

## TAX-EXEMPT FOUNDATIONS

WEDNESDAY, DECEMBER 3, 1952

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

The select committee met, pursuant to recess, at 10:10 a. m., in room 1301, New House Office Building, Hon Aime J. Forand presiding.

Present: Representatives Forand (presiding), Simpson, and Goodwin.

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

Mr. FORAND. The committee will be in order.

Mr. Keele, will you call your first witness, please?

Mr. KEELE. Yes. Mr. Young, please.

Mr. Young, those microphones are connected. You can experiment a little with them. It will help some, I think, in addressing the committee.

Will you state for the record your name, your residence, and your business or occupation?

### STATEMENT OF DONALD YOUNG, GENERAL DIRECTOR OF THE RUSSELL SAGE FOUNDATION

Mr. YOUNG. My name is Donald Young. I live in New York, and I am employed as general director of the Russell Sage Foundation.

Mr. KEELE. How long have you been a director of Russell Sage?

Mr. YOUNG. Since July 1948.

Mr. KEELE. Will you tell us a little of the work that the Russell Sage Foundation has done? I mean by that, the general outlines of it, Mr. Young.

Mr. YOUNG. May I begin, Mr. Keele, by reading from the founders' purpose, both a little bit from her letter of gift, and also from our charter?

The letter of gift which was written in 1907 states:

The scope of the foundation is not only national, but is broad. It should, however, preferably not undertake to do that which is now being done or is likely to be effectively done by other individuals or by other agencies. It should be its aim to take up the larger and more difficult problems and to take them up so far as possible in such a manner as to secure cooperation and aid in their solution.

The charter, which was given us by act of legislature of the State of New York, also in 1907, specifies it shall "be within the purpose of the said corporation to use any means to that end"—that end being the improvement of social and living conditions in the United States—"which from time to time shall seem expedient to its members or trustees."

In other words, we have a very early broad deed of gift and charter, mandate from our donors and from the legislature, but it is focused on this basic phrase, "the improvement of social and living conditions in the United States."

That is our only limiting condition.

In carrying out this purpose the trustees—and Mrs. Sage herself was president for many years until her death—defined the term "welfare" very broadly.

They worked mainly by trying to bring the best knowledge gained through experience or study or research into the various fields of welfare such as recreation, social work, child care, delinquency, and penology, city and regional planning, social statistics, various forms of relief, and even very early into the study of philanthropy itself, as you know.

Now in working in these fields, as I say, we were trying to bring the best information possible into practice. We did this both by having a staff which operated directly as a part of the foundation, and also by making grants.

I think over the first 4 years of our history we spent about \$21,000,000, and we are supposed to spend the income of our funds, of which \$9,000,000 was spent in the form of grants to other agencies working for human welfare in this country, and the balance, or \$12,000,000, was spent directly through our own staff.

Now that program—and I take it you do not want me to go into detail about what we did in these various fields; this has been laid out quite fully in a two-volume history of the foundation which is a part of the record we submitted in answer to your questionnaire—continued with varying emphasis over the first forty-odd years, and when I came in, it seemed desirable to review our work after a program which had had strength to last over such a longer period, not so much because we were not proud of the record and confident in the value of our work, but much more because conditions had changed a bit.

We were sure, of course, that after 40 years new problems must have come into prominence, new ways of working must have been made available.

Furthermore, our income had been reduced, dividends and bond yields were not as high as they had been, and of course prices and other costs were up, too, so we had to consider what was the best way of spending our somewhat reduced income in the light of circumstances as they were shortly after World War II.

After review, we came to the conclusion that first we could no longer be both an operating and a grant-making foundation. We didn't have enough money for both of those activities.

We would have to pinch on both if we kept them going, so in view of the fact that there were other much larger foundations—our actual book value, for example, as of today is about \$16,000,000—pardon me, market value is about \$16,000,000, book value is about \$14,000,000—with many of the larger foundations such as Ford, Rockefeller, Carnegie, and so on, spending most of their funds through grants to aid programs of other institutions, it didn't seem that that was a profitable place for us to come in, particularly, since we had had some operating experience and had been reasonably successful in that area.

So we decided to move over exclusively to an operating program.  
Mr. KEELE. Have you maintained since that time, Mr. Young, that program of operating?

Mr. YOUNG. Since 1945 we have been an operating foundation.

Mr. KEELE. And will you explain a little more what you mean by an operating agency or an operating foundation, so that we will get the difference between the grant-making foundations and the operating foundations.

Mr. YOUNG. The basic difference is that we have a program of our own and that our funds are not appropriated to other agencies for the support of their own programs.

Now, frequently, we do make agreements with other agencies such as universities to do a piece of work which they want to do but fits within our program also.

I have a statement of only two short paragraphs, which lays this out in the annual report which we are now preparing which I could perhaps read into the record.

Mr. KEELE. All right.

Mr. YOUNG (reading):

Activities of the foundation are conducted directly under its own auspices or jointly with selected institutions, either in the academic field or some area of social practice. In each cooperative venture, the foundation participates in the planning of the project, is an active partner in its operation, and reserves the right to publish any resulting manuscripts.

Grants are not made for the support of independent activities or other agencies or individuals. This restriction in procedure has been adopted, notwithstanding full recognition of the importance of grants given outright to research and operating agencies or individuals for support of their own programs, in the belief that the foundation's resources can be more effectively used in concentrated operation.

Mr. KEELE. Just by way of illustration, would you name other foundations, operating foundations, as opposed to grant-making foundations?

Mr. YOUNG. I am not sure I can name one which is exclusively operating, but predominantly so. Twentieth Century Fund is an operation foundation, although it does make a few grants, I believe.

The Millbank Memorial Fund is another, although both operate and make grants.

Those are two of the others. They are very few.

Mr. KEELE. Now as distinguished from those, the larger foundations such as the Ford, Carnegie, and Rockefeller are grant making primarily, are they not?

Mr. YOUNG. Primarily.

Mr. KEELE. Would you tell us something of what in your opinion the most significant contributions the Russell Sage Foundation has made, some of the ones which—

Mr. YOUNG. I think the most significant contribution is the way in which we have helped order the field of welfare, various welfare activities.

Now to get more specific, we have—and this is on the periphery of welfare as ordinarily defined—I think done some pioneering work in the field of city planning and regional planning.

The New York regional plan, for example, was one of our largest early projects. We have worked in the field of zoning. In the field

of education we did some pioneering work on educational measurement.

In the field of child care, we have made some contribution to the early development of children's institutions.

In the field of the professionals, for example, the study of professions as means whereby society uses its technical knowledge, gets the best value from its technical knowledge, we have done pioneering work in social work, law, engineering, medicine, nursing. Several fields have been studied there.

We were very active in helping develop and improve relief methods, beginning with the old charity organizations movement on down to more modern times. I think we have done some significant work in the field of foundations.

Now we have somewhat changed our program.

Mr. KEELE. I was asking over the span of the life of this foundation. It was organized in 1907, wasn't it?

Mr. YOUNG. 1907.

Mr. KEELE. So that it is one of the older foundations. In my reading, which has been discursive rather than thorough, it seems to me I have seen references to the fact that the Russell Sage Foundation did much to bring about a new profession or vocation, if it may be called that, that of the welfare or social worker. Am I correct in that?

Mr. YOUNG. That is correct. All of these activities, you see, bear on the welfare field of our profession, which is the profession of social work.

The schools of social work, we were very closely associated with the schools in early years, and with the organizations, the professional organizations, in social work. We actually helped finance the beginnings and general organization and advisory work of some of those associations.

Mr. KEELE. And you brought those together, as it were?

Mr. YOUNG. We tried to.

Mr. KEELE. Into some sort of pattern or organization?

Mr. YOUNG. And I think perhaps one of the ways in which we helped ordering that is by having them as tenants in our large building, which we now no longer own, but we had quite a large headquarters building, and many of these social-work agencies of quite different types were housed there.

Mr. KEELE. We know, of course, of the work that Mr. Andrews has done, because he appeared here as a witness, in fact, the second witness, but it is my understanding that your organization, the Russell Sage Foundation, has done more perhaps than any other foundation in studying foundations, isn't that correct?

Mr. YOUNG. I believe that is correct.

Mr. KEELE. And you have made a number of publications along that line?

Mr. YOUNG. I think our first little bibliographies and articles in that field go back 35 years. There were other rather minor efforts, but they were the beginnings.

Our first major effort was a publication by Mr. Shelby Harrison, then our general director, and Mr. Andrews, on American foundations for public welfare. That was followed by the volume on philan-

thropic giving, and just recently by another volume on corporation giving, and we intend to continue in that area.

Mr. KEELE. And those, as I understand it, have become definitive books, definitive textbooks, if that may be used, on this subject; isn't that right?

Mr. YOUNG. We like to believe it.

Mr. KEELE. We have made considerable use of them, I am sure.

How many directors do you have?

Mr. YOUNG. Twelve.

Mr. KEELE. Where are they drawn from mostly? I mean by that, where do they reside?

Mr. YOUNG. Drawn mostly from New York. One from New Haven; the others all live in or near New York.

Mr. KEELE. You may have been here yesterday, Mr. Young, when we were pursuing that subject of concentration or density of the New England district, the New York-New England district, so far as directors are concerned.

Can you tell us why your directors are drawn primarily from that area?

Mr. YOUNG. I suppose the basic reason is that we need the help of our directors, and a director in San Francisco would not be readily available. Our men are all close by.

New York has quite a supply of people capable of serving in a capacity as directors of foundations, and it would be quite expensive and quite difficult to try to have meetings both of our board and our special committees, such as executive and investments committees, if we had to arrange bringing people in from the Middle and far West and so on.

Mr. KEELE. What do you consider to be the qualifications of a director, of a desirable director?

Mr. YOUNG. Wisdom and a concern for society, for American society.

Mr. KEELE. And, by "wisdom," I assume that you mean that in all its facets; that is, common sense, experience. In other words, you are looking for competency in this particular field; is that right?

Mr. YOUNG. We are looking for competency of a generalized sort. We don't expect our directors to have the technical knowledge to be able to pass on a project which may be in the field, for example, of psychosomatic medicine.

We couldn't possibly have directors who would have such competence across the board of our activities; and, as our programs change and as new projects come in, of course, we have to change our directors too often; but we do expect them to be able to judge people, to consider evidence brought before them, and to exercise their judgment with—for want of a better term, I will have to call—a social conscience.

Mr. KEELE. How much time on the average would you say your directors devote to your work?

Mr. YOUNG. It varies considerably, sir; and I don't know how to put it in terms of time. We do have three or four full meetings a year. Those meetings are long meetings. They last from 6 o'clock through until 10:30 in the evening, and we do business throughout that time, even when we are having our dinner.

But they get a lot of preparatory material in advance. In fact, so much that some of them do tend to complain a little bit. We keep them informed of what is going on, both orally and by material.

At least one member reads every manuscript, even though it may be technical and somewhat out of his competence. They can be called on when they need help.

Now, those that serve on our finance committee give considerable time, and I don't know how much. Those that serve on our executive committee also given extra time, but it is when needed. The basic value is that we do have here a group of people who have experience and wisdom, judgment in business, and in matters of social policy, who are on call.

Mr. SIMPSON. Does your board pass upon every project which you undertake?

Mr. YOUNG. Every project which we undertake is passed upon by our board. If there is an emergency situation where we may have to take action before we can get a board meeting, the executive committee exercises the power of the board between meetings, but no project is put into action without the board having received full documentation, having discussed it and approved it.

Mr. SIMPSON. That is, the operating method which I understand you follow, as distinguished from a foundation making grants, your directors pass upon the recommendations of the trustees?

Mr. YOUNG. The staff. The staff prepares these projects.

Mr. SIMPSON. They submit them to the trustees?

Mr. YOUNG. That's right.

Mr. SIMPSON. In more or less the same manner that they would submit them if there was to be a grant?

Mr. YOUNG. Yes, sir.

Mr. KEELE. Are you directors paid?

Mr. YOUNG. No, sir.

Mr. KEELE. Mr. Young, would you give us the dichotomy on the thinking of those who favor paid directors and those who favor directors serving without compensation? I am sure you have heard those discussions and arguments. I wonder if you could give us the general thinking of it as you understand it to be.

Mr. YOUNG. I have never tried to sum up the arguments even to myself on those two points of view, because it always seemed to me that the direction of a philanthropic foundation, as its operations are normally conducted, should be accepted as a social obligation by people qualified for directorships.

Now, I can readily imagine foundations which are so large and require so much of the time of their directors that there should be some compensation, particularly true if some of the board of directors don't have too large an income to begin with.

So, I don't think that this is a matter of black or white; but I do think that most of the standard philanthropic foundations, the old-line foundations, present such an opportunity for service that there is really no difficulty in obtaining the finest people you can want to serve without compensation; and, consequently, no reason for offering an inducement of a fee.

Mr. KEELE. But in talking off the record with Mr. Leffingwell, I gained the impression that foundations are inclined to feel that there is something incompatible with a trustee's dispensing funds for public

welfare and making a charge for it. They prefer not to do it if they can avoid it, but it was pointed out here yesterday in talking about this that, where vast amounts of time were devoted by trustees to affairs of a foundation, unless the trustees were men of independent wealth, it presented a hardship which probably limited the field of possible trustees.

Mr. YOUNG. I don't think that limits the field seriously. Our board includes two academic people, one a retired professor from Columbia University who certainly does not have a large income; the other a professor from Yale University. Their incomes are comparatively small.

Mr. KEELE. But one is retired, you say?

Mr. YOUNG. He is retired as a professor, but he is still a member of our board.

Mr. KEELE. I meant as a professor.

Mr. YOUNG. He is retired; yes. That kind of person is still available.

Mr. KEELE. Even though he serves without compensation?

Mr. YOUNG. That is, he would not look on election to afford such desires as a means of increasing his income.

Mr. KEELE. How many employees do you have at the Russell Sage Foundation?

Mr. YOUNG. Direct employees in the central office, 17 or 18. That includes professional staff and secretarial staff.

Mr. KEELE. Mr. Young, I think Mr. Andrews when he was here read at our request or at his request the statement contained in your answer to our questionnaire with reference to public reporting or public accountability.

Would you just comment on it, because I am sure that statement represents your view in large part. Will you comment on your feeling about the desirability of public accounting?

Mr. YOUNG. It represents not only my point of view but I think the point of view of our entire staff and board of directors.

That is, that an organization which is allowed to operate appreciable funds for the benefit of others or for the public good and enjoy special privileges, such as tax exemption in carrying out its duties, should certainly report fully to the public on what it does.

I think that public accountability in full, going so far as to suggest special investigations of this kind, is absolutely desirable and I would say necessary.

When we point out that the foundations have the obligation to report their operations in full, financial as well as project operations, I think I would even go so far as to say that the Government has the obligation to see to it that such reporting is done.

Mr. KEELE. What do you think should be included in such a report, Mr. Young? I know you have indicated it, but would you give us a little more detail?

Mr. YOUNG. We will start with perhaps the least important, which is a complete financial statement, the kind that any reputable certified public accountant would want to prepare.

In addition, there should be a record of who are the trustees, who are the staff, what is the field of operation; in other words, what are you trying to do, what means are you taking to accomplish these ob-

jectives, what kind of projects are you engaged in, and even why do you try these projects.

You ought to give not only the bare facts but you ought to give your reasons, your philosophy, for working into the kind of program that you have in operation.

Mr. KEELE. So that anyone picking up that report could with average attention and average ability tell exactly what the program of the foundation is, what they are doing, and why.

Mr. YOUNG. I think so.

Mr. KEELE. What about a breakdown of administrative expense?

Mr. YOUNG. This is something I have never even been able to do for my own satisfaction. What is an operating expense? When am I, for example, spending money for general administration? When am I spending it for program development, for program supervision, for actual project operation? I don't know.

Now I think we should try, and we do try. We allocate in our balance sheet what we call just general administration, which most people would call overhead, a word which I think now has so many connotations that it is dangerous to use it. Overhead is supposed to be bad.

Mr. KEELE. Your problem is different in that you are an operating foundation.

Mr. YOUNG. Yes.

Mr. KEELE. You can hardly say that salaries, therefore, paid are all administrative expense; isn't that right?

Mr. YOUNG. My own salary, for example, is this overhead? Actually I spend most of my time trying to develop projects, following through on those that are in operation, stimulating new interest, and seeing to it that the results get out into practice.

Mr. KEELE. That is not quite the situation with the grant-making foundations; is it?

Mr. YOUNG. I think it is nearer the situation than most people imagine. The general concept that a foundation operates by letting it be known that it has money to spend for certain types of projects, and then wait until projects come in, is erroneous.

I am sure, for example, that the larger foundations, such as the Carnegie Corp., do quite a large amount of planning in order to get the kind of projects they want brought in.

You see, it is not an easy thing to design a good project, especially a large project, but even the little ones.

You don't just sit down in front of a table with a pad of paper and say "Now, let's make a project." It requires considerable background and considerable effort even on the part of the experts, and for this there is no money.

Perhaps this is one of the difficulties in foundation work: that the people who bring projects in are supposed to be able to design them, to blueprint them to the point where they can be passed upon with intelligence on their own, and the money comes after you have gone that far.

Now, it is frequently said by research people that the hardest part of any project is to get it into that blueprint stage where you know it is worth carrying through. When you have done that, you have done at least a third of your work.

Mr. KEELE. I assume from what you have said with reference to making a statement of what you are doing and why, in the case of



foundations making grants, that they should list those grants in that reporting.

Mr. YOUNG. Always.

Mr. KEELE. As to amount and description so that anyone could tell what the purpose of it was.

Mr. YOUNG. I would hope they would be listed by more than mere title. The title frequently is meaningless except within a small group of specialists, and certainly the title would not explain the nature of any project to the point where you can understand why this type of project was supported.

Now, frequently that could be done by clusters of projects in the same area, rather than one by one, especially if you have a large number of projects.

Mr. KEELE. Is there anything else that you feel ought to be in the report?

Mr. YOUNG. It doesn't come to my mind at the moment, sir.

Mr. KEELE. Do you think these reports should be filed at a central place or given dissemination in some way, or just how should that be handled?

Mr. YOUNG. Certainly they should be filed with a responsible governmental body where they should be readily accessible. Beyond that I think the foundation itself has the responsibility for distribution. Distribution is not just a matter of broadcasting.

If you are a specialized foundation—and many are—the problem there is to get it to the people who are concerned with the area of specialization who need to know about what is going on and who can really estimate how well the job is being done.

Now that only the foundations can do intelligently, and of course also there is a distribution to the media of mass communication.

Mr. FORAND. What would you think of the idea, hitting upon the very thought that Mr. Keele has just advanced about a central filing point, of filing one copy of the report with the Treasury Department and one copy with the local office of Internal Revenue so that it would be available to anyone in that area who would care to look into it?

Mr. YOUNG. I think that would be excellent, but I don't think it would serve the purpose of full communication of what foundations are doing.

I doubt if there are very many people, for example, who know whether there are one or several such offices in New York City, where they are, and how you can get to them, and I doubt whether there would be anybody in such offices who would be really much concerned as to whether they ever saw the light of day.

You would have to have somebody in each of these places who would have responsibility for making them available on request. That would require, I think, extra effort.

In other words, this is fine as a matter of official deposit and availability if otherwise hard to find, but beyond that a more positive effort is needed for distribution, Mr. Chairman.

Mr. FORAND. I am definitely in agreement with you. What I had in mind was this method of depositing these two copies in addition to your regular distribution.

Mr. YOUNG. Oh, yes.

Mr. FORAND. So that officially these would be available at these two central places.

Mr. YOUNG. Yes. I am in agreement with that entirely, Mr. Chairman.

Mr. SIMPSON. Mr. Young, reports are now filed to enable the Treasury Department to determine whether you are to have tax exemption; are they not?

Mr. YOUNG. Yes, sir.

Mr. SIMPSON. Now, what is the purpose of the additional report you are suggesting?

Mr. YOUNG. Mr. Chairman, I myself could not determine what Russell Sage Foundation was really doing in the sense that we have been discussing foundation operations here this morning, from the report we filed, following the instructions on the present forms.

The present forms which are, after all, prepared for tax purposes, for the Treasury Department's purposes, do not communicate to the reader what a foundation is really trying to accomplish.

Mr. SIMPSON. I still ask what is the purpose of letting the public know? Is it so that they may criticize?

Mr. YOUNG. Well, I see several purposes, Mr. Simpson. One purpose of course is to make sure that we do not create the impression that we are great secret bodies operating off by ourselves in accordance with our own whims.

Secondly, I think that, since we claim that we are working for the public good, we should not be the judges as to whether we are actually accomplishing anything. I think the public, the informed public, should have full information to see whether the special privileges we have are justified in terms of what we are doing.

Mr. SIMPSON. Yes, but it has been testified here that the big advantage of foundations, I might almost say in my opinion the principal advantage, is that in exchange for the tax concession, they get money which can be used in areas where Government can't use it.

Mr. YOUNG. Yes, sir.

Mr. SIMPSON. And they have the risk capital and they take chances.

Mr. YOUNG. Yes.

Mr. SIMPSON. Aren't you inviting the curtailment of that, which perhaps you will agree is the greatest purpose of foundations, if you throw it open and invite political opposition or public opposition about a matter that they know nothing on, and aren't you apt to invite legislation which will stop you in those areas where you are doing a great deal of good?

Mr. YOUNG. Mr. Simpson, in my judgment—and this is only a matter of judgment—I think we are likely to get more criticism from a policy of secrecy or seeming secrecy than we are from open operation.

In other words, I think we can operate precisely like a university operates. Now universities will operate in areas which are subject to political criticism, to criticism from various elements in the population who may disagree, but they still operate.

Mr. SIMPSON. I can read one of your reports, and you may talk about grants to this or that place, and I have no idea what the end purpose of that money is. You suggested an area there a bit ago that I don't understand at all, and I can't be expected to understand.

Yet you referred earlier, for example, with respect to your directors that a sound social consciousness was one of the prerequisites to being a director.

Mr. YOUNG. Yes, sir.

Mr. SIMPSON. Now what does that mean? Is it academic or is it based upon experiences in the fields of science, social science.

Mr. YOUNG. By that I meant the people who are concerned with the welfare of the American Nation and would do what they can for the improvement of the social order or, to use the word from our own charter, the improvement of social and living conditions.

Mr. SIMPSON. Do you imply that there are people who don't have that interest?

Mr. YOUNG. I imply that there are great differences in the amount of sacrifice individuals will make in pursuing that.

Mr. SIMPSON. Well, now, that brings us back to where I started. I want to know what you expect in these directors that aren't average as compared to average Members of Congress, for example.

It is a prerequisite, it is something that you have in your directors that influences them in your awarding of projects of fields in which they are.

Now I extend that to this matter of reporting. The public will want to know what your directors will want to do.

Now is that a political question, is it one where risk capital should not be invested, or just what does it mean?

Mr. YOUNG. We have found I think in our own directors that there are varying degrees of interest and willingness to work as directors, so that there are variations even in the people that we have selected, and we try to get those who willingly give freely of their time as required.

Mr. SIMPSON. But you want a man who has a social consciousness of matters and yet you don't pay him and you limit him to the well-off class of people.

Mr. YOUNG. I think not all of our directors.

Mr. SIMPSON. Wealthy people mostly.

Mr. YOUNG. I don't think they are all wealthy people. Two of our men certainly are not—three. I think of a third, also retired.

Mr. SIMPSON. Would you address yourself to this. With respect to these reports, would you like the Congress to further define or attempt to limit the use of your funds?

Mr. YOUNG. No, sir. Our report, in answer to the questionnaire—and I believe our answer to that particular question was read into the record earlier at the first session of these hearings—says that we believe in public accountability, but believe it would be very unfortunate to have Government control of program.

There is a difference. You report what you are doing. That is quite different, in my opinion, from getting approval in advance or any limitation on what you may do in the way of going out on the pioneer fringes of research.

Mr. SIMPSON. If you were doing something which after you filed these reports the public doesn't want you to do, you know when you would be curtailed.

Mr. YOUNG. I am afraid we would have to be courageous in some cases, as foundations have been. Foundations have been criticized for what they have been doing, foundations which have publicly reported. They have tried to justify themselves, and they have not given up just because of criticism alone.

Mr. SIMPSON. I know. But your answer is, though, as I understand it, that in your judgment it is better to take the risk of letting the public know how you risk the money which they permit you to have by remission of taxes, it is better for you to make all that information public, no matter how much risk you are taking, than to do it as you are now, without telling the public in detail where the money goes.

Mr. YOUNG. That is my judgment, Mr. Simpson.

Mr. SIMPSON. I just suggest that it would be pretty well to emphasize just what you are doing, namely, that you are in a field that Government can't enter where in the judgment of directors the taking of the risk is bound to lose in a number of instances.

Yet, nevertheless, it is proper social duty and justifies Congress in giving you this leeway. I think that the public will have to be sold on that if we make these reports generally public to the people as you recommend.

I think the people will have to be told along with the report that some of this money is in the risk area, but is on behalf of progress proper and necessary.

Mr. YOUNG. We try to make that plain in our reports, sir.

Mr. FORAND. I think that brings up the point that I made yesterday, that the foundations need a better system of public relations, so to speak, having someone that would make known to the general public what is going on, what is being done, and why.

That was brought up yesterday during our discussion of the criticism of some people to the effect that there is a nest of Reds in Harvard and in Columbia Universities, because they are developing some project regarding the study of the Russian language and the Russian people.

If it is a valid project, then it should be made known to the people in more detail than has been done, so that there will not be any misunderstanding. I think that would apply particularly in the case Mr. Simpson has just sought to develop, that more information should be given to the people, and I think the establishment of a public-relations office in each of the foundations may go a long way to that end.

Mr. YOUNG. Mr. Chairman, your comment, with which I agree, suggests that there are two kinds of risks which foundations have to take.

One is the kind of risk of misunderstanding which comes about through financing centers, as at Harvard and Columbia, by Carnegie and Rockefeller, for the study of the Russian languages and people.

This can be misinterpreted in the sense of being dangerous.

The other kind of risk is far more common, and that is a risk from working out on the frontiers of knowledge where the risk is a failure in research, and of course a high proportion of all studies don't come out as they were planned.

You just keep working at it, so that it is the second risk which is far more common, and certainly that the public can understand quite readily, and I think with better public relations the other kind of risk too can be made plain.

Mr. KEELE. Well, practically all of the old-line well-known foundations are doing the kind of reporting that you are talking about, aren't they?

Mr. YOUNG. Yes, Mr. Keele, I think all of the old-line foundations do publish reports. Some of them are not very readable I might say, and perhaps we need more than just one kind of a report.

One that would be the straight basic reporting job, "This is what we did," including matters of investment policy and finance as well as details of appropriations, but those kind of reports—and I find some of them quite exciting—are not going to be widely read, and it doesn't channel out to as large a group of people who need an understanding of what we are trying to do.

Mr. KEELE. Well, I was thinking of the fact that yesterday the Carnegie Corp. testified that it published 6,000, I think, of their annual reports and attempts to get for them the widest possible dissemination.

The Rockefeller Foundation, of course, publishes reports, you people publish reports, the Commonwealth Fund, for instance, which I happen to have before me, because the Commonwealth representatives are going to testify shortly, give their report in great detail showing their grants and what they are trying to do and so forth, so there is nothing revolutionary as I understand it in making reports of this kind.

Mr. YOUNG. This has been done by the old-line foundations for many years. It is simply a question of spreading it to a wider range of foundations, and it is spreading of its momentum right now.

Mr. KEELE. I was told yesterday that since the 1950 Revenue Act was passed, the Carnegie Corp. received reports from 12 foundations which had never before made reports.

They indicated that since it was brought to their attention there was some desirability for reporting of some kind, that these foundations who never before troubled to make reports now voluntarily made these types of reports.

Mr. YOUNG. I haven't counted them, but I have noticed quite a number of foundations which have started reporting within very recent years.

Mr. KEELE. We have gone back many times to the question of the role of the foundations in modern society. I think it would have particular significance with you as the head of a foundation which is studying foundations, if you would tell us your view as to the role of foundations in modern society.

Mr. YOUNG. I don't think the role of foundations in modern society is very much different from the role they have performed over many years. I think perhaps it has grown in importance if not changed in character.

It has grown in importance because, as was pointed out by one of your witnesses yesterday, there are more opportunities, more spokes leading out from the hub which can be followed. There are more ways in which they can work. In a sense, there are more frontiers ready for development than there have been before.

Now there has been some question raised about the fact that the Government is now doing many things that philanthropic foundations used to do, and it has been said, "Well, now, why should private money, so-called volunteer money, continue to operate on such a large scale?"

To me it seems that as the Government works more and more, shall we say in the field of welfare, our own area of activity, the more reason there is for private foundations to operate in the same area.

This serves several purposes. In the first place, there are these frontier jobs which it isn't fair to ask the Government to undertake, where the experimentation has to be done with this private-risk capital, as Mr. Simpson pointed out.

In the second place, there are demonstrations in putting new knowledge into practice which need to be made, and again I think private capital can make those demonstrations much more freely and perhaps with much less danger of unfortunate results if they fail. They could be more varied in their attack.

We never know quite what is the one way to try something out. We have to try many ways as we go along.

Then there are always gaps which can never be all taken care of by any large governmental program, which can be filled in.

And lastly, I think perhaps it is a good idea to have several systems of operation, I was going to say if only so they can act as yardsticks for each other, by different systems accomplishing the same purpose to serve as a check one on the other, and this is something foundations can help do.

There are many reasons of this sort why, not only because the opportunities have increased as we have progressed but also because there is more activity in these fields, why we need this outside, this private, philanthropic operation.

Mr. KEELE. I gather from that, I think, you have indicated you feel the need today is perhaps greater than it has been before.

Mr. YOUNG. Much greater, sir, in my opinion.

Mr. KEELE. Yesterday there was some discussion as to the danger of an investigation such as this one deflecting or tending to deflect the activities of foundations from their venture capital into safe or more certain channels. It was said here yesterday, as you may have heard, that, in the opinion of those testifying, that was not the case.

I know that you have some reservations or doubts about that, and I wish you would express them frankly, Mr. Young.

Mr. YOUNG. I do have some reservations about the judgment expressed yesterday that investigations even of this fine kind may not influence some philanthropic operations into more, shall we say, safe types of activity.

In the first place, I don't think we can make a generalization about all foundations. I think Mr. Dollard, for example, when he testified yesterday afternoon and expressed no doubts on this point, was thinking of foundations such as the Carnegie Corp., and I would like to think he was also thinking of Russell Sage Foundation. I don't think it is going to have any such unfortunate influence whatever on foundations of these two old-line types.

There are, however, quite a number of foundations and of philanthropists in process of establishing foundations for operating, for example, private family foundations who are not quite as, oh, well-informed about what goes on here, who are not in a sense—I don't like to use the word—professionals as the staffs of the old-line foundations are, professionals in the sense that they have worked in this kind of area as their major occupation for years.

And those people I think are very likely to be made a little more timid, if only because they are not here, they will not read the transcript of the record; few of them will probably ever read the final

report of this committee, and what they do learn about it is a trickle that gets to them.

Very little of what has been solved by these hearings so far will trickle out to this large new area of philanthropy, to the newer philanthropists who are just feeling their way in here and for that reason I am a little doubtful, sir, more than a little doubtful.

But not for the group of foundations to which Mr. Dollard was referring as I understood him yesterday afternoon. There I am in entire agreement with him, 100 percent.

Mr. KEELE. The point being that the mere fact that there is an investigation is in itself perhaps a little frightening to some of the newer and less-informed foundations.

Mr. YOUNG. It sensitizes them, or perhaps oversensitizes them, to the fact that not everybody is going to approve of what they may do with their philanthropic dollars. It throws another little element into their thinking.

Mr. KEELE. Isn't it inherent in the nature of giving that for every friend that you make you are apt to make several enemies? Hasn't that been said repeatedly about foundation giving, that it is not the way of making friends?

Mr. YOUNG. I think it has been said beyond reason. I have been on both sides of the fence. Before I went with the foundation I was in a recipient agency. I was one of those who was continually applying for grants, and I didn't get all of my applications through by a long shot.

To me it is really a nice comment on human nature that most people who come in with what they think is their really bright idea, their one opportunity, and find that it doesn't fit into a foundation's program, or that the other fellow doesn't agree that it is so wonderful, most of them are very, very nice about it.

I have made some very good friends through declinations, and some enemies, perhaps.

Mr. SIMPSON. Mr. Young, why might these foundations take less chance with their risk capital as a result of this investigation?

Mr. YOUNG. Because of the fact that people are sensitive to criticism.

Mr. SIMPSON. And they would be afraid in the final analysis that they might lose tax exemption?

Mr. YOUNG. I don't think that that would be it. I don't think it would be the tax-exemption issue so much, and here I am of course expressing a personal judgment.

Mr. SIMPSON. I understand.

Mr. YOUNG. As it would be the fact that a man who wants to help, wants to give away money for the benefit of others, is really let down if people say, "Oh, oh, you did us a disservice."

Mr. SIMPSON. That's right.

Mr. YOUNG. He is never going to be let down if he gives to one of the outstanding universities, to one of the outstanding national welfare institutions. Usually they are agencies which are in less need of new sources of money than the more venturesome risk activities.

Mr. SIMPSON. That brings me right back where I was a bit ago, because this committee is going to make some kind of recommendation to the Congress, and that is with regard to these reports.

If we require a report each year from every foundation which shows in minute detail where the money goes, aren't we inviting a con-

tinuing opposition and a continuing limitation upon the great work foundations do today in giving them a great latitude in the use of their funds in experimental and hazardous fields?

Mr. YOUNG. I think a good deal depends on the regulations which are developed or which may be developed.

Mr. SIMPSON. That is why I would like to hear some discussion on it.

Mr. YOUNG. Such regulations can very easily be made burdensome and discouraging. This would be particularly likely to be the case if they were written by someone who hadn't previously familiarized himself with the problems of foundation operation, for example, who did not realize that there were things known as grant-making foundations and operating foundations.

Now I have seen forms which may be well designed for the grant-making foundation but which are just impossible for the operating foundation.

Mr. SIMPSON. May I interrupt just a moment?

Mr. YOUNG. Surely.

Mr. SIMPSON. Do you envisage that a report, for example, of the Ford Foundation would show this:

We gave \$1,000,000 to Harvard University.

Or do you envisage that the report to Congress might require—and you have recommended full reports—the Ford Foundation gives \$1,000,000 to Harvard University, and then spell out in detail the purposes for which Harvard University uses that money?

Mr. YOUNG. I should like to see them not spell out in detail, but make plain with pretty broad strokes of the brush that it was given for.

Mr. SIMPSON. Do you think that such requirements as a matter of law would not have the same effect on the foundations as these hearings we are holding today will have, as you have testified?

Mr. YOUNG. Oh, no; I don't think they would have any such effect, sir.

Mr. SIMPSON. Do you think that the donor wouldn't be perhaps undesirous of being ridiculed if he gave the money to some other place other than Harvard as you suggested a bit ago? Wouldn't that same danger exist?

Mr. YOUNG. Well, there is always more prestige to be derived from giving to a prestigious institution, but this exists regardless of whether reports are published or not.

Mr. SIMPSON. Well, then we aren't going to have a bad effect from the committee hearing.

Mr. YOUNG. I don't see that the cases are analogous, Mr. Simpson.

What I was thinking about is the possible oversensitiveness to criticism as the effect of such hearings on people who were not present and who didn't read the full reports, which would be through making them overconscious of the fact that they might be criticized for giving to something that was risky. Shall we say, to use an illustration that was used before, to a Russian research center at Columbia University or Harvard University or the University of Washington or what not. They might say, "They pick on this."

This is the kind of information that sifts out to them. They don't get the total picture. If they all got the total picture of what was going on here, then I would withdraw my statement instantly.



Mr. SIMPSON. It looks to me as though these reports, unless they are very carefully guided by regulations which permit some concealment, unless they do permit that, you are going to have this limiting effect on the use of risk funds. I just can't see any other outcome.

Mr. YOUNG. I think, Mr. Simpson—and I understand that you—

Mr. SIMPSON. It is a dangerous area for us to make more than general requirements on reports if we are going to retain the immunity of risk funds.

Mr. YOUNG. I am just more optimistic about the possibility of getting simple regulations which can be complied with without taking on too much, shall we say, nuisance value.

Mr. SIMPSON. Is that substantially different from the report issued today?

Mr. YOUNG. What we issued today, our annual report, I think is perhaps even more full; is more full.

Mr. SIMPSON. Than you would recommend be required?

Mr. YOUNG. Yes; this is more full than I would recommend that you require.

Mr. SIMPSON. Would you care to address yourself to the Ford report for the moment? Is it as detailed as you think should be required of foundations?

Mr. YOUNG. The Ford report?

Mr. SIMPSON. Yes.

Mr. YOUNG. I don't think I have read a Ford report.

Mr. KEELE. I don't believe they are available.

Mr. SIMPSON. Well, take Rockefeller.

Mr. KEELE. Take Rockefeller or Carnegie.

Mr. YOUNG. I think Rockefeller and Carnegie, Mr. Simpson, both report much more fully than could possibly be required.

Mr. SIMPSON. You think much more fully than any law we pass should require?

Mr. YOUNG. Much more, sir.

Mr. SIMPSON. And you think that gives the public full and sufficient knowledge of the operation of foundations?

Mr. YOUNG. Yes, sir.

Mr. SIMPSON. Thank you; that is all.

Mr. KEELE. Mr. Young, don't you feel that the criticism that has been leveled at foundations stem largely from the fact that the public has been unable to find out in many instances what a great number of foundations are doing?

Mr. YOUNG. I do, sir.

Mr. KEELE. In other words, we have the question of whether you want to operate secretly or, as has been advocated here, with glass pockets in a goldfish bowl. Those are the two areas of thinking. What is your view?

Mr. YOUNG. I think certainly I am opposed to the secrecy provision. I think that foundations should report on their financial and other operations so fully that it can be understood by the reasonably well-informed citizen, and I think that should be spread wider in understandable form, wider than to the audience which, for example, can read our own annual report.

The problem is one of communication, Mr. Keele. You don't communicate by just any words.

Mr. KEELE. Would you comment on whether you feel that the foundations—by that I mean the larger and better-known foundations—have been suffering from abuses either real or suspected that have been indulged in by the foundations that are springing up in great numbers?

Mr. YOUNG. I do think so, sir, and in our report last year I pointed out that we are frequently charged by the company we are supposed to keep as well as by the company we actually do keep.

The word "foundations" is a conglomerate term, as I am sure we all are aware. It covers institutions which are fund-raising as well as fund-dispensing.

You can start a foundation, have it incorporated with no money whatever, just for the purpose of getting money, a quite different type of agency, and frequently a highly desirable type of agency, but of a different nature. They are sometimes well organized, well structured and well staffed. At other times they operate as private pocketbooks.

Sometimes they operate in a goldfish bowl, reporting fully, as does Carnegie, for example, as we think we do. Other times they even refuse to let us know how much money they have or how much income they have or in what field they are interested.

Our study, called the American Foundations for Social Welfare, to which I referred, tried to get information from foundations at that time, and foundation after foundation flatly refused to disclose their assets or their objectives, and this is perfectly legal.

Now, of course, since the Revenue Act of 1950 they do have to make reports, reports which are not too readily accessible, I believe, and in my own opinion not too informing, and I think we have suffered consequently because we have been lumped together, all of us in one group, and anything done by any one of these different types is carried across as a criticism to the other.

Mr. KEELE. What about State regulation of various foundations which are chartered in various States? Do you have any ideas as to whether or not there is sufficient regulation there or would it answer the question, State regulation, that you have propounded here and suggested answers to?

Mr. YOUNG. Insofar as regulation is required, I suppose that basically that is a State function, since foundations are creatures of the State rather than of the National Government.

We have two interests here, the State and the National Government, with the National Government coming in from the point of view of tax-exemption and general public policy. I can't speak with any authority about present State regulation practices.

We do have a study in this area under way now, almost completed, as I believe you are aware, and I would rather let that manuscript speak for itself on this subject and try to comment on it.

Mr. KEELE. Mr. Young, do you know of any grants that have been made or operations undertaken or projects undertaken by Russell Sage Foundation which in your opinion tended to weaken what we call the traditional American way of life?

Mr. YOUNG. I know of no such grants, Mr. Keele.

Mr. KEELE. And you have been asked to list any such grants or any such persons and, as I recall your answer to the question there, no such grants were listed; is that correct?

Mr. YOUNG. That is correct, sir.

Mr. KEELE. However, under D-14 of the questionnaire where you were asked whether your organization had made any grant, gift, loan, contribution, or expenditure, directly or indirectly to any individual, individuals, group, organization, or institution which had been criticized or cited by the Un-American Activities Committee of the United States House of Representatives or the Subcommittee of Internal Security of the Judiciary Committee of the United States Senate, you did cite an instance where money had been paid by your organization to an employee.

Mr. YOUNG. Yes, sir.

Mr. KEELE. Who had been cited, isn't that correct?

Mr. YOUNG. That is correct, Mr. Keele.

Mr. KEELE. And what was the situation there? Will you just tell us in brief, and I will not refer then to the answer here.

Mr. YOUNG. In response to question D-14, the one that you have just read, we searched as well as we could through the records of the two committees and made inquiries also at your office, and we found one of our former employees, Miss Mary Van Kleeck, was indexed, I have forgotten how many times, but quite a lot of times, was frequently mentioned in connection with activities of interest to one or the other of those committees.

We consequently sent you a statement concerning her employment with us. Her first contact with the foundation was not through direct employment but was rather through three grants which were made in 1908, 1909, and 1910. These appropriations were to enable her to study in her field of interest at that time, which was women in industry.

In 1911 she was brought on to our staff as a regular employee at a salary of \$1,500 per year. She stayed on our staff as a regular employee down to her retirement on September 30, 1948, at which time she was drawing a salary of \$8,808 per year.

Since her retirement, in accordance with our general policy, she has received an annuity, a portion of which has been paid directly by the foundation. The portion that we pay has been at the rate of \$1,279.08 per year. Is that the information you wish?

Mr. KEELE. And the total amount she received over that entire period was some \$238,000.

Mr. YOUNG. Yes, sir.

Mr. KEELE. Now investigation revealed, did it not, that Mary Van Kleeck had been connected in one way or another with some 60 organizations which have been listed as subversive?

Mr. YOUNG. I was so informed at the time this matter came up, and have no reason to doubt the information, sir.

Mr. KEELE. But until that was brought to your attention you had no knowledge of the fact?

Mr. YOUNG. I want to be very careful in answering that question, Mr. Keele. The word "knowledge" is a difficult word.

Now I have actually known of or known Miss Van Kleeck myself since I was a graduate student back as long ago as 1919 when I recall reading at least one of her early studies on women in industry.

I believe I met her myself first in the late 1920's and from that time down to the time I joined Russell Sage Foundation staff I must have seen her perhaps six or eight times.

Now toward the later period I did hear her gossip, idle chatter, and so on. It was quite commonly said that she was to the left of center in her thinking, so that in that sense I have long had some knowledge of the fact that there was a general opinion that Miss Van Kleeck was to left of center in her thinking. I frankly did not pay much attention to it.

Her specialty was not in my field, and I had no idea that I was ever going to be connected with Russell Sage Foundation. And when I did become connected with Russell Sage Foundation, she had 2 months left before retirement, which was barely enough to do the closing-down operations, so again I paid very little attention to the matter.

This was a closed issue. Now so far as any specific knowledge of actual participation was concerned, it would result from this questionnaire coming to me.

Mr. KEELE. What was the work of Mary Van Kleeck in the Russell Sage Foundation?

Mr. YOUNG. She was one of the members of the staff. The staff over the years was much larger than it is now.

Originally she made studies of women in industry. I think perhaps it might be interesting to look at the titles of some of these early works. *Artificial Flower Makers* was published in 1913 by the foundation. *Women in the Bookbinding Trade* was published in the same year. These are 270- to 280-page books.

*Working Girls in Evening Schools* was published in 1914. *A Study of the Millinery Trade in New York* was published in 1917. That was the work for which she was originally employed, a field in which she was outstanding.

I have recently taken occasion to go over those early books and I am quite impressed by them. They must have been very useful influential books. As I say, I remember actually reading one of them when I was a graduate student in 1919. In later years her field broadened out from women in industry—after all, that became less of terror incognito after World War I—and we have published three books since then.

One is *Employees' Representation in Coal Mines*, where she was a joint author with Ben M. Selekman, published in 1924; another one on *Miners and Management*, published in 1934 by herself, and the last publication issued by us written by her was *Technology and Livelihood*, published in 1944.

Now all of this time she was a regular staff member except for 2 years during World War I when she was in Washington with I think the Ordnance Department for a while and with the War Labor Policy Board and the Department of Labor, I think all three of those agencies.

Mr. KEELE. She was also a member during part of time of the board of trustees of board of governors of Smith College, was she not?

Mr. YOUNG. It says so in *Who's Who*, sir. That was 1922-30, in accordance with the statement in *Whos' Who*.

Mr. KEELE. Did she have the position which permitted her to make policy decisions?

Mr. YOUNG. No, sir. Policy decisions are made by the board of trustees in full consultation with the directive staff, meaning the general director and any associates he may have in the administrative line.

She was a straight research worker in the field, originally women

in industry, and later that was broadened out when that subject became a little passé to industrial studies.

She had the amount of influence on policies that you would attribute to her own persuasive powers. Anyone can talk to the general director and the staff and urge a point of view, but in the sense of any administrative responsibility for policy making, no.

Mr. KEELE. In other words, she had only such influence as her abilities, persuasiveness might have with those to whom she talked?

Mr. YOUNG. That is what I was trying to say, a bit awkwardly.

Mr. KEELE. With the exception of that one employee, then your search has failed to reveal anyone else who either as an employee or recipient of a grant or as an employee or subemployee on a project—she is the only one who has been listed.

Mr. YOUNG. As we understand that question, we have been unable to find anybody else that comes close to requiring mention.

Mr. KEELE. I have no other questions of Mr. Young.

Mr. FORAND. No further questions. We thank you, Mr. Young. Call the next witness.

Mr. KEELE. Mr. Aldrich.

Mr. Aldrich, will you state for the record your name, your address, and your connection with the Commonwealth Fund?

**STATEMENT OF MALCOLM PRATT ALDRICH, PRESIDENT OF THE  
COMMONWEALTH FUND**

Mr. ALDRICH. Yes, sir. My name is Malcolm Pratt Aldrich, and my address is 36 East Seventy-second in New York. I am president of the Commonwealth Fund.

Mr. KEELE. Have you any other business or occupation, Mr. Aldrich?

Mr. ALDRICH. No, sir. I am on several of the boards, banking board, railroad board, hospital board, but no other occupation.

Mr. KEELE. Will you tell us what the assets are today of your foundation, the Commonwealth Fund?

Mr. ALDRICH. Yes, sir. Book value they are approximately \$85 million, market value around \$97 million.

Mr. KEELE. And your average income for the past 6 years has been just under \$2 million per year, is that correct?

Mr. ALDRICH. Yes, sir.

Mr. KEELE. This fund was established primarily through the generosity of the Harkness family, was it not?

Mr. ALDRICH. Yes, sir.

Mr. KEELE. And your work as I understand it has been primarily in the field of medicine and health, is that correct?

Mr. ALDRICH. That is correct.

Mr. KEELE. Will you tell us a little more fully about that?

Mr. ALDRICH. Yes, sir. I could either tell you off the record or read a very small statement of three pages.

Mr. KEELE. I think that would be helpful. I think I have seen that statement and I think you might run through that.

Mr. ALDRICH. The Commonwealth Fund was established in 1918 by a gift from Mrs. Stephen V. Harkness. Subsequent gifts and bequests from Mrs. Harkness, Edward S. Harkness, president of the fund from its founding until his death in January 1940, and Mrs. Edward S. Harkness have increased the endowment to about \$85 million.

That, as I said, is book value. The terms of these gifts make the income or principal broadly applicable to "the welfare of mankind."

The fund now devotes the income from this endowment chiefly to the promotion of health in its broadest sense—through grants for medical education, experimental health services, and medical research. Its primary concern is to use all these channels to encourage better and more comprehensive health care, in which due account is taken of physical, emotional, and environmental factors.

In medical education the objective is to encourage progress, in both the undergraduate and graduate years, toward a better understanding and more skillful care of the whole patient in his environment. In the field, the fund seeks to promote the integration of medical and hospital care, public health, mental health, and other relevant services, in both local and regional settings, in the hope of adding breadth and continuity to community health care. In medical research, grants are made for study of a wide range of fundamental as well as clinical problems. In these areas appropriations are made only to institutions or organizations.

Through advanced fellowships in medicine and allied fields the fund seeks to further both teaching and research. Applicants for these must ordinarily be members of a university teaching staff or assured of such a post upon completion of the fellowship period, which is usually 1 or 2 years. Most favorable consideration is given to a situation in which a dean or department head asks help in providing special training for a person who is expected to contribute materially to the school's over-all teaching program as the result of the additional period of study. A few similar fellowships are open to overseas candidates for study and observation in this country. Stipends and awards are arranged, within limits, to meet individual needs. No scholarships are offered for undergraduate study, either general or medical.

The Commonwealth Fund fellowships for British subjects, administered by the division of education, provide for advanced study, research, and travel in the United States by graduates of British universities, by British journalists, by teachers of American history and affairs at British universities, and by civil servants from Great Britain and the British Commonwealth. These are awarded under fixed annual quotas by a British committee of award. The fund maintains Harkness House (35 Portman Square, London, W.1; S. Gorley Putt, warden) as a center for the common interests of former fellows and for American scholars and specialists studying in Great Britain, particularly a center for the Fulbright students also.

Five to ten fellowships are offered in 1952 to students who have attended recent sessions of the Salzburg seminar in American studies. Students especially qualified to undertake advanced studies in the United States will be invited to apply for these fellowships.

The fund published a limited number of books and pamphlets of educational value in the fields of its interest. Most of these originated in work which it helped to finance. In 1951 Harvard University Press became the publisher of Commonwealth Fund books, assuming responsibility for their production and distribution. I might add we edit the publications.

As these activities represent the fund's major interests and utilize most of its income, grants for miscellaneous purposes are few. As a

matter of policy, grants are not made to relief projects, either abroad or at home; to general educational institutions or community service organizations for building, endowment, or general budgetary purposes; or to political organizations. The fund does not make loans, nor make grants to individuals for any purpose other than fellowships. It is the fund's hope to use its resources for activities which have long-range significance and which at the start are not likely to command support from the contributing public at large.

Mr. KEELE. Mr. Aldrich, I have one of your annual reports, the annual report for 1952, which is some 42 pages in length.

In that I note that you discuss at considerable length the history of the fund, the fields of activity in which you are working, including some expression of your views in connection with those, and then a detailed statement, financial statement, with a breakdown of various grants that have been made and description in brief of what those grants are for, is that correct?

Mr. ALDRICH. Yes.

Mr. KEELE. How long has it been your policy to publish such a report?

Mr. ALDRICH. Ever since the founding of the fund in 1918.

Mr. KEELE. I assume that since you do that that you are in favor of such reports being published?

Mr. ALDRICH. Very much so.

Mr. KEELE. You have some of the discussion that has gone on here this morning with Mr. Young and the committee. What is your view as to the advisability and desirability of foundations publishing reports in detail?

Mr. ALDRICH. I think they should publish a report in at least the form that we publish. If you have seen the Rockefeller Foundation report, which I am sure all the committee members have, it is a report roughly that thick, giving a perfect fund of information. The Carnegie report is about half the size, and ours is as you see it.

I think any report should contain not only the financial data and a list of the appropriations, but I think it should lead off, as ours does, with the theory behind the actual giving.

We not only give a theory of our thoughts on medical education, but then we take up the larger gifts and try to explain why we have made those particular gifts, in addition to listing every one at the back of the report. I believe that being semipublic institutions, that foundations should give to the public a report on their activities.

Mr. KEELE. Do you feel that there is any danger of reporting such as this discouraging the efforts of foundations to spend in so-called risk ventures, or spend their risk capital?

Mr. ALDRICH. I can only speak for our own. There would be no danger as we were concerned, sir.

Mr. KEELE. I think in answer to the question as to what in your opinion was the function of a foundation, you said this in answer to G-1 of the questionnaire:

In the opinion of the Commonwealth Fund, the function of tax-exemption philanthropic and education foundations in society today is to make private wealth available to serve social ends with a broader perspective than individual donors or their executors are likely to possess, and in particular to lead the way in experimental activities for which other sources of support may be unavailable, to support unknown and untried causes which hold promise for the future. The fund considers this a vital need.

I think that was your answer, was it not?

Mr. ALDRICH. Yes, sir.

Mr. KEELE. And have you anything to add to that?

Mr. ALDRICH. Perhaps I might give one or two specific examples of what we have in mind.

When we say that we think that foundations are in a better position to experiment than perhaps other institutions, it has often been mentioned the risk capital that a foundation has, and I think it is quite true that it does have it and should use it as risk.

To give two examples of our own giving, in the twenties we have a program of helping various local public health fields both in county and State units, particularly in the Southern States. It was at a time when public-health activities in those States were very low.

I don't think that the general public understood or believed in the activities enough to have them put in the taxing budgets of those communities. We helped them by adding trained personnel to the county and State public health groups, and after several years had passed the people of those States and those counties became convinced that they needed the better kind of public health activities that these people are giving them. It was then taken over into their budgets, and we gradually moved over that field.

I think one other example is in our so-called rural hospital project. Quite a few years ago we started giving to communities throughout the United States from Farmington, Maine, to Provo, Utah, and Farmville, Va., and other places, two-thirds of the total cost of the hospital, about 100 beds, while the community put up the other one-third and guaranteed to take the operating expenses.

We erected 14 of these hospitals. Then the Hill-Burton bill was enacted and the Government has now gone into exactly that same project, and, as you know, has erected many very good hospitals throughout the country.

We don't want to take, by any means, the credit for having started that, but it was interesting that we were far ahead of the Government plans. They did come to us and go over our architectural plans and the entire scheme for erecting these rural hospitals. We have since, of course, discontinued that because now the Government has taken it over.

I cite those two examples of the kind of experimental and risk money which I think foundations have and should use in that way.

Mr. KEELE. Mr. Aldrich, again it appears that the bulk of your board of directors, the great majority, are from the east section of the country.

Mr. ALDRICH. Yes, sir.

Mr. KEELE. Would you tell us why that is true?

Mr. ALDRICH. Out of the nine people, sir, we have one from Boston, we have one from Oberlin, Ohio, and one from Denver, Colo. The other six are from New York. It is composed of two medical men, one the dean of a medical school and another the head of the department of medicine in a large hospital.

They supply to the board, I think, the technical knowledge in our field of medicine which is so required. We have a banker who is chairman of our finance committee, we have a university president and we have tried in taking these people to get a broad section of experience and capabilities.



To answer your question directly, sir, as to why most of them are from New York, although we deliberately went to the Middle West and the far West for our two latest ones in order to better represent the whole country, it is only a question again of availability.

We have frequent meetings of the finance committee, and it is very necessary that the finance committee should be in New York. We have frequent meetings of the executive committee, and that is essential that they be in New York.

We have now only three meetings of the board, formerly four, each year, and then it is generally possible for the men from the Denver and Oberlin areas to come on for those meetings.

Mr. KEELE. Do you compensate your directors?

Mr. ALDRICH. No, sir.

Mr. KEELE. And they never have been compensated in the history of this organization, have they?

Mr. ALDRICH. No, sir. It might be interesting that many years ago when Mr. Harknes was president he brought up that very question I think because of the fact that in England, I believe, directors of charitable organizations are paid.

It was discussed with Mr. Dwight Morrow, who was then on our board, and one or two others, all of them feeling that they personally would rather feel that that was a small contribution toward social welfare which they could make. They advised strongly against it, and it was dropped.

Mr. KEELE. I think you were asked to state what mistakes, if any, the foundation had made or was making, and I think in answer to that you said this:

All our positions are subject to involuntary errors of judgment. The points at which we believe errors are most likely to occur in connection with foundations are—

1. Failing to take risks early enough in situations where only free experimentation can solve difficult problems.
2. Trying to bring about changes for which a given community or institution is still unready.
3. Clinging too long to a program whose essential education effect has been achieved.

Mr. ALDRICH. Yes.

Mr. KEELE. Have you anything to add to that?

Mr. ALDRICH. No, sir; I think that pretty well covers it, unless you have a question on it.

Mr. KEELE. In other words, it is a matter of timing more than anything else, isn't it?

Mr. ALDRICH. Yes, sir.

Mr. KEELE. Would you tell us something of your selection of overseas students and approximately what percentage of the money is spent either abroad or in bringing those students to America?

Mr. ALDRICH. About 12 percent is spent on that foreign-fellowship program. The British fellows are selected by a committee of award, a committee of Englishmen composed of the following. Would you like to hear the names?

Mr. KEELE. It might be interesting if they are not too long.

Mr. ALDRICH. Sir Hector Hetherington, who is chairman of the committee and principal and vice chancellor of the University of Glasgow. Edgar Douglas Adrian, who is master of Trinity College, Cambridge. Keith A. H. Murray, rector of Lincoln College, Oxford. Sir James Fitzjames Duff, warden of the Durham Colleges. The

Viscount Harcourt, managing director of Morgan, Grensell & Co., Ltd., and Willis Jackson, professor of electrical engineering, Imperial College of Science and Technology, University of London. Lord Halifax was on it until this year, and just got off.

Mr. KEELE. Do they select students who are sent over here for study?

Mr. ALDRICH. Yes, sir. They select graduate students only.

Mr. KEELE. In what lines?

Mr. ALDRICH. All lines.

Mr. KEELE. Not limited to medicine?

Mr. ALDRICH. No, sir; all lines.

Mr. KEELE. And they come here for graduate study?

Mr. ALDRICH. They come here for graduate study. Formerly they came here for a 2-year period and in the summer between the 2 years we required that they program a trip around this country so that they would know as well as possible in that short time the different sections, South, West, Middle West, and the East. They study at all the chief universities here, no more than three at any one university.

Mr. KEELE. How is that determined? Do they have a choice or do you determine it?

Mr. ALDRICH. We have a man, the head of our so-called division of education, who goes over to England every March when these men are selected. He advises with them based on the particular subject which they are following, and he tries to pick out for them the outstanding teachers in this country.

If, for instance, in American history, they might well pick a top American history man at Yale, or if they are in biology they might send him to Stanford. It all depends on the place where they think he will derive the greatest benefit in his particular subject here in the United States.

Mr. KEELE. And how do you arrive at the percentage or figure, the amount of money to be spent? Is it predetermined by your charter or is it simply a matter of—

Mr. ALDRICH. No, sir; it is simply a matter of mathematics. For instance, if the program were extended and we had more people, naturally the percentage would rise. There is no predetermined percentage to be expended in the foreign field. It just happens to work out that way, a little over 300,000.

Mr. KEELE. Now in answer to the questions propounded in the questionnaire, you found no one who had been a recipient or no institution that had been a recipient which has been cited by the House Un-American Activities Committee or the Senate Subcommittee of the Judiciary?

Mr. ALDRICH. No, sir.

Mr. KEELE. Or which has been on the list of the Attorney General; is that correct?

Mr. ALDRICH. That is correct.

Mr. SIMPSON. Mr. Aldrich, do you consider the application of the men who come into this country with a fellowship? Do you inquire into their political background?

Mr. ALDRICH. We don't; no, sir.

Mr. SIMPSON. How do you select them, on the basis of their interest and their scholastic attainment, or what?

Mr. ALDRICH. They are selected by this British committee of award, Mr. Simpson.

Mr. SIMPSON. Is there no checking whatever made as to whether they believe in democracy or socialism or communism?

Mr. ALDRICH. Only that each one, of course, has to be O. K.'d by the State Department in order to come into the country. We rely on that, sir.

Mr. SIMPSON. And the question was just asked regarding whether any funds were got by undesirables or whether their names appear on our listings of undesirables. You have never found any of them so listed?

Mr. ALDRICH. No, sir.

Mr. KEELE. I didn't get the answer to one question. Perhaps my attention was diverted. Do you get students from anywhere but England?

Mr. ALDRICH. We do now. We just started a program mentioned here, the Salzburg seminar in Salzburg, Austria, where we are now offering up to 10 fellowships again to graduate students of the west European countries. We just have had our first contingent arrive here.

There are two West Germans, one or two Italians, a Dane, a Norwegian, and this is the first time that we have opened up the fellowships to those countries.

Mr. SIMPSON. How are they selected?

Mr. ALDRICH. They were selected this year, sir, by our own division head, division of education, who also sits with the British committee, and by our vice president, Mr. Stevenson, who is president of Oberlin University, going over with our division head interviewing each one of these personally and going to the various countries, talking with their professors and analyzing their capabilities and their personality and whether or not they seem to be proper candidates.

We intend to set up a real program of selection this coming year. That is the way it was done last year.

Mr. SIMPSON. I would like the record to show—I must know the answer—that you surely, consciously wouldn't admit anyone here whose leanings were too far to the left.

Mr. ALDRICH. Definitely not, sir.

Mr. SIMPSON. In other words, the political beliefs of the applicants are either considered by the board or your representatives.

Mr. ALDRICH. Yes, sir.

Mr. SIMPSON. No undesirables would get that fellowship other than what the State Department O. K.'d?

Mr. ALDRICH. That is correct, sir. In our interviews with them that is disclosed, or at least we try to have it disclosed.

Mr. KEELE. Do you have any trained investigators checking them other than the men that you have mentioned?

Mr. ALDRICH. No, sir.

Mr. KEELE. The embassies or consulates over there will not give a visa to those people until they have been checked; is that right?

Mr. ALDRICH. That is correct, sir.

Mr. KEELE. I have no further questions.

Mr. ALDRICH. Thank you, gentlemen.

Mr. FORAND. The committee will be in recess until Friday morning at 10 o'clock.

(Whereupon, at 11:50 a. m., a recess was taken until Friday, December 5, 1952, at 10 a. m.)

