strength and spiritual growth.

CONCLUSION

I have been connected with foundations directly and indirectly for nearly 40 years, and I think I know them well enough to assure this committee that they are in conservative hands. From the very nature of their origin the situation could hardly be otherwise. Indeed the persistent charge against foundations over the years is that they have been in too conservative hands, that their purposes were too closely related, certainly in terms of personnel, to the unprogressive ideas of an outmoded past. I do not believe this charge is true, but I never expected in my lifetime to have a charge coming from exactly the opposite quarter. Neither charge is true. I do not say that foundations have a spotless record. Like all human instruments they make mistakes—mistakes of judgment, mistakes due to inadequate information or to lack of infallibility in foreseeing the development of men and institutions. But to claim that there is something calculated about some of these mistakes, that there is some subversive element lurking in foundations, is, as far as my knowledge goes, utterly incredible and fantastic.

Equally fantastic in my belief is the idea, which has found expression in this investigation, that some degree of fault or weakness or infiltration is chargeable against the staffs of foundations as distinguished from the trustees. I have personally known the staffs of many of the foundations over nearly four decades. In the group of foundations with which I was officially connected I have known them closely and intimately. They were in my time—and are today—a fine, intelligent, loyal, and conscientious group of men and women, chosen with scrupulous care, and enjoying the complete and continuing confidence of the trustees under whom they serve. Any intimation to the contrary is based on fancy rather than fact.

I was a trustee of the Rockefeller Foundation for 27 years, and I have seen at first-hand the devotion, the integrity and the high sense of responsibility and dedication with which its affairs have been administered by officers and trustees alike. I am proud of its record. I believe its influence for good around the world have been incalculable, and I am happy to have been associated on an intimate basis with so unique and worthy an undertaking.

NEW YORK 36, N. Y., December 15, 1952.

MR. HAROLD M. KEELE,
*Congress of the United States, House of Representatives,
House Office Building, Washington, D. C.*

DEAR MR. KEELE: Mr. Dollard of the Carnegie Corp. had prepared me for the receipt of your letter of the 13th which came this morning. I appreciate the shortness of time at your disposal, and I am very glad to tell you briefly what I think of the investigation now in progress.

It seems to me that a little reflection on the part of Congress would have convinced them that an investigation largely devoted to uncovering subversive acts or policies of foundations means simply that the inquiry starts on an altogether false scent. The foundations have been created by capitalists. On the boards of trustees are bankers, lawyers, a few college presidents. Is it conceivable that these men are tainted or that any of their acts are tainted by subversive purposes? Some years ago I asked Mr. Roscoe Pound, then dean of the Harvard Law School, whether he had any fear that foundations would become radical. He replied, "No, my sole fear is that they will become sterile."

It is true that any foundation in making a small appropriation to an individual might be helping a person who years later became a radical, but what of it? It is surely not worth the time and expense involved in a congressional investigation to try to uncover what any foundation executive would frankly admit.

In reply to your question as to the present need of foundations as opposed to past needs, I have no hesitation in saying that they need to be bolder, not more

conservative. No one knows from what source valuable ideas will come. To instil fear into those who determine foundation policies does harm if it does anything.

As to the role of foundations, they are experimental or should be. They can take care of needs that are not met in other ways. To speak from my own experience—in 1910 the Carnegie Foundation for the Advancement of Teaching requested me to make a study of medical education in the United States and Canada. No Government agency could have made a frank, full, unprejudiced study such as that was. Only a foundation and a bold foundation could have undertaken it. The result was a publication which did much to revolutionize medical education in the United States. Its main effect was to stimulate the Rockefeller General Education Board to devote approximately \$50,000,000 to reorganize American medical schools. With that sum over \$600,000,000 was added to the endowment of American medical schools, which are now the best in the world.

The same can be said of public health. It was the Rockefeller Foundation that exposed the evil effects of the hookworm in our Southern States, which led to the creation of the International Health Board which, under the leadership of Dr. Wickliffe Rose, exterminated the hookworm in the South and brought enormous gains in dealing with other diseases, malaria, yellow fever, etc. Finally, it was the need of trained health officials to carry on this work that led once more the Rockefeller Foundation to establish the Johns Hopkins School of Public Health, the first institution of the kind in this country. There are a half-dozen institutes of public health—perhaps more—all of them established with foundation money.

As to accountability, foundations should render annual reports, as the well-known foundations now do. There are perhaps a few foundations that do not do this. If so, it should be required of them.

The present weak points in foundations are timidity and lack of ideas. The strong point is their freedom from governmental or any other type of interference.

I think what I have already said covers my view of their mistakes, if any. Compared to the good they have done, these mistakes are trivial and not worth serious consideration. There is not a nation in Europe that does not envy us the public spirit which our wealthy men have shown in dedicating a large part of their wealth to public services, in the form of foundations.

In conclusion, may I say that I shall be glad to answer any other question that occurs to you or your associates, and I shall be glad to meet you at your convenience.

With every good wish,
Sincerely yours,

ABRAHAM FLEXNER.

NOTES ON CERTAIN FOUNDATION PROBLEMS

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I. PERSONAL AND FAMILY FOUNDATIONS

The personal and family foundation serves a useful purpose in that it permits regularizing the contributions and donations of individuals freed from the artificiality of the calendar year. It also makes possible accumulation for larger contributions than would be financially possible for any one individual in any one year; for example, the establishment of a memorial scholarship or chair in an educational institution.

In principle, the family foundation should be able to enjoy the privileges accorded to the individual as a person while gaining the structural advantages of the foundation form referred to above. Possible abuses should be prevented, but not at the cost of destroying the essential rights in individual giving.

First, let us define the family foundation as a body corporate the trustees of which consist of persons, two-thirds of whom are related by blood or marriage, and 90 percent of whose funds are received from a person or persons related to the majority of the trustees by blood or marriage.

Such a family foundation should be required to report only as an individual, namely, to the Bureau of Internal Revenue. No other disclosure as to the existence or contributions of a family foundation should be required.

Certain safeguards are necessary:

1. Against undue accumulation of funds

(a) Provisions should be made that not more than the total of the previous 3 years' contributions may be held without distribution. This will effectively protect against large onetime gifts to the foundation intended to be held idle in perpetuity.

(b) In addition, a working reserve of one-half the largest gift receipts of the previous 3 years should be permitted in order to make possible the equalization of gifts from the foundation to beneficiaries from year to year.

2. Against improper employment of personnel and other expense items

Full disclosure should be made to the Bureau of Internal Revenue of all persons employed and other items of expense properly classified. These noncontribution items of the family foundation should be scrutinized just as they would be if claimed as a deduction by an individual. If the charges are found to be either excessive or improper, they should be charged back and disallowed pro rata on the individuals' income-tax return for the year prior to the foundation's disallowed expense. It should be emphasized that abuse at this point is to be guarded against with great care, the temptation to abuse is serious, and widespread abuse would make the family foundation, for all its potential merits, a practical impossibility.

3. Against undue perpetuation of control of business operations

The family foundation should not be used as an alternative to a voting trust for the control of business properties. Accordingly it should be required to hold not more than 10 percent of the voting stock of any company, subject only to a 3-year period to allow orderly divestiture of holdings in excess of 10 percent. This problem is not likely to be a frequent one, but it could easily arise under circumstances where several members of a family join together in establishing and maintaining a family foundation. The bona fide family foundation will have no difficulty in meeting this requirement.

II. CONTROL OF CORPORATIONS THROUGH FOUNDATIONS

No foundation, public or private, should be permitted to hold more than 10 percent of the voting stock of any single corporation. A period of 3 years for the divestiture of holdings in excess of 10 percent should be allowed. Note that the large holdings of Ford stock by the Ford Foundation are in nonvoting stock, and would not be affected by this provision.

III. PERPETUITY

The trustees of a foundation should be permitted to liquidate the foundation at their discretion regardless of any expressions by the donor specifying perpetuity.

IV. REPORTING

All public foundations, except those under a certain size, say, \$100,000, should be required to report annually to the Library of Congress and the Library of Congress should release monthly a listing of the reports which have been received.

These reports should show all contributions in detail regardless of size, and expense items in sufficient detail to give names and compensation of the three principal officers, other salary expense, rent paid, travel expense, printing, and miscellaneous. If more than 25 percent of the income of a foundation goes for expense, it is presumably an "operating" foundation and it should report on its operations as well as on its contributions.

The reports should also give names of trustees, date of incorporation, and place of business. The source of funds of a public corporation probably should be disclosed.

V. FOUNDATIONS ESTABLISHED BY BUSINESS

The establishment of foundations by business under the 5-percent provision may be expected to increase. These foundations should meet all the requirements of public foundations, and in addition if controlled directly or indirectly by the donor, should be required to distribute over a reasonable period of time. There is no need for a corporation-controlled foundation to hold funds over a long period of time. An independent public foundation can be found or created to administer long-range programs. Adequate equalizing reserves should, of course, be permitted.

General observations

Many specific criticisms of foundation activity could be made, but these are overwhelmingly matters of judgment, and even when warranted, criticisms of how specific people can and do discharge their responsibilities as trustees and officers.

One general observation, however, may be made. The foundations today seem to lack the boldness, imagination, and sense of scale of their founders and of their founders' associates. Consider some of the magnificent creations of private philanthropy and of the foundations when more intimately in touch with their founders:

The University of Chicago
 Duke University
 The National Gallery
 Metropolitan Museum of Art
 Carnegie Hall
 Rosenwald Museum of Industry
 The Cloisters
 New York Public Library
 Brookings Institution
 Rochester University

to mention only a few.

The foundation reports of the past 10 years on the whole are timid and colorless by comparison.

Why should this be? Certainly the funds and the opportunities remain for equally significant private undertakings.

One can only guess. My guess is that the trustees and officers of the great foundations, particularly the officers, never having made very large sums of money themselves, and for the most part having no intimate contact with anyone who ever did, are not well prepared for the efficient use of money in the grand manner. Messrs. Carnegie, Rockefeller, Morgan, Mellon, Rosenwald, etc., well understood that money was to be used, not merely to be admired. Today the foundations seem to have so much time to spend on so many good, but essentially tactical objectives. Where are the single-purpose contributions of foundations in the old amounts of 5, 10, or even 20 or more million dollars? It is at this level that philanthropic strategy lies, and it needs to be restored.

It would be a false inference to say that I am urging that the management of foundations should be taken from the intellectuals and be given to the self-made rich. But I do think that the trustees and officers could learn much from studying the thinking, not only of the great benefactors, but also of their close associates, Elihu Root, the Reverend Dr. Gates, Wallace Buttrick, Abraham Flexner, Henry Pritchett, etc.

The problem is not of intelligence or effort, but of point of view, and I believe the correct point of view can be acquired. It will not be easy, it will take courage, mistakes will be made—Henry Ford had his peace ship—but above all, it will take practice. And on none of these points can we expect to get any help from legislation. It is something the foundations will have to work out for themselves.

THE PLACE OF FOUNDATIONS

By Mark M. Jones, Consulting Economist, Princeton, N. J.

I appear by request to offer a general assessment of the private philanthropic foundation idea with particular reference to its place in society.

What I have to say is the result of experience in the field of private philanthropy over a considerable part of the past 30 years, and particularly along the lines of organization engineering applied both to profit and nonprofit organizations.

BASIS

All that I have to offer is based on the view that private capitalism represents the only going-concern system known for sustaining a society. Socialism, communism, and other forms of collectivism are not alternatives. These are devices which in contrast to private capitalism should be called schemes of liquidation.

Private capitalism is not perfect or complete. It is in but an early stage of its development. Its position is illustrated in part by a story of the Prince of

Wales. When asked what he thought of Christianity, he is reported to have said, "I think it is a good idea and I should like to see it tried."

In retrospect it seems clear that an outstanding characteristic of the past generation of detour into collectivism has been the almost passionate avoidance of measures which might meet needs without impairment of our developing private capitalism. Escapism has been dominant, and for too many the aim has been escape from private capitalism without realization that there is no alternative—no other place to go—and that the other isms are not alternatives.

PLACE

Assuming a sincere intent to maintain and improve private capitalism on a going-concern basis, it seems clear that the private philanthropic foundation of this century has a distinctive place and opportunity.

Because of its nature, a foundation should—

1. Initiate or finance measures which promise to meet outstanding needs of society—measures that will not otherwise be taken up.

2. Initiate or support projects to meet outstanding needs in which the risk of failure is believed to be such that it is not assumed by individuals, business corporations, associations, or others.

3. Initiate or support projects which involve creative or engineering developments that probably will require more time than could be taken by others who might be expected to undertake them.

4. Initiate or support projects for the common good that are highly important and necessary, but for which a commercial basis may not seem desirable or practicable.

The philosophy of the foundation should begin with recognition of the need and opportunity to plug leaks in dikes or meet emergencies like a fire department; to initiate, originate, or invent needed institutions, agencies, and instruments; and to provide measures which may temporarily serve in place of others that are worn out or showing the erosion of an effect of diminishing returns. In particular should foundations be concerned with the structure of society, the lag between what is known and what is used, and for the next generation at least, with the application of knowledge as much as if not more than creation or advancement of knowledge.

NEEDS

More specifically, the place of the foundation should be considered from the standpoint of primary needs of society today, such as the following:

First and foremost is the need to resume full going-concern private enterprise as the only dynamic system which will sustain 150 million people and make possible increasing realization by them of the fruits of advancing science and technology. After 20 years of an economy in liquidation, this involves more attention to the improvement of institutions, and especially the institutions of private nature which should deal with the problems in common of companies, industries, nonprofit organizations, communities, and regions.

Second and in a relative sense temporary, I hope, is the problem of maintaining the income of the people of the United States at the highest possible level. The present unprecedented level is in large part due to synthetic measures which are resulting in large amounts of income but it is income which may quickly fade. The problem of substituting more durable sources of income for those arising from war or defense projects and of doing so with the least possible decrease in so-called personal income, is one that is worthy of every attention, especially of agencies outside of Government. Everyone wants to maintain the income of the people at the highest possible level. Yet the greatest threat to this ideal is presented by measures taken by Government and which have thus contributed to the present unprecedented arithmetic or nominal total.

ORIGINS

Few foundations have confronted the question of their place in society primarily from the standpoint of the public interest or of relative needs. This has been a natural omission and is due primarily to the nature of their origins. Usually they have been established by an individual or a family. Sometimes this has occurred after a study of relative needs, but such an approach appears to have been the exception. Thus many are set up subject to limitations, imposed when created, and which prevent program-making on the basis of primary concern for the relative needs or problems of society or the day.

A charitable purpose has prompted the creation of some foundations. To the extent this has centered attention on charity, it has dealt with cure rather than prevention. The need for pure charity also may be relative, as has been demonstrated to many now living. The field of charity, including organizations and methods today, presents the need for fundamental reconsideration which may involve even philosophy.

A so-called educational purpose has prompted the creation of other foundations. To the extent that an educational purpose restricts the projects of foundations to education as it is now thought of, it appears to retard the evolutionary development of educational methods and means not now regarded as within the scope of education as it is delimited by its practitioners.

CAPTIVES OF EDUCATION?

In fact, too many foundations appear to have been largely surrounded and made the captives of education. An important factor in the resulting restrictions of purpose and means has been what might be termed the socialistic complex. According to this, anything for profit is suspect. Conversely, anything that is nonprofit is pure and holy.

Education for the most part has been "not for profit," and many think that this can be construed in more than one way.

Education as it is now known is based mainly on so-called equalitarian ideas. There is no reasonable basis for universal, free, compulsory education except to the extent necessary to qualify the individual for responsible, participating citizenship in a republic. Education does not respect this primary need.

The idea that every person is entitled to a free education to the extent that fancy dictates has no reasonable basis. It is principally the result of socialistic pressures applied to exploiting the instinctive desires of persons who are not really prepared for life in a republic and who do not realize what is going on.

Education today reflects the hopes of the people—not their understanding or approval. It costs more than it is worth. It takes longer than it should. It is largely intolerant of any questioning of its results. It does not prepare the individual for life as it should.

Thus it may be said that the economic basis of education is narrow, restrictive, monopolistic, and essentially socialistic in principle. Education for an opportunity system would involve fundamental and far-reaching changes going down even into philosophy. For foundations to put so much into what is so largely obsolete and contrary in principle to the needs of a going-concern economy would seem incredible if it did not confront us on every hand.

COMMISSIONS

From the standpoint of the objects supported by foundations, it seems clear that projects classified in the field of the social sciences have been most subject to doubt with respect to the public interest. This is largely because most of such projects have been executed by educational and charitable agencies. Many educational agencies appear to have been so intolerant even of the idea of profits that they naturally inclined toward means and measures not for profit. This inclination, of course, led many into collectivist channels of thought and action, probably without realization of what was happening. When the sophistries of John Maynard Keynes came along, they fell on receptive ground and were quickly made fashionable largely because of this attitude. We now have so-called social sciences under the aegis of education which are collectivist in character more than anything else. They represent too much socialism and not enough science.

OMISSIONS

From the standpoint of the place of the foundation, the most important question falls in the category of omissions. I have not heard of grants from foundations or of activities carried on directly by them which have been particularly noteworthy from the standpoint of the improvement of the capitalistic system. In other words, an agency which in theory at least should be concerned with survival of the framework of which it is a part and on which its own opportunity and survival depend, and which should serve regulating or adjustment purposes in an area of need that will not otherwise have attention, appears to ignore this fundamental organic need.

Foundations owe their existence to the capitalistic system. As has been well said, "Art, religion, and learning are all bent to the order in which they thrive,

and derive meaning and vitality only from their economic substructure." The principal question I should like to stress, therefore, is whether sufficient attention has been given to the economic substructure of the American society, particularly by foundations which by their nature are supposed to be competent to understand and improve it?

Among outstanding problems of private capitalism in the United States to which attention might well be devoted by foundations are the following:

1. Psychological leadership of large working forces.
2. The organization of the multiple-unit corporation from a going-concern standpoint.
3. The principles which should govern the balancing of the private interest against the public interest in business.
4. Exercise of the initiative in public affairs.
5. The primary elements of the gross national product—those which are durable and those which are transient—and how major fluctuations may be minimized without primary Government intervention.
6. The principal features of national policy which have been added during the past generation which are inconsistent with and threaten to prevent the restoration and equilibrium of a going-concern economy.

PROBLEMS

Among the problems of foundations as such, those which seem to me to be noteworthy from the standpoint of the public interest are as follows:

1. The lack of adequate program-making procedure.
2. The labored fallacy of the argument that although a grant is made the foundation has no responsibility.
3. Insufficient attention to the assessment of the results of grants.
4. Too long tenure of office of both board members and employed personnel.
5. Articulation of boards and staffs to increase the effectiveness of both.
6. The relationships of foundations as investors to corporations in which they have investments.
7. Insufficient pooling of experience among foundations.

FURTHER INVESTIGATION

Although I may not be fully informed about this inquiry, I do not believe it has had sufficient time to meet an important need from a public standpoint now that it has been started. This is to classify all the projects to which grants were made by foundations in a particular year and interpret the significance and effects thereof. Neither do I believe it could have had time to delve sufficiently into the activities of organizations in the category of the social sciences, to which foundations have made grants, to demonstrate and interpret the significance of the chaos in that field.

Investigation seems desirable also of means by which foundations which have a restricted purpose may make adjustments to serve relatively more important needs of the day. In particular, consideration might be given to legal means by which such restrictions would be limited to a term of years for recommendation to the States.

LEGISLATION

The only Federal legislation which has occurred to me as worthy of consideration on the basis of what is now public information about foundations would require that each foundation make an annual report according to categories specified in the law, that it be filed with an appropriate Federal Government agency, and that it be made public. Such reports should include lists of projects operated by the foundations and those to which grants were made, lists of applications declined, and noteworthy results accruing from such activities.

UNIVERSITY OF MINNESOTA,
Minneapolis, December 10, 1952.

Mr. HAROLD M. KEELE,
Counsel, Committee of Foundations, House Office Building,
Washington, D. C.

DEAR MR. KEELE: My colleagues and I at the University of Minnesota have given careful consideration to the communication from Congressman E. E. Cox, of Georgia, under date of October 29 inviting an expression of our views with regard to educational and philanthropic foundations.

EXHIBITS

To document our reply and to indicate the extent of the financial assistance which foundations provide for us, I am enclosing with this communication the two most recent financial reports of the University of Minnesota covering the fiscal years 1950-51 and 1951-52. Each report contains a statement of trust funds—endowed, schedule B-2c, pages 90-94 (1950-51 report), pages 96-100 (1951-52 report); statement of trust funds—gifts, schedule B-2d, pages 95-125 (1950-51 report), pages 101-135 (1951-52 report); and statement of loan funds, schedule C, pages 130-35 (1950-51 report), pages 140-45 (1951-52 report). These schedules reveal the sources for scholarships, fellowships, prizes, and loan funds, and for educational purposes (including research and curricular improvement), other than State and Federal appropriations. Foundations, it should be pointed out, are only one group providing these funds, but an item by item analysis will, in each case, make clear the donor, the purpose, and the amount.

Few laymen, I am sure, realize how important to research, to scholarship, to teaching, to graduate and undergraduate study, and to the general welfare of the public are the grants which the University of Minnesota and similar institutions receive from educational and philanthropic foundations.

CONSERVATION OF HUMAN RESOURCES

Through education, our Nation conserves its human resources and benefits our entire society as well as the individual. Scholarships, many of which are provided by educational and philanthropic foundations, make it possible for a larger proportion of our able high-school graduates each year to enter college and thus better prepare themselves as more productive members of society and as citizens.

Similarly, fellowships provide education beyond that of a 4-year college course for those who, as college undergraduates, have demonstrated the highest capacity to teach and/or carry on research in higher educational institutions, in Government at all levels, in business, and in industry.

Students are also assisted in going to college and in remaining there longer through the existence of student-loan funds and prizes which, like the scholarships and fellowships, are made possible through gifts.

In this connection, studies of Minnesota high-school graduates reveal that, of the most able (those in the upper tenth of their high school graduating classes), only half have been able in the past to secure any type of post-high-school education. This is attributable primarily to family financial situations. This condition, I am sure you will agree, involves waste of human resources. It reveals the pressing need for more scholarships, fellowships, prizes, and loan funds than are now provided so generously by foundations, by associations, and by individuals.

RESEARCH IS OF VITAL IMPORTANCE

Research in all areas of human endeavor is one of the most important contributions of our American universities. It is one of the three major functions or objectives of State-supported institutions of higher education, the other two being teaching and State-wide service.

Research is of two kinds: fundamental and applied. Fundamental or basic research is, of course, the most important and at the same time the most difficult to prosecute successfully. Nevertheless, it is the foundation stone of progress and the "on going" of society is closely tied to the rate at which new truths in all fields are identified and verified. Basic research cannot be bought, ordered, or secured by prescription. Such research is most likely to result when an able scholar is provided with the materials and assistance necessary for his use in pursuing those puzzling problems for which his inquiring mind and intellectual curiosity have not yet been able to find a satisfactory answer.

It was basic research which Nier at Minnesota, Urey at Chicago, and others carried on more than a dozen years ago as one essential step to make possible atomic fission, and eventually, the atomic bomb. It was basic research which made it possible for the Scottish mathematician, James Clerk Maxwell, first to outline and predict in 1873 the action of electromagnetic waves. No one at that time realized that Maxwell's research would make possible radio and television as we know them today.

Applied research attempts to take out of the laboratory and bring into practical use the findings which basic or fundamental research have revealed. World War II was won because the fundamental research had already been done on the problems which then were basic. Thus all scientific work could be concentrated

on making, delivering, and detonating the atomic bomb; or perfecting radar so that enemy planes and vessels could be detected even though they were invisible to the eye. During the war, unfortunately, it was necessary to sidetrack fundamental research so that all scientific effort could be concentrated on the immediate problems essential to the winning of the war. Fortunately, the war ended before the lack of basic research began to slow down or halt scientific efforts. Now our most immediate task is to regain the lost ground in basic research.

FOUNDATIONS GIVE GENEROUS SUPPORT

Fortunately, foundations render a unique service in providing funds for research, both basic and applied. Their boards are sensitive to research needs. They have greater facility, perhaps, than either individuals or Government to adapt their grants to promising new demands. They have made it their business to identify the institutions and individuals that can be depended upon to carry on scholarly work. They have the ability to evaluate the probable importance of individual projects for which grants are sought. But they know also that free and independent scholarship is fostered best when the researcher rather than his immediate project is used as the final basis for their decision. They realize also the importance of freedom for the researcher to bring his scientific and scholarly talents to bear on the areas of his interests. And when a grant is once made, present foundation policy is to keep hands off and to permit the researcher to proceed in his own way. They have found out through years of experience that the integrity of the institution constitutes the best guaranty of the integrity of the individual.

FOUNDATIONS SUPPORT AGRICULTURAL RESEARCH

Even in such an important area as agriculture, to which the Federal and State Governments, especially the former, have been most generous in providing funds for research, private foundations have played an important role. For example, at the University of Minnesota a grant from the Nutrition Foundation, Inc., has led to the discovery of a nutritionally important oxidation product of vitamin E, has defined the chemical structures necessary for vitamin E activity, and has clarified the role of vitamin E in animal enzyme systems and in cattle nutrition. Funds from the same foundation have given additional understanding of the ways in which potassium and magnesium function in the animal body as essential cofactors for the enzymic utilization of the energy of foodstuffs.

Funds provided by the Louis W. and Maud Hill Family Foundation are currently supporting several agricultural research projects. One is concerned with the development of a practical method for the transfer of fertilized cow eggs. Another supports researches in the diagnosis of bovine vibriosis and in bovine functional infertility. Still another grant supports the testing of new techniques for the development of an inbred line of swine. A final grant supports a study of farm children who are currently experiencing serious community and family adjustment problems and a determination of the best means for their alleviation.

Funds provided by the Hormel Foundation are presently being used in research and experimentation looking toward the development of a miniature breed of swine.

VENTURE CAPITAL NEEDED

Available funds are never sufficient for a university to underwrite all apparently meritorious proposals for research. Neither are they sufficient to undertake sorely needed experimentation in new curricula. Such research and such experimentation need what might be called venture capital. Current funds are needed for day-to-day operations. They are seldom used except for projects whose success is unquestioned. It is to the foundations, particularly the larger ones, that higher educational institutions can and have looked for venture capital to support the scientific or scholarly work of their most promising faculty members. And the foundations have been one important factor in bringing the University of Minnesota to the distinguished position it now holds among American universities.

DEVELOPING NEW CURRICULA

Our general college, which offers 2-year terminal curricula for individuals who do not wish to enroll for the usual 4-year college course, or do not have the ability to profit from such a course, was made possible by a Rockefeller grant in the

early thirties. The work of this college and this curricular innovation has received world-wide recognition and the college is visited annually by scores of educators from all over the world who wish to study its methods and evaluate its success in the achievement of its objectives.

Another example of support for curricular innovations is that of our visual education program. This unique project, the first in the Nation, was made possible also by a Rockefeller grant. Still another is our institute of child welfare, which trains teachers for nursery school, kindergarten, and the early elementary grades, and carries on significant research in parent education and in early childhood education.

A few examples of significant research made possible initially through foundation grants might be mentioned. Grants from the National Foundation for Infantile Paralysis initiated the research and experimentation at the University of Minnesota in the now well-known Kenny treatment for polio victims. Our industrial-relations center, a leader on its field, began under a foundation grant. The Unemployment Stabilization Institute, the researches and publications of which have pointed the way for the entire Nation, likewise were made possible by a Rockefeller Foundation grant. Our public administration training center, which prepares outstanding individuals at the graduate level for Federal and State governmental service, was initiated under a Rockefeller grant. The important research in cancer being prosecuted vigorously here has been made possible by grants from the American Cancer Society, the Damon Runyan Memorial Fund, and other similar agencies. Curricular experimentation in the fields of nursing education, postgraduate dental education, and hospital administration have been carried on by means of grants from the W. K. Kellogg Foundation. The Scandinavian area program, financed by the Carnegie Corp. of New York, in addition to its scholarly and scientific importance, was designed to aid the United States in the training of personnel for service in the Scandinavian countries.

Foundations assist university research in still another way. Frequently research has started in a small way and preliminary findings indicate its further prosecution offers substantial likelihood of success. Funds may not, however, be available to carry on the research through the next step. At this point foundation support often enters as it did in the case of the nutrition studies of Dr. Ancel Keys. These studies, financed by the National Nutrition Foundation, have made possible the monumental work on starvation, the findings of which were utilized with so great effectiveness in the rehabilitation of undernourished victims of World War II.

Foundations may provide grants for permanent support of significant educational enterprises. The Mayo Foundation for Medical Education and Research conceived by the Mayo brothers, forms a department of the graduate school of the University of Minnesota and was founded to provide perpetual support to postgraduate medical education and to scholarly research in the various fields of medicine. Money from a fund provided by William J. Murphy, a Minneapolis newspaper publisher, made possible the erection of a building for the School of Journalism and provided continued support for some of the school's teaching and research activities.

INVESTMENT IN BRAINS

A final example of the outstanding contribution made by foundations is their willingness to invest in the area of promising men in terms of scholarship. The John and Mary R. Markle Foundation, which provides fellowships in the medical fields, gave aid at a crucial time to Dr. Cecil Watson, presently the distinguished head of the department of medicine in our Medical School. A Guggenheim fellowship made possible the important studies in economic history by Prof. Herbert Heaton of our department of history. A Social Science Research Council post-doctoral fellowship gave time and funds for research and writing to Prof. Richard L. Kozelka, who later became and still is the dean of our School of Business Administration.

Further enumeration of specific foundation grants which have benefited individual faculty members, the University of Minnesota, and the public at large would seem unnecessary. The record of all of these grants, two sample years of which are enclosed, is complete and speaks for itself. Financial assistance to students, experiments in the improvement of present-day curricula, and research in such fields as medicine, unemployment stabilization, atomic energy, human nutrition, area studies, and the like, all are prosecuted with the aim of building a better America and a better world. Foundation grants constitute a pattern of giving for the public good. Private benefaction is contagious, it meets a fundamental need of human beings. Our annual drives for the community chest, the

Red Cross, the March of Dimes, and other significant organizations and institutions which serve the public set a pattern for individual responsibility which a government which provides everything for its citizens could never achieve.

FOUNDATIONS FURTHER AMERICAN IDEALS

If the best defense against democracy's enemies is to make America a better place in which to live and to place human welfare first, American foundations have rendered service far beyond the actual sums they have contributed to higher educational institutions. Their dollars have been multiplied many times by additional or "matching" funds secured from individuals. They have distributed their funds widely rather than to a few of the largest institutions, thus making a maximum use of scientific and scholarly ability. And by their very broad charters they have been able to adapt themselves to changing times. The research they have sponsored continues to flow out through the public in human betterment. Thus, indirectly, the foundations can be credited with a significant role in the never-ending battle against democracy's enemies. And at this point I should like to add one fact of vital importance: In all our dealings with foundations and with their representatives, we have never found evidence of any motivation other than a sincere and patriotic desire to further scholarship in the best American tradition.

Sincerely,

J. L. MORRILL, *President.*

UNIVERSITY OF MICHIGAN,
OFFICE OF THE PRESIDENT,
Ann Arbor, November 20, 1952.

Mr. HAROLD M. KEELE,
*Counsel for the Committee of Foundations,
House Office Building, Washington, D. C.*

DEAR MR. KEELE: I have gone through the questionnaire submitted by Representative E. E. Cox, chairman of the select committee of the House of Representatives created to investigate tax-exempt foundations and comparable organizations. Most of the questions, of course, concern the internal and policy operations of the foundations, about which I have no adequate knowledge.

The University of Michigan has had a long and beneficial relationship with several of the leading foundations. The aid which they have given to this institution has been of almost incalculable value. The Rockefeller, Kellogg, and Kresge Foundations have all taken a particular interest in helping to develop the programs in the health sciences. They have not only made contributions for experimental work and for long-range research but have provided space through generous contributions for buildings. Their aid represents, in my opinion, the finest kind of combination of private and public support which has been traditional in this country since the founding of Harvard College in 1636. At no time, to my knowledge, has there ever been any interference with the institution's program or an instance of subversion under any possible definition of that term. Our relationships, I repeat, have been with a half dozen or so of the leading foundations.

I do not know whether I could bring any helpful testimony to bear upon your problem but if it should be the opinion of the committee that I could I hope you will feel free to call upon me.

Sincerely yours,

HARLAN HATCHER.

BELL, BOYD, MARSHALL & LLOYD,
Chicago, November 17, 1952.

HAROLD M. KEELE, Esq.,
*Counsel for the Committee on Foundations,
House Office Building, Washington, D. C.*

DEAR MR. KEELE: I have read the letter of Chairman Cox dated October 30 and the questionnaire with much interest.

My experience in this field is based upon connection for many years with several educational institutions receiving grants from foundations and with some privately created foundations.

I don't believe there could be any question that the older foundations have made a great contribution to the advance of science and the conquest of disease.

The practical elimination of yellow fever and pellagra is a conspicuous example of their work. Their interest in and aid to the schools of the less prosperous Southern States illustrate another field where their contribution has been inestimable. Activities of such funds as the Sears, Roebuck Foundation in the field of Agriculture have likewise been very great. And many more examples, with which you are doubtless familiar, could be given.

As you know, a large increase in smaller foundations has taken place in recent years. Particularly corporations have been creating them. So far as my experience goes, these have almost all been set up in good faith and constitute a desirable development. It is sound public policy for corporations to contribute to charity, and particularly to education, and it is sound business practice to set aside funds in good years which will be able to help charities in lean years when the charities need help most. Foundations should not, of course, be used to set aside funds free of tax and sterilize them by inaction, but I think a fair examination of most of them will show that they are operated in good faith.

There is another type of foundation that I think would bear some study. It is my impression that a good many of the newer foundations were set up in good faith but without any clear idea of their purposes and that they are simply marking time. It would be a public service to encourage them to adopt and carry out well-considered policies, rather than the haphazard grants which are too common. With all charities, and particularly educational institutions gasping for breath, it seems to me that a little pressure to put the funds to work would be justified. It is not really a matter of the foundations using resources for purposes other than those for which they were established so much as it is for clarifying the purposes in the first place and justifying their tax exemption by carrying out purposes for which the exemption is granted.

The charge upon your committee is to determine which foundations are using their resources for purposes other than the purposes for which they were established. I know of no instance of this sort. But I am concerned from a reading of the questionnaire, and question E-1 particularly, that it may be the intention of the committee to go further. So far as direct propaganda is concerned, the revenue law withholds exemption from organizations carrying on propaganda or attempting to influence legislation. No one should complain of this. But when it comes to sponsoring projects which have a direct result on the influence of public opinion in the field of politics I submit that another question is involved. To forbid or hamper foundations studying and reporting matters in the fields of economics, education, international relations, government and public administration, is to deny or restrict the public access to the facts upon which judgment in a democracy should be based. Unless we want public decisions in these fields made in ignorance, agencies should have the same freedom as individuals to ascertain facts and express opinions. The agencies have better resources for this purpose than individuals and the very multiplicity of such agencies is a better defense against erroneous opinions than suppression or intimidation of the agencies.

Take education, for example. No one knows to what conclusions research in economics and sociology may lead. Any deviation from accepted orthodox views is bound to be objectionable to someone, and there is always, but particularly right now, the probability that someone will consider that a view differing from the conventional is subversive. The same is true in the whole field of international relations, education, and government administration.

The term "subversive" means different things to different people. I submit that there is a serious danger that the study of controversial questions, a study that in our complex civilization is increasingly important, may be discouraged by fear that some authorized or voluntary agency may choose to apply this dread word to activities which are entirely legitimate and in the public interest.

Thank you for the opportunity to express these views.

Very truly yours,

LAIRD BELL.

WABASH COLLEGE,
OFFICE OF THE PRESIDENT,
Crawfordsville, Ind., November 14, 1952.

Mr. HAROLD M. KEELE,
*Counsel for the Committee of Foundations,
104 House Office Building, Washington, D. C.*

DEAR MR. KEELE: I'm writing in response to a letter received from Mr. E. E. Cox, chairman of the Committee of Foundations, dated October 29. My purpose is to be helpful to your committee in its exploration of the important and complex

activities of charitable foundations. What I have to say comes from my 11 years experience as president of Wabash College and is directed to the nine questions listed on page 13 of your questionnaire:

G-1. In my opinion the tax-exempt foundation is important in this era of corporations and high taxes in providing machinery for channeling funds to colleges and other similar organizations.

Practically all present-day independent colleges were financed originally by businessmen. These businessmen were at the time proprietors or partners in private enterprises. With the passage of time, business and industry has taken on corporate form and the flow of money from this source to the independent colleges has lessened, but the common stake of private enterprise and private education continues. Foundations open up the pipeline for corporate giving through foundations to enterprises of this sort.

G-2. In my opinion it would be a national calamity for government to attempt to replace private philanthropy. Great strength flows to our educational and charitable institutions as a consequence of the personal interest and concerns of the benefactors. This personal concern is lessened somewhat by the introduction of a foundation as a substitute for personal giving, but the foundation management is still far more personal than a government agency could possibly be. Also, there are thousands of charitable foundations. There is but one National Government and monopoly in the source of educational funds has all of the evils that accompany monopoly wherever it exists.

G-3. A. Foundations have performed a variety of services to education, but none more important than the supplying of risk capital for the financing of new undertakings.

B. Foundation management is cooperative, constructive, and helpful in its attitude.

C. I am not aware of any chronic weaknesses.

D. The principal difficulties faced by foundations are, I think, the same as faced by an individual attempting to put his charities to the most effective use. It is not easy to spend money wisely.

G-4. Every expenditure of a foundation affects the public interest and to that extent the public is definitely concerned. I am personally very skeptical, however, of any procedure that would attempt to provide public representation in the administrative control of foundations.

G-5. This question is somewhat anticipated in my answer to G-4. I suspect the present exploration into the activities of foundations is a good thing because none of us wants these agencies used for unworthy ends. At the same time I think it is of paramount importance that the management and objectives of foundations should remain as free and unimpeded by controls as possible.

G-6. No answer.

G-7. It is my observation that the management of our charitable foundations is by and large unusually competent and sensitive to its responsibilities.

G-8. There are so many advantages in the "general" form of corporate charters that I have a strong preference for that type of legal entity.

G-9. I am not conscious of the need for any such limitation.

FRANK H. SPARKS.

MACALESTER COLLEGE,
OFFICE OF THE PRESIDENT,
St. Paul, Minn., November 4, 1952.

Mr. E. E. Cox,
Chairman, Committee To Investigate Foundations,
House Office Building, Washington, D. C.

MY DEAR MR. COX: For more than 22 years, I have had contact with many educational and philanthropic organizations. As president first of Centre College and now of Macalester College, I have tried—not always with success—to obtain grants for the educational work of the college. I have never had the slightest suspicion that any of these foundations, their officers or employees were "subversives," "disloyal," or "poor security risks." None of them has attempted in any way to control the use of the funds except for the general purposes for which they were given. None of them has been a "false front" by which the creator of the trust pays salaries to members of his family, etc. I am shocked indeed to think that the subject is deemed necessary for congressional inquiry, although of course I have no criticism of what your committee, on the basis of

evidence you have, may decide to do. No such evidence has ever come to my knowledge, and I can recall only two such instances in the public press over a period of 22 years.

Very sincerely yours,

CHARLES J. TURCH.

STANDARD OIL CO. (INDIANA),
Chicago, Ill., November 4, 1952.

Hon. E. E. Cox,

Chairman, Select Committee To Investigate Foundations and Other Organizations, House of Representatives, House Office Building, Washington, D. C.

DEAR MR. COX: Replying to yours of October 29, I am generally familiar with the problems and some of the discussions which led to the formation of your committee, and am glad to answer your inquiry.

I am convinced that while some of the better known foundations, such as the various Rockefeller, Carnegie, and other foundations, may occasionally have been misled into making contributions to some organization which might later be found to be subject to criticism, such incidents happen very seldom. With their excellent boards of able and patriotic Americans, I am sure such incidents are rare and comparatively unimportant, and their outstanding contributions to science and human welfare should not be hampered because of an occasional slip. I am also confident that the same is true of the overwhelming majority of other foundations which are sincerely trying to devote their funds to worthy purposes, even though they, like all of us, may occasionally be misled.

To my mind, the most useful thing which your committee could do, would be to dig out the examples where really crooked use is being made of the tax-exempt foundation to channel funds to organizations officered on a salaried basis by members of the donor's family or to take care of what really amount to personal obligations of the donor. Such things not only cheat the Government out of tax money, but tend to discredit the foundation scheme, without which many of the educational institutions, hospitals, and other worthy causes in our country simply could not operate.

The real job to be done by your committee is not to make headlines by trying to ask embarrassing questions of the honest foundations which may have made a mistake, but to dig deep and uproot the cheaters and chiselers.

Very truly yours,

ROBERT R. WILSON.

VANDERBILT UNIVERSITY,
OFFICE OF THE CHANCELLOR,
Nashville, Tenn., November 8, 1952.

Mr. HAROLD M. KEELE,

Counsel for the Committee of Foundations,
House Office Building, Washington, D. C.

DEAR MR. KEELE: I have a letter from the Honorable E. E. Cox, asking me to write you expressing views with reference to educational and philanthropic foundations.

Foundations vary so greatly that it is difficult to make statements concerning all foundations which would be accurate. It seems to me that the problem can only be approached by dividing them into two major groups: family trusts and foundations, most of them moderate in size; and the very large, well-known foundations.

We at Vanderbilt University have had more experience with the latter. In fact the Carnegie Corp. and the Rockefeller Foundation, with its sister organization the General Education Board, have contributed more than half of the permanent funds of Vanderbilt University. The General Education Board was responsible for the creation of the present Medical School and provided its endowment.

The one major point I can testify to in our dealings with these two major foundations is the freedom which they have given us in carrying out the purposes of their grants. While I cannot speak for every period, certainly during my administration, now in its seventh year, I have never had suggested to me a single individual whom we should employ nor seen any evidence of an attempt to carry out programs of social change or improvement which the foundation was trying to put over. Their gifts to us have been for the purpose of studying

problems, or providing a teaching program broadly defined in a field, or engaging in a specifically defined piece of research, the last named always of our own choosing. Their grants to us have been liberating ones, not controlling ones.

These large foundations may have made some grants which were unwise. For several years I have sat as trustee on the General Education Board, and I know how difficult it is to determine in advance how each pending grant might work out. The importance of correct procedures, therefore, is great. The larger foundations usually have these worked out, at least so far as the investigation of proposed projects, consultation by the officers with individuals who know the situation, and recommendations to the trustees are concerned.

On one issue as regards foundations, educators are not in entire agreement. The foundations like to start up new programs. The officers like to feel that they accomplished something which had not been done previously, and in recent years they have tended to initiate new programs rather than support older ones. Their grounds for this tendency are broad ones, namely, that a foundation cannot carry the continuing work of the world but can advance exploratory money, funds to test out new ideas to see if they are sound. Two results of this, however, have to be reckoned with, but I do not see how they can be avoided. One is that some of the projects will turn out to be undesirable, and one might cite programs which may have been actually harmful. This, however, is the price which society must pay if it is to move constantly into new ground. The other result is that the educational institutions sometimes are induced to start projects which may be good but which they do not have the funds to continue to support.

Another criticism of the larger foundations is, in my judgment, an unfair one, though in particular instances we have all made it. The officers of a foundation may decide that a certain selected field offers the greatest opportunity for usefulness, and a considerable number of grants may go into that field. At times this can look like riding a hobby of the director of the foundation. The value of such a program depends entirely upon the wisdom with which the field was chosen. Foundations cannot work in all fields, and there is a natural desire not to spread themselves so thin as to see no results from one's endeavors.

A further fact about foundations is that they inevitably reflect the temper and mood of a period. This, however, is true of government, and of most other agencies of society. In the 1930's the foundations may have reflected the desire of the White House to promote friendship with Russia, just as in the 1950's they are reflecting the widespread feeling that scientific knowledge is not enough and that we must somehow strengthen and revive the influences of humanistic studies.

I do not know very much about the smaller foundations but know of certain abuses. Some of them are family foundations which make contributions to local charities, relieving the family of this obligation. Some of them, while devoted to the broadest objectives, have a small group of directors, members of the family, or a few personal friends, so that their direction is far more limited than their published commitment. It might be possible to require that the directors of a foundation shall be sufficiently representative to carry out its announced intentions. Some of the foundations do not publish their figures, and secrecy is always an incentive to abuse.

These are some of the thoughts which occur to me in answer to the letter of inquiry. I will be glad to amplify these or discuss other matters if the committee may desire.

Yours sincerely,

HARVIE BRANSCOMB.

LEVER BROS. CO.,
New York 22, N. Y., November 14, 1952.

HAROLD M. KEELE, Esq.,
Counsel for the Committee of Foundations,
House Office Building, Washington, D. C.

DEAR MR. KEELE: I acknowledge receipt of your letter sent to me by Congressman Cox, dated October 29.

I have read with interest the questionnaire which Congressman Cox sent to me to indicate an outline of the inquiry that the committee is making as part of its study of educational and philanthropic foundations.

Although I have not made a detailed study which, in my opinion, would be necessary to enable me to express views which could be of value to you in reaching conclusions with respect to the subject of your inquiry, it is my impression that foundations have stimulated and resulted in a vast amount of scientific and social progress. Industry will, of course, foster research for particular ends, but we must depend on the universities and foundations to support research of the broadest character and to pursue philanthropic objectives.

I appreciate your suggestion that I might appear as a witness at your committee hearings. However, as I have indicated, I have nothing more than general information about educational and philanthropic foundations and do not believe that I could add anything to the enormous amount of information which your committee and its staff will obtain from the very complete questionnaire which you sent out.

Sincerely,

JERVIS J. BABB.

LAW SCHOOL OF HARVARD UNIVERSITY,
OFFICE OF THE DEAN,
Cambridge 38, Mass., November 14, 1952.

HAROLD N. KEELE, Esq.,
Counsel for the Committee on Foundations,
House Office Building, Washington, D. C.

DEAR MR. KEELE: I am writing in reply to the letter which was addressed to me under date of October 30, 1952, by Congressman E. E. Cox, chairman of the Select Committee To Investigate Foundations and Other Organizations. In this letter, Congressman Cox asked for my views with regard to educational and philanthropic foundations. He also sent with his letter a questionnaire as an illustration of the sort of subjects in which the committee might be interested.

During the past 20 years, I have had considerable opportunity to observe the operations of educational and philanthropic foundations in this country. My interest has naturally been in the general area of the social sciences, and I shall confine my observations to the activities of foundations in that area.

About 25 years ago, the Harvard Law School received support from the General Education Board. This has been of great importance in the development of the work of the school. In the intervening years, the school has received a considerable number of relatively small grants from a number of foundations and others for the support of the outstanding research work into the causes of juvenile delinquency which has long been conducted at the Harvard Law School under the direction of Prof. and Mrs. Sheldon Glueck. Within the past few months, this work has received substantial support from a foundation, so that it is now possible to plan the work for the next 3 or 4 years.

It is wholly clear that the productive and pioneering work of Professor and Mrs. Glueck could not have been carried out without foundation support. Their recently published book, entitled "Unravelling Juvenile Delinquency," is only one of the many fruits of their long career in this field. It is quite clear that this work has provided much important information, not previously known, about the factors that lead to criminality in juveniles. This is a fine example of the sort of work that can be done, that badly needs to be done, and which has been made possible by foundation support.

In addition to work done at the Harvard Law School, I have had personal familiarity with a number of other projects which have been supported by foundations. For many years I have participated in the work of the American Law Institute, which has done much to make American law more definite and certain, and to improve it. This work has been supported by the Carnegie Corp., and more recently by the Falk Foundation. For 4 years, from 1942 to 1946, I served as a trustee, elected by the policyholders, of Teachers Insurance and Annuity Association. From that experience, and from my experience as a trustee of Overlin College, I have come to know of the crucial part which the Carnegie Corp. has played in the whole field of college pensions. This is an area not only of great importance to American education, but also of extreme difficulty, as experience over the past 30 or 40 years has shown. It seems to me fair to say that this whole problem could not have been satisfactorily handled by American educational institutions without the wholehearted understanding and large-scale support of the Carnegie funds.

My experience with foundations would lead me to feel that they have made a remarkable and important contribution to the development of thought and knowledge and understanding in the field of social sciences. Naturally, I have not agreed with all the policies and procedures of every one of them. Out of the thousands of decisions they have made, they may have made some errors. I do not expect foundations, any more than any other American institutions, to be free from mistakes, or to follow a common pattern. In the field of the social sciences, their work has necessarily been experimental. The essence of experiment, I would suppose, is trial and error, with knowledge gained both from the successes and from the mistakes. In my opinion, the errors made by foundations in the administration of their work are far outweighed by the great good which they have done.

The record of achievement of these private agencies in the past century, and at the present time is enormous. Many of the constructive results they have aided in bringing about could not desirably have been produced by governmental agencies. We are in great need of objective studies of controversial problems, which abound in the field of the social sciences. These are almost certain to yield findings and conclusions with which some citizens will strongly disagree. When foundations act in this field, they necessarily take a risk that some grants will be made to persons who prove to be blessed or incompetent, or otherwise badly chosen. Yet, if foundations are to help to push forward the bounds of knowledge in areas of debate, they must be free to sponsor studies that may sometimes run counter to widely held views. They must be free to inquire into controversial areas. Indeed, those are the areas where inquiry is most needed. And they must be free to make some mistakes, they will learn from them.

In my experience, the boards of trustees of American foundations are composed of responsible American citizens. Fortunately, they have not been timid souls, and they have felt free to blaze new paths, and to support persons who were working on novel projects. In the work that they have done, they have accomplished great good. They have been one of the important sources of initiative and stimulation of thought in areas in which the inquiring mind can fruitfully operate for the common benefit.

American foundations have been, in my opinion, a fine instance of the effective operation of private initiative. As such, I do not think that they should be needlessly encroached upon by Government. In particular, I would think that it was at least unwise and unfortunate for Government to interfere with freedom of inquiry, thought, and belief. And indirect encroachment, even though made with the best of motives, may in the long run prove just as serious as direct controls. American foundations are instruments for the exercise of the right of private inquiry. If they should be forced out of the fields of social reform or other fields, or if their independence should be curbed, then we would have to turn to the State for the support of further investigations in these important areas. It is hard to see how that could be a desirable development.

In closing, I would like to make it plain that I am in sympathy with the measures taken by the Congress, in the Revenue Act of 1950 to prevent donors from using tax-exempt organizations for personal benefit. There have undoubtedly been a few, relatively small, family foundations, making little or no public report, which have been improperly used for tax-avoidance purposes. I believe that this problem has been largely taken care of already by the change in the taxing laws. If there remain further loopholes, the Ways and Means Committee is clearly aware of the problem, and can be counted upon to take appropriate action. It is quite apparent, I believe, that no element of tax avoidance is involved in the operations of the larger and more important foundations which have made so important a contribution to American life over a period of many years.

Very truly yours,

ERWIN N. GRISWOLD, *Dean.*

SWARTHMORE COLLEGE,
PRESIDENT'S OFFICE,
Swarthmore, Pa., December 22, 1952.

HAROLD M. KEELE, Esq.,
Counsel for the Committee of Foundations,
House Office Building, Washington, D. C.

DEAR MR. KEELE: The decision to resign the presidency of Swarthmore College after 20 years on this campus has so preoccupied my time and attention for the past 2 months that I have neglected Congressman Cox's request of October 29. I send my apologies with this belated reply.

The brief newspaper accounts of the recent hearings in Washington have been very interesting, and I should like to begin by congratulating you on the fine way in which these hearings have been conducted. Philanthropic foundations play so important a role in the United States, particularly in scientific and educational fields, that it is entirely proper that they should be investigated and any abuses removed. It is also important, as I think you fully appreciate, that they be left as free as possible to fulfill their constructive functions in our society.

The colleges and universities of the country are very much concerned with the outcome of the committee hearings and recommendations. We have no brief to make for foundations which are essentially tax-evasion devices. I hope you will be successful in bringing about legislation to prevent this particular abuse.

If in your report you can do proper justice to the constructive effect of the activities of the foundations of this country you will have done a very real service to the United States. It seems to me important to emphasize the positive accomplishments of the foundations. I am sure that all of them will admit to having made mistakes in judgment—some of these errors being connected with the political views of recipients of grants, but most of them involving the expenditure of sums of money in ways which did not turn out to be productive. It has often been said that the foundations represent the venture capital of the educational, scientific, and cultural life of our Nation. To the extent that that is true, they must take risks and must expect a certain number of failures and mistakes. The fact that they may have made grants to individuals who were members of subversive groups is not more significant than the fact that some college graduates ultimately join the Communist Party or support subversive activities. Unless the foundations can be proved to be responsible for the subversive views of recipients, they can hardly be criticized for their actions.

I believe that your hearings will be nearly over by the time you receive this letter. Consequently, any offer on my part to appear before the committee would be a meaningless gesture. If there is anything which I can do to forward the present investigation, I hope that you will feel free to call upon me.

Yours sincerely,

JOHN W. NASON.