TAX-EXEMPT FOUNDATIONS

MONDAY, NOVEMBER 24, 1952

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

The select committee met, pursuant to recess, at 10:10 a. m., in room 1301, New House Office Building, the Honorable Brooks Hays presiding.
Present: Representatives Cox (chairman), Hays (presiding), Ford, and Simpson.

Mr. Hays. The committee will be in order, please.

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

Our first witness this morning is Mr. H. Rowan Gaither, director of the Ford Foundation.

Mr. Gaither, the committee appreciates the opportunity of having your statement. Mr. Keel will direct the testimony.

Mr. Gaither. Thank you.

STATEMENT OF H. ROWAN GAITHER, JR., ASSOCIATE DIRECTOR,
FORD FOUNDATION

Mr. Keel. Mr. Gaither, will you state your name and place of residence, and your position with the Ford Foundation for the record, please.

Mr. Gaither. My name is H. Rowan Gaither, Jr. I am a resident of San Francisco, Calif.; I am an associate director of the Ford Foundation.

Mr. Keel. Mr. Gaither, the committee feels that we would like to know in considerable detail the development of the Ford Foundation and, particularly, the latter phases of its development, because we are fortunate in having an opportunity to see first-hand and hear from those who formulated the policies of the foundation the story of how the largest foundation, and one which is comparatively in its swaddling clothes, and the committee feels, and the staff feels, that there is no better way for us to get an understanding of foundations and how they operate than to have the development traced in considerable detail. So, I am going to ask you, if you will, rather than merely answer the question in a direct, concise way, if you will elaborate, proliferate, a bit on the questions which have to do with the development of the foundation.

First of all, as I understand it, you are a lawyer as well as an associate director of the Ford Foundation; is that not right?

Mr. Gaither. That is correct, Mr. Keel.
Mr. Keele. Would you describe for us your relationship to the Ford Foundation prior to the time you became an associate director, which, I believe, was in what—1951 or 1950?

Mr. Gaither. I was elected associate director in January of 1951.

Mr. Keele. All right.

Prior to that time what had your relationship been to the Ford Foundation?

Mr. Gaither. My relationship with the Ford Foundation started in November of 1948, at which time I had been asked, was asked, by the trustees of the foundation, to direct a study which would advise the trustees on a program and on policies for the administration of that program.

Mr. Keele. Can you tell us how you happened to be selected, if you know, for that position?

Mr. Gaither. I knew one of the trustees of the Ford Foundation, Dr. Karl T. Compton, who, at that time, was president of Massachusetts Institute of Technology.

I was casually acquainted with Dean Donald K. David of the Harvard Business School, who was also a trustee.

I had never met any member of the Ford family or any of the officers of the Ford Motor Co., and I knew none of the other trustees.

It was in October of 1948, I believe, that I received a telephone call from Dr. Compton asking me if I would be willing to come to Cambridge, Mass., to talk to him about a matter which he felt was quite important in the public interest.

I went to Cambridge and conferred with Dr. Compton, and learned that Mr. Henry Ford II was anxious to find someone who could organize a group of men to advise the foundation on its programming policy.

Mr. Keele. All right.

Will you just pick up from there then and tell us what took place from that time on?

Mr. Gaither. Well, I, of course, was very much interested in learning more of the Ford Foundation. I knew very little about it. I had heard that it would receive substantial resources by reason of the gifts of Mr. Henry Ford, Sr., and Mr. Edsel Ford, and Dr. Compton and Dean David related to me the history of the Ford Foundation up to that time.

Mr. Keele. May I interrupt you for one moment there? By the way, how did you happen to know Karl Compton?

Mr. Gaither. During the war, Mr. Keele, I had been assistant director of the radiation laboratory at MIT. You may recall that this was the large laboratory established under the direction of Dr. Bush and the OSRD, to prosecute the radar development for the armed services.

I had been there for 4 years and, of course, had an opportunity to become personally acquainted with Dr. Compton.

Mr. Keele. All right; I am sorry; go ahead now.

Mr. Gaither. Well, after my meeting with Dr. Compton and Dean David, I went out to Detroit at Mr. Ford's invitation, and there I met with Mr. Henry Ford II, with his brother, Mr. Benson Ford, Mr. James Webber, another trustee of the foundation, and also Mr. B. J. Craig.
They discussed very frankly the problem which confronted the trustees in planning the organization of this foundation, and planning Ford’s program.

They discussed very frankly the problems which confronted them as trustees. They said that they had devoted considerable time and discussion as to how they might organize the foundation, in anticipation of the resources which the foundation would receive from the estates of Henry Ford and Edsel Ford when they were distributed.

I understood that they expected distribution of these estates, perhaps, as early as the middle of 1949 or, perhaps, by 1950. They therefore, were very anxious to get on with their planning job so that when they received these resources, which at that time, I think, were reported at somewhere around $300 million, estimated, that they would be fully prepared to discharge their responsibilities.

This, of course, was an intriguing assignment. I was interested, of course, in learning more of the attitude of the trustees, what it was that they really wanted to accomplish by a study of this sort.

I do not know, Mr. Keele, whether you are interested in this much detail, but I will be glad to go into it.

Mr. Keele. Yes. I think so because, as I say, this gives us better than anything else could, I think, exactly how a foundation is put together, at least, how one large modern foundation has been put together, and I think the manner has a great deal to do with it. So, being somewhat familiar with what the story is, I wish you would go ahead in detail.

Mr. Gathder. Well, Mr. Henry Ford II told me that it was the decision of the Ford family and the other trustees of the foundation to organize this foundation as a truly great public trust; the responsibility which was imposed upon them by these very large gifts in the public interest was one which weighed heavily upon them.

They, therefore, wanted the foundation organized as a public trust, but they sought advice as to what this meant, what did it mean in terms of actual operations and actual plans as distinguished, of course, from simply alleging or asserting that the foundation would be a public trust.

I had had a few notions as to what constituted a nonprofit corporation, and what constituted a public trust in the sense of a foundation, so I had several points in mind as the discussion proceeded.

I was interested, first, in learning what the attitude of the trustees might be in terms of the relationship between the foundation and the Ford family. After all, this great wealth had been accumulated by the Ford family, and it had been left or given to the foundation.

I do not know to this day whether Mr. Ford resented my question—I do not think he did—but I got a very direct answer. He said that the decision had been reached that at the appropriate time, preferably at an early time, any control, any semblance of control by the Ford family would be terminated.

The Chairman. Would be what?

Mr. Gathder. Would be terminated; that it was his opinion that this foundation had been dedicated to public purposes, as a public trust, and he felt that it was inconsistent with that purpose to have the control reside in his family or in any other donor family.
That, more than anything else, convinced me that this was a very important undertaking and, frankly, one which otherwise I would have undertaken quite reluctantly.

I had heard, of course, that there was some relationship between the foundation and the Ford Motor Co., and I asked questions pertaining to this. I found that there had been a complete separation between the foundation and the Ford Motor Co. and, in fact, that there had not ever existed any interlock between them.

Mr. Ford had appointed separate counsel, there was no interlock anywhere along the line, and I felt that this was a very significant fact because it was evidence that this would be a public trust, that it would not be used in any way for the benefit of the Ford Motor Co. or would not be influenced by the Ford Motor Co.

Mr. Ford told me also—and this was concurred in by the other trustees, because by this time I had talked to all of them at some length, in fact I think nearly for 3 days—that he wanted and they wanted an expanded program; that theretofore the foundation had been operating in substantial figures annually for philanthropies which had been important to the family, were important, of course, to everyone, but the resources which they anticipated receiving would permit them to have a very expanded program.

So the trustees had spent a good deal of time trying to find out how they might develop a program, because the wills of the two Fords had placed no restrictions on the use of the funds except that they would go to the foundation for the charter purposes, for scientific, educational, and charitable purposes, so that this had to be defined because any worth-while activity, of course, could be subsumed under one of these three categories, but he realized that even with this great fortune which would pass to the foundation, that the trustees would be confronted with the problem of selection among many worth-while things.

The approach that he had in mind, very frankly, intrigued me. He wanted to know what the people of the United States thought this foundation should use its resources for in the interests of the public welfare, and he knew of no better way than to go out and find out what people thought.

If you do not mind, Mr. Keele, I think the best expression of that is a letter which Mr. Ford wrote to me in November—November 22, 1948.

Mr. Keele. I think you ought to read that letter.

Mr. Gathier. This is addressed to me in San Francisco under the date I have just mentioned:

Dear Mr. Gathier: I am most grateful to learn that you will be able to organize and direct a study to recommend to the trustees of the Ford Foundation the policies and program which should guide the foundation in the activities it expects to undertake in the near future.

The foundation was established for the general purpose of advancing the national welfare, but the manner of realizing this objective was left to the trustees. Now that the time is near when the foundation can initiate an active program we think that its aims should be more specifically defined.

The people of this country and mankind, in general, are confronted with problems which are vast in number, and exceedingly disturbing in significance. While important efforts to solve these problems are being made by Government, industry, foundations, and other institutions, it is evident that the needs far transcend the total of present efforts, and that new resources, such as those of this foundation, if properly employed, can result in significant contributions.
We want to take stock of our existing knowledge, institutions, and techniques in order to locate the areas where the problems are most important, and where additional efforts toward their solution are most needed.

You are to have complete authority and responsibility in this undertaking, and you are to have a high degree of discretion subject, of course, to the general policy approval of the trustees in the means you employ and in the choice of consultants and other personnel. We believe that the potential social value of the foundation cannot be underestimated, and we, therefore, want the best thinking available in the United States as to how this foundation can most effectively and intelligently put its resources to work for the public welfare.

Since we now believe that the Ford Foundation will be able to commence an active program in 1950, we would like to have the conclusions of your study by the early summer of next year.

Please feel free to call upon me and the other trustees at any time for any assistance we may render. We all feel the tremendous challenge and we want to put forth our best efforts in the discharge of the great responsibility resting upon us as trustees of this important trust.

Very sincerely,

Henry Ford II.

That, Mr. Keele, I think is the best expression—

The CHAIRMAN. What was the date of that communication?

Mr. GAITHER. Judge Cox, it is dated November 22, 1948.

I think that is the best expression of the objectives of the foundation trustees in 1948: It certainly provided the frame of reference for the study, although the trustees, as you will note from the letter, gave me a high degree of discretion as to how I should proceed and who I might employ to assist me, and made me an independent consultant, so that no one could say that my views were the views dictated by the trustees, but I would have the right to express my own views independently of the wishes of the trustees or anyone else.

I should say that I employed that same theory in the selection of people to assist me. They were independent consultants.

Mr. KEELE. You did go forward and organize a study committee, then, with its staff, did you not, Mr. Gaither?

Mr. GAITHER. Yes, I did; Mr. Keele.

Mr. KEELE. Will you tell us something of the people you selected for that committee, who they were, how you selected them, and what you did, and what the committee did.

Mr. GAITHER. Well, the task I had here was to organize people who could mobilize the best thinking, the best opinion available in 1949 to advise the trustees as to their program and policy.

Therefore the first thing I had to do was to select people in whom I had the right to place confidence, people who had access immediately to leaders of industry, people in Government, men in education, men in foundations—men and women, I should say—in order that they could learn in a comparatively short period of time what the problems were of human welfare, what were the great needs and what might a foundation, with these resources, do about them.

So, I proceeded as rapidly as possible to organize a committee. I hope you will interrupt if I am going too far, Mr. Keele.

Mr. KEELE. I shall feel free to do so.

Mr. GAITHER. But I still was stimulated by the challenge which this foundation had at that time and the way that they discharged it.

The choice that we had, frankly, at least that I thought that we had, was to proceed by going to them, let us say, in medicine and public health and asking them, What are the great needs of medicine and public health, and what a foundation might do?
We could go to natural scientists and ask them the same question; we could go to social scientists, to educators, or the result of that, in my opinion, and I think in the opinion of the trustees, even before they first interviewed me, was that what you would come up with is a well-documented brief on many projects and many needs, all important, of course, but they would not be focused upon the major problems of human welfare if you proceeded by these conventional fields of knowledge or disciplines, as they call it, and if you relied upon the specialties of any individual.

So what we needed here were people who had access to the sources of information and sources of thought in the country, and yet were objective.

They were general—they were generalists in the sense that they could transcend, lift themselves above, the confines of their own training. I would expect a lawyer to forget the administration of justice as being important. It certainly is, and he was to speak to that, but he also was to be perfectly aware of the problems of medicine and health.

I expected this to be done by the natural scientists and the social scientists. I confess that this approach was not the easiest approach, and it may not be a novel approach, but at least it seemed to us to be the one which was most responsive to the directive which we had or I had received from the trustees.

With those thoughts in mind I, as quickly as possible, checked a number of people. I only knew two of them before, but I checked as carefully as I could for these qualifications over a large list of names, and I arrived at the following conclusions as to the people to go on the committee: One was Tom Carroll, Thomas Carroll, dean of business administration, now at the University of North Carolina. At that time he was dean at Syracuse. I had known him earlier when he was an undergraduate at the University of California.

There was Dean William De Vane of Yale; there was Dr. T. Duckett Jones, formerly member of the faculty of the Harvard Medical School. I knew him casually. I had read of his very important research work in one particular field, rheumatic fever, and I had watched with interest during the war some of his projects, and was attracted to him because he had moved out of a narrow specialty and was trying to advance medicine and public health on a broad scale. He had just then accepted the directorship of the Helen Hay Whitney Foundation, and he is still a director of that.

Charles Lauritsen is a physicist. You may recall a description of him in Life several years ago as the great experimental physicist. I knew he was widely associated, and was president of the American Physical Society. I had not met him. He had a very distinguished war career in science, and some of our most important contributions in the proximity fuze or rockets, I should say, he had been the very important scientist. He had been on the Los Alamos project, and he was still interested in many important activities to Government. He is now at California Tech, as he was then director of the radiation laboratory there.

Next was Donald Marquis, chairman of the social-science division at the University of Michigan. He was from Stanford. I had heard of him first on the Human Resources Committee of the Research and
Development Board, and he checked out very well, and I invited him. Then there was Dr. Peter Odegard who, at one time, had been Assistant Secretary of the Treasury. He had been in academic life all of his career, president of Reed College in Oregon, and had just gone to the University of California.

The last was Dr. Francis Spaulding, who died in 1950, but at that time was commissioner of education of New York State. He was highly recommended. These men constituted the committee. I then assembled a small staff to assist me. One was William McPeak, who came to me highly recommended, and the other was Mr. Dyke Brown. They served as my two assistants. I had no other personnel other than those that came in as consultants for temporary times.

Mr. Keele. Mr. Gaither, in selecting these men, I have understood that you were a completely free agent to make these decisions without limitation from the Ford family or from the trustees of the foundation; is that correct?

Mr. Gaither. That is correct. I reported to the trustees, I think, on around November 18, or thereabouts, in an informal but completely attended meeting, that I had selected this committee.

Mr. Keele. In selecting the committee, I gather from what you said here and from what you have said to me at other times, that you sought the advice, the best advice, you could get from any quarter that you felt would be helpful in getting nominations, shall we say, for your committee, and that you relied not only on your own judgment in that respect but the judgment of those people you felt you could trust and who had knowledge of the subject?

Mr. Gaither. That is correct, Mr. Keele.

Mr. Keele. All right.

Now, how did the committee proceed which, I think, is the most interesting part of the story?

Mr. Gaither. Well, they proceeded in a very peripatetic way, Mr. Keele.

In the course of a few months they covered a quarter of a million miles by air travel, and put in about 7½ man-years, not counting the time of the interviewees and conferees; they directly conferred with over a thousand men and women in the United States.

I have not any idea how many thousands of pages of memoranda and correspondence were received, but it was interesting that there was a complete response, a national response, to this approach.

I permitted each member of the committee to play in the other fellow's back yard. Dr. Jones could become quite interested in matters of international affairs; Dr. Odegard, a political scientist, could become interested in medicine, if he wished.

They proceeded to look for the problems. I did not control them as to how they would organize their efforts, and they each organized differently.

Dr. Jones had a committee of doctors—it was a rather formal structure—some of the leading names in medicine were on that and they worked very hard at it, and I think that it is quite interesting that the conclusion that this committee reached was that at that time the foundation should give its first attention to fields other than medicine and public health. This was in no way a reflection on the importance of those fields or of the needs, but I think it is significant
that in the evaluation of problems and needs that they came to this conclusion.

Each member of the committee proceeded differently. They commissioned papers, so to speak; they called conferences, they traveled extensively, and every few weeks we would get together for a formal session to see how we were getting along, what was the evidence that we were building up.

I suppose the best way to describe this is that the committee went to the public; they sought out the men and the women who could give them the best advice. They sought the best literature, and they analyzed the views, and reported as accurately as they could back in our committee meeting, and they did so in writing. They were responsible reports.

Mr. Keele. What was the result of that study that your committee made, Mr. Gaither?

Mr. Gaither. Well, I should say, Mr. Keele, that running in parallel with the work of the committee, which was directed toward finding the problems and the needs, and then evaluating them, coming to some sense of relative importance in order to advise the foundation on a program, while that was going forward, the staff of the study was proceeding with certain policy questions on which the trustees sought advice early in 1949, and prior to the time we could complete the report.

I think it was in January of 1949 that Mr. Ford became interested in how would we increase the board. He wanted to know what size the board should be, what were the qualifications that we should seek in the trustees; in general, what would be the best board that the trustees could possibly get.

They recognized, of course, they had to add additional members to the board, so we conducted a rather comprehensive analysis of this. We drew not only on the experience of business in composing boards, where the scope of the business represented a wide variety of activity, but we also looked at the experience of the trustees or members of the universities and colleges; we talked to the foundation trustees about the experience that they had had, and we came to certain conclusions as to size, qualifications, and what we recommended to the trustees to look for in deciding upon other men to be invited to the board.

This, of course, was important to one of the first steps that had to be taken in the expansion of the program of the foundation and in carrying out the decisions of the trustees that this should be a public trust. This is one of the first studies, Mr. Keele.

Another aspect of it was what, I think, you in the hearing have been calling public reporting or public accountability.

Early in 1949 we sat down and analyzed the question of what are the incidents or implications of a public trust. Well, I think, it is self-evident that there has to be reporting; that the foundation, if it is dedicated to public welfare, it should report to the public.

We recognized that there were certain disadvantages to this. People would try to tailor applications and projects to what they believed to be your particular program. There were others that would shoot at the foundation if there were disagreements as to judgment, but all these factors on balance were outweighed by the positive values, we felt, of public reporting. So we recommended that there be periodic
reporting by the foundation to the public. This meant not only making it available to the press but to give it to the libraries, to the universities, to anyone who requested it.

We thought that this should be at least annually reported. It would be a complete, clear statement of the activities of the foundation, but that was not enough. We felt that in addition there should be a balance sheet showing their assets and their liabilities. We thought they should provide a clear, concise statement of income and expense.

The question then was not whether to adopt this in the opinion of the trustees—this to them was a clear duty upon them, with this conception that they had of public trust; it was only when we do it.

Therefore, we considered the timing, and it was decided that they would announce their general aims as soon as their expanded program had been completed and had been adopted by the trustees.

They should announce their basic policies, as well as their general aims, and indicate, quite frankly and in advance, their principal fields of interest; and in this respect, perhaps, we did Mr. Hoffman a considerable disservice, because he was swamped when he became the president, with thousands, perhaps tens of thousands, of applications. But this was one of those minor disadvantages which, in the opinion of the trustees, was well outweighed by the positive advantages.

We also thought that the precedent established by Rockefeller and Carnegie was one which might follow; their reporting seemed to us to be fully consistent with the standards which we recommended that the trustees establish for the Ford Foundation.

Are you interested in other aspects of this concept of the public trust?

Mr. Keene. Well, I think you have probably illustrated it sufficiently. I think the important thing here is the fact that, one, it was considered a public trust; two, the Ford family felt the foundation should be completely divorced from control by the Ford family or the donors; three, that in determining a plan or program of activities you went to the public rather than imposing upon the work of the foundation the ideas of a limited few.

Then I think this follows along the same line that you have told us here. Supposing you tell us now as to the results of that study, with reference to the areas of activity which were determined upon.

Mr. Gaither. Perhaps one point occurs to me that I omitted here, and that is the action taken by the trustees. There is a distinction between recommendations which we made and the action on these.

Mr. Keene. Right.

Mr. Gaither. I can say very briefly that these policy recommendations of the staff sort that I have mentioned were accepted by the trustees. They were discussed many, many days of meetings, formal meetings, as well as regularly scheduled meetings being involved.

To me, one of the most significant acts occurred in April of 1950. At that time and by that time the trustees had added new trustees, additional trustees.

The effect of this was to place on the board of trustees a majority of people who were unrelated to the donor family, and had no connection, past or present, with the Ford Motor Co., so if you can visualize that board, then you had the donor family in a minority, and disinterested, what I describe as public trustees in a majority.
But the control had not been relinquished at that point because the membership, as distinguished from the trusteeships, was controlled by members of the donor family.

At the motion of Mr. Ford, as I recall it, the articles of incorporation were amended at the April 1950 meeting to make the members and the trustees synonymous, and with that one act, which drew little attention at the time, but with that one act, the trustees then passed control legally—in fact, it had earlier—but passed it legally and irrevocably from the donor family, and I think that was very basic.

Mr. Simpson. I am interested in asking a question.

On theory, as distinguished from tax law, what is the advantage of eliminating the brains—the Ford family—which made possible this foundation? What is the advantage of eliminating them from their usefulness in connection with the handling of the fund? Why is it public policy not to permit them to help direct?

Mr. Gaither. Mr. Simpson, you are asking me to evaluate a question which was considered prior to the time that I became associated with the study for the Ford Foundation. I would say that in this particular incident, knowing personally the members of the family who have worked so hard to organize this foundation, nothing, in fact, was gained. But I think Mr. Ford was interested in the future.

The Chairman. In the public mind is there not a great deal lost from the foundation standpoint in Mr. Ford's severing his connection completely with the foundation?

Mr. Keele. May I interrupt to say that Mr. Ford is on the board; is he not?

Mr. Gaither. Yes, sir; he is chairman of the board.

Mr. Keele. So that he is available for service?

Mr. Gaither. Yes.

Mr. Keele. He is, is he not, Mr. Gaither?

Mr. Gaither. He is available for service, and works very hard at it.

Mr. Keele. I believe you told me he had spent something like 42 working days with the foundation in 1 year; is that correct?

Mr. Gaither. During the course of the study, according to my records, he had spent 42 full working days; I have not any idea how many more days he spent on it.

Mr. Keele. I think the impression, perhaps, has been gained here that when you spoke of, and I spoke of, divorcing the control of the Ford family from the Ford Foundation it was assumed that that cut off all relationship between the members of the Ford family and the Ford Foundation. I think that ought to be cleared up.

Mr. Gaither. I did not intend to convey that impression, Mr. Simpson.

Mr. Simpson. From the tax approach, in part, at least, one purpose is to avoid creating a trust by members of the family for their personal advantages, and exercising their authority for their personal financial advantage.

I have one other question. You touched on this matter of reporting. I would like to ask this: To what extent did the trustees adopt your recommendation with respect to reporting, and does it go to a reporting of the end use of the money, and in detail?

Mr. Gaither. The trustees adopted the recommendation, Mr. Simpson. They issued the full statement of the program, published the study report, published their own trustees' report, and I believe it
was in September of 1950. At the end of 1950 they issued a full financial statement, and at the end of 1951 they issued their first annual report of the expanded program.

Mr. Simpson. Do they list the grants?

Mr. Gaither. Yes, sir; they list the grants, the name of the grantee being clearly indicated, the amount, and, in addition, the purpose of the grant.

Mr. Simpson. Thank you, sir.

Mr. Keele. How are those made available, Mr. Gaither? I mean, you say they published them. Are they available upon request, or are they furnished to libraries, or just how is dissemination made of the published report?

Mr. Gaither. I cannot answer that accurately. I think the first mailing list that was prepared ran into a number such as about 5,000. This goes to not only the press; it goes to many of the universities and colleges, and goes to libraries all over the United States, and perhaps some libraries out of the United States.

I have not any idea how big that list is now. I would be glad to find out. It is available to anyone who wants it.

Mr. Keele. I think, and I suggest to the committee the advisability of making the report of the study for the Ford Foundation on policy and program, which is in this form, an exhibit in this record, and I also suggest to the committee the desirability of making the report of the trustees of the Ford Foundation also an exhibit, and I think that in view of its brevity and conciseness, the second document, the report of the trustees of the Ford Foundation, appear verbatim within the body of the record rather than being attached as an appendix.

Mr. Hays. May I see it?

Without objection, the documents will be included in the record, as indicated by Mr. Keele.

The Chairman. That is, one will be incorporated in the record of the testimony, and the other simply in the appendix.

Mr. Hays. Yes.

(The report of the study for the Ford Foundation on policy and program was received as an exhibit and is on file with the committee.)

(The document referred to, Report of the Trustees of the Ford Foundation, follows):

REPORT OF THE TRUSTEES OF THE FORD FOUNDATION, SEPTEMBER 27, 1950

THE TRUSTEES


Karl T. Compton, chairman of the board, Massachusetts Institute of Technology, Cambridge, Mass.

Donald K. David, dean, Harvard School of Business Administration, Allston, Mass.

James B. Webber, Jr., vice president, J. L. Hudson Co., Detroit, Mich.

John Cowles, president, Minneapolis Star and Tribune Co., Minneapolis, Minn.

Benson Ford, vice president, Ford Motor Co., Detroit, Mich.

Charles E. Wilson, president, General Electric Co., Schenectady, N. Y.

Burt J. Craig, secretary-treasurer, Detroit, Mich.

INTRODUCTION

In the fall of 1948, anticipating final settlement of Federal estate-tax matters and the probable receipt during 1949 and 1950 of income sufficient to permit the Ford Foundation to undertake a greatly expanded program, the trustees author-
ixed the appointment of a study committee to serve as independent consultants to the foundation. This committee was made up of men widely known and respected in such fields as education, medicine and public health, the natural sciences, political science and government, the social sciences, the humanities, and modern business and industry. Members of the study committee were Mr. H. Rowan Gaither, Jr., chairman; Thomas H. Carroll, D. C. S.; Charles C. Larrabee, Jr., D. D.; William C. Devane, Ph. D.; Donald G. Marquis, Ph. D.; T. Duckett Jones, M. D.; Peter H. Odegard, Ph. D.; Francis T. Spaulding, Ed. D. A staff directed by Mr. Gaither served the committee and included Mr. William McPeak and Mr. Dyke Brown, assistant directors; Mr. Paul Bixler; and Mr. Don R. Price.

On November 22, 1948, the chairman of the trustees wrote the chairman of the study committee as follows:

"The foundation was established for the general purpose of advancing human welfare, but the manner of reaching this objective was left to the trustees. Not knowing when the foundation can initiate an active program, I think that its aim should be more specifically defined.

The problems of this country and mankind in general are confronted with problems are vast in number and exceedingly disturbing. While important efforts to solve these problems are being made by government, industry, foundations, and other institutions, it is evident that new resources, such as those of this foundation, if properly employed, can result in significant contributions.

"We want to take stock of our existing knowledge, institutions, and techniques in order to locate the areas where the problems are most important and where additional efforts toward their solution are most needed. You are to have complete authority and responsibility in this undertaking, and you are to have a high degree of discretion, subject, of course, to general policy approval of the trustees, in the means you employ and in the choice of consultants and other personnel. * * * We want the best thought available in the United States as to how this foundation can most effectively and intelligently put its resources to work for human welfare."

The study committee agreed at the outset that the purpose of the study was not to accumulate a comprehensive catalog of projects which the foundation might undertake, but to block out in general terms those critical areas where problems were most serious and where the foundation might make the most significant contributions to human welfare.

The study committee also agreed at the outset that it should view the needs of mankind in the broadest possible perspective, free from the limitations of special professional interests, if it was to discover the most important and most urgent problems and opportunities of human welfare. The study committee invited each member to ignore the confines of his specialty or profession and bring to the committee the best thought in his field concerning the most pressing problems of human welfare generally, whether they lay in his field or elsewhere. Each committee member by agreement respected the boundaries of his own experience and training only for the purposes of administrative coordination.

The magnitude of the study may be suggested statistically. More than 1,000 persons were directly interviewed by the study committee and the staff. Over 7 man-years went into the study exclusive of the time devoted to it by advisers and conferees who were acting without compensation. Materials prepared and accumulated run into many thousands of pages.

In the opinion of the trustees, the conclusions and recommendations of the committee were influenced by and responsive to the best American judgment of our times. Advisers represented every major segment of American life and every major discipline and field of knowledge. In the area of government and international affairs the committee secured the opinions and points of view of officials in State and Federal Government, representatives of the United Nations and its affiliated agencies, business and professional leaders, and the heads of private organizations concerned with world affairs. The presidents of many
leading universities contributed generously. The views of military leaders were sought and obtained. The viewpoint of labor was solicited. Conferences were held with the heads of many small enterprises—often sole proprietorships—as well as heads of large corporations.

It is significant that the General Report of the Study Committee, which followed some 22 special and individual reports, carried with it unanimous committee endorsement.

It is this report which provides the basis for the following report from the trustees of the foundation.

For the trustees:

HENRY FORD II, Chairman.

PART I. HUMAN WELFARE

The purpose of the Ford Foundation is simply stated in its charter: “to receive and administer funds for scientific, educational, and charitable purposes, all for the public welfare.”

Fundamental to any consideration of human welfare is human survival. All efforts to prolong life, to eradicate disease, to prevent malnutrition and famine, to remove the causes of violent accidents, and—above all—to prevent war, are efforts to forward the welfare of man.

Complete freedom of physical standards of living is also vital to human welfare. Living standards finally can be considered high enough only when the inhabitants of the entire world have been freed from undue anxiety over the physical conditions of survival and from extreme preoccupation with obtaining those conditions.

But it is clear that the welfare of man requires far more than mere human survival and the improvement of physical standards of living.

Basic to human welfare is general acceptance of the dignity of man. This rests on the conviction that man is endowed with certain unalienable rights and must be regarded as an end in himself, not as a cog in the mechanisms of society or a mere means to some social end. At its heart, this is a belief in the inherent worth of the individual and the intrinsic value of human life. Implicit in this concept is the conviction that society must accord all men equal rights and equal opportunity.

Human welfare requires tolerance and respect for individual social, religious, and cultural differences, and for the varying needs and aspirations to which these differences give rise. It requires freedom of speech, freedom of the press, freedom of worship, and freedom of association. Within wide limits, every person has a right to go his own way and to be free from interference or harassment because of nonconformity.

Human welfare requires that freedom be enjoyed under a rule of law to guarantee to all men its benefits and opportunities. It calls for justice, self-government, and the opportunity for every citizen to play an effective part in his government.

Human welfare requires that power at all levels and in all forms—political, economic, professional—be exercised with a full sense of social responsibility and the general good. It requires, further, that individuals recognize an obligation to use their capabilities, whatever they may be, to contribute to the general well-being.

It is clear that these requirements for human welfare are in substance the ideals and aims of democracy. The ultimate concern of both is with the individual, and the welfare of the individual can advance only in an environment that encourages individual freedom.

For men can be only as free as the arrangements and conditions of society enable them to be. Men cannot forsake society in search of freedom. They must live together whether they want to or not. All are thrust from birth into an immense network of political, economic, and social relationships. This interdependence can be a curse where men are enslaved by state machines or other men. It can be most fruitful and rewarding where free men work together in confidence and mutual respect.

In the modern world large-scale and complicated arrangements are needed to provide the social and economic and political conditions under which human freedom may be assured and human welfare advanced. This is not to say that political institutions in and of themselves can assure human welfare—or even constitute democracy. Undemocratic institutions may be found in a free, democratic society. Majority rule alone does not guarantee democracy. What dis-
tungishes a democratic society in the respect for others which makes men unwilling to be either slaves or masters. When the democratic spirit is deep and strong it animates every phase of living—economic, social, and political relations among groups and nations, as well as personal relations among men.

In times of uncertainty there is a tendency to resist change out of an illusion that free institutions are made more secure by an unchanging order. This, we believe, strikes at the very heart of democracy. Democracy must do more than declare its principles and ideals; it must constantly translate them into action. For its great strength lies in its ability to move steadily forward toward the greater achievement of its goals and the more complete fulfillment of human welfare—to meet the eternal challenge of change by giving, where necessary, fresh forms to its underlying principles. It is man’s faith in this dynamic ability which assures the survival of democracy.

In the light of these convictions, and in view of their obligation and opportunity to advance human welfare, the trustees of the Ford Foundation therefore state as their purpose the advancement of the ideals and principles of democracy.

PART II. HUMAN NEEDS

The critical problems which obstruct advancement in human welfare and progress toward democratic goals are today social rather than physical in character. The problems and opportunities of our time arise out of man’s relations to man—rather than his relations to the physical world.

How large and far-reaching a domain of interest this may be is seen in even the most general review of the many issues and problems of our time.

Among all problems in human relations, the greatest challenge is the achievement of peace throughout the world. There is vital need for adequate military preparedness to protect the free nations of the world against aggression, and for concerted effort to mitigate current tensions. But there is also the greater long-range need for unremitting efforts to remove war’s basic causes and to build a world foundation for permanent peace.

This is the greatest single issue of our times. In the balance is the very survival of man.

The underlying causes of war are many—poverty and disease, the tensions which result from unequal standards of living and economic insecurity, racial conflict, and the forces, generated by political oppression and conflicting social theories. Half the people of the world are either starving or lack adequate food. Illness and disease are widespread.

Ignorance and misunderstanding, actually fostered in many parts of the world by political censorship of the free exchange of information and ideas, add greatly to the unrest which stems from material lacks. They pose dangers as great as the prejudices induced by the distortion of information. When knowledge goes unshared, the minds of men have no common ground on which to meet.

Such conditions produce unrest and social instability. Men submit to dictators when hunger and frustration undermine their faith in themselves and in the existing order.

Hundreds of millions of dollars and organized effort on the part of men and women all over the world are today focused on this goal of lasting peace. The needs of freedom-loving people everywhere—particularly in relatively undeveloped areas—are seemingly endless; yet the United States is striving at hard cost of blood and resources to strengthen their economies in the belief that on the eventual prosperity of these peoples depends our own, as well as world, security. The working record of the United Nations justifies the faith which created it, though it has not yet proved adequate to the task of ensuring that the rule of law shall govern relations among nations.

Foundation-supported activities can, where such private aid is proper and officially welcomed, assist in the analysis of fundamental issues or policies where our Government or the United Nations may lack objectivity, talents, or time. A foundation can support studies by special committees, individuals, or research institutes where official agencies are hampered by foreign or domestic political considerations or by the appearance of self-interest. It can, in appropriate situations, make available to the State Department or to the United Nations expert knowledge and judgment on important subjects. It can attempt to anticipate problems upon which independent advance thought and study are important to the adequate formulation or execution of policy.

There is constant need, also, for public understanding and support of the policies of our Government and the United Nations in international affairs.
This does not imply that a foundation should sponsor or support activity having as its purpose the propagandizing of the views of the State Department or any other agency or group. To the contrary, it must preserve impartiality and objectivity in all its activities; if the results of such studies are critical of existing policy, their wide dissemination is perhaps even more important.

Although the conduct of international affairs urgently needs men and women of the highest intellectual competence and stature, government is often unable to find, attract, and hold the quality of persons required in sufficient number. Efforts to establish a high tradition of public service and to select and train more and better candidates for public service must be undertaken promptly.

Inevitably linked with the search for peace is the need to strengthen democracy and our own domestic economy. The processes of self-government, designed to keep political power responsive to the people and to express their will in action, are often seriously affected by lack of citizen participation in government and civic affairs, and by ineffective governmental machinery.

Ways must be found to reduce misunderstanding and downright ignorance of political issues, personalities, and public needs, and to increase constructive participation.

There is need to achieve increased economic stability, both at home and abroad, with a satisfactorily high output and the highest possible level of constructive employment. Despite the fact that our industrial economy is the most productive in history, it is still characterized by booms and by depressions which cause suffering and waste and create social and political tensions.

The lack of industrial peace continues to result in diminished individual and business earnings, in reduced output, and in public inconvenience and social friction.

There is need for every citizen to have some adequate understanding of the economic institutions, problems, and issues in our industrial society. Economic questions underlie government policy, affect the daily existence of every citizen, and are world-wide in their implications.

It is important to our own economy as to our search for peace is the need to strengthen, expand, and improve our educational facilities and methods.

Democracy requires equal and unlimited opportunities for education and educational institutions geared to the needs and goals of society as a whole. It is impossible to emphasize too strongly that, "No society can long remain free unless its members are freemen, and men are not free where ignorance prevails."

Even in this country persons of all races and colors do not have equal access to education. The advantages of education are also walled off behind economic barriers. Free tuition alone does not guarantee all children a chance to attend primary and secondary schools. Some are barred by such things as the cost of books, clothing, and supplies; others must drop out because their families need the money they can earn. The poorer families, and those composed of members of our minority groups, are the ones most urgently requiring educational opportunity to improve their economic and cultural status. Yet they are the very ones against whom these educational barriers loom highest, and in consequence their cultural and economic inequalities tend automatically to be inherited.

The high cost of college and of higher education in general makes real equality of opportunity impossible. More and more of the financial burden is being thrust upon the student in the form of higher tuition fees. In consequence, higher education threatens to become increasingly the prerogative of the well-to-do.

For education to depend so largely on individual economic status presents grave dangers to democracy. We thereby deny to millions of young people an equal chance to make the most of their native abilities; we also deprive society of a vast number of potential leaders and of citizens educated to assume their adult responsibilities—personal, civic, and social.

Perhaps the greatest single shortcoming of our school system is its tendency to concern itself almost exclusively with the dissemination of information. School should be the most important influence outside of the home for the molding of whole persons. Yet individual purpose, character, and values, the bases of which are laid in the home, are often inadequately developed by institutions which could, by precept and deeper teaching, assume a major share in supporting them most successfully.

Education must meet the needs of the human spirit. It must assist persons to develop a satisfactory personal philosophy and sense of values; to cultivate tastes for literature, music, and the arts; and to grow in ability to analyze problems and arrive at thoughtful conclusions. Only thus will graduates of our
schools and colleges attain the wisdom necessary to live integrated and purposeful lives.

If we are to train youth for effective citizenship, we must bring about a satisfactory relationship between general and special knowledge. While specialization is to be encouraged as a proven technique, there is need also to understand how specialized knowledges fit together for the constructive needs of society as a whole. This means more than graduating adequate numbers of specialists and general students; it will require the development in both of an understanding of their relations one to the other and of the relations of both to society. We are today, perhaps, turning out too many graduate specialists who lack a sense of our society as a whole.

Our educational system faces numerous other problems, such as the great shortage and often the poor quality of the teaching personnel at the primary and secondary levels; the pressure of enrollment upon physical plant during the growth of the postwar school population; the apathy of parents and other citizen groups toward school requirements; the difficulties of obtaining adequate financing, particularly in regions of low economic potential; and the slowness with which schools adopt new procedures and aids for teaching.

Attention needs also to be given to the less-publicized types of education which exist outside the schools. The formative and continuing influences of the home, the church, the school, the college and university have been profoundly modified by the enormous development of mass media of communication—newspapers, magazines, radio, movies, television. Because the effects of these are so strong upon the individual and so pervasive from early childhood to the end of life, they present many major problems for society as well as for the individual.

Concerned with individual dignity and well-being, the trustees are disturbed by the extent to which our society fails to achieve one basic democratic objective—the full development and use by each person of his inherent potentiality.

No census can show how many persons in our society labor under the disabling effect of emotional maladjustment. The estimates range widely; some authorities consider emotional maladjustment as the most characteristic social ill of our civilization. In a small percentage of instances this takes the form of crime, delinquency, and insanity. In the great majority of cases it is disclosed in illness, in unstable family life, in erratic and unproductive work habits, and in inability to participate effectively in community life. Maladjustment makes people unable to live happily with their fellows, makes them unwilling to cooperate adequately, or unable to compete successfully.

The lack of satisfactory adjustment manifests itself significantly in the use of leisure time. Shortened hours of work, earlier retirement, and the medical advances which have increased life expectancy, have all made greater demands upon leisure time. Nevertheless, many persons appear unable to find constructive uses for their nonworking hours, and this contributes significantly to personal and social tensions.

The problem of personal adjustment is probably also affected by the nature of the jobs which must be done in a mass-production economy. Many psychologists state that human beings possess a fundamental need to feel the significance of their daily work by close identification with its end result. As clerical and mechanical tasks have become more specialized, as machines have taken over more of the functions formerly performed by brain or hand, this occupational satisfaction and sense of identification with the end result of one's effort has decreased. While mass-production techniques obviously cannot be abandoned, the problem is to develop new sources of satisfaction to replace those lost.

Beyond the need to reduce social unrest and individual maladjustment, there is an even greater challenge in the need for positive steps to provide opportunity for the development by individuals of their full potentials. The mere absence of maladjustment can never be an ultimate goal. By whatever means can be discovered, creative functioning in all aspects of individual and social living should be encouraged.

Considerations such as these have led the trustees to a general conclusion that man must choose between two opposed courses. One is democratic, dedicated to the freedom and dignity of the individual. The other is authoritarian, where freedom and justice do not exist, and human rights and truth are subordinated wholly to the state. This is a critical point in world history.

The democratic course is the choice of the peoples in free countries of the world, and perhaps the hope of tens of millions who are now citizens of totalitarian states. But the making of the choice is not a single, simple act of selection; it is a way of total living, and to choose it means to choose it again and again, today and tomorrow, and continuously to reaffirm it in every act of life.
TAX-EXEMPT FOUNDATIONS

At this crossroad we face two great and related needs. The first is the establishment of a lasting peace. The second is the achievement of democratic strength, stability, and vitality.

To work toward these objectives means attack upon many subsidiary problems, all interrelated, all urgent:

The need for governments, national and international, to be more truly responsive to the people, to be more efficient and at the same time to be grounded more firmly in the active participation of its citizens;

The need to achieve a relatively stable and more healthy economic system with greater opportunity for personal initiative, advancement, and individual satisfactions;

The need to develop more able and public-spirited leaders in all fields of responsibility and endeavor;

The need to improve our educational system for the better development of such leaders and for the preparation of men and women everywhere for the increasing tasks of citizenship and for the conduct of more purposeful and better-rounded lives.

One great need underlies all these problems—to acquire more knowledge of man and of the ways in which men can learn to live together in peace in a complex, conflicting, and ever-changing world.

In recognizing the challenge of these human needs, the trustees are conscious of the breadth and depth of the opportunity revealed. We are conscious, too, of the relatively small part which any private foundation can play in meeting the challenge. But the power of free men and women when moved by faith and high purpose is limitless. In this American spirit of great hopefulness, we have chosen five areas within which to concentrate, for the present, the resources of the Ford Foundation, leaving to others the continued exploration of such vitally important fields as the physical sciences, medicine, and public health.

PART III. FIVE AREAS FOR ACTION

I. The Ford Foundation will support activities that promise significant contributions to world peace and the establishment of a world order of law and justice

The foundation will support activities directed toward—

(a) The mitigation of tensions which now threaten world peace.

(b) The development among the peoples of the world of the understanding and conditions essential to permanent peace.

(c) The improvement and strengthening of the United Nations and its associated international agencies.

(d) The improvement of the structure and procedures by which the United States Government, and private groups in the United States, participate in world affairs.

II. The Ford Foundation will support activities designed to secure greater allegiance to the basic principles of freedom and democracy in the solution of the insistent problems of an ever-changing society

The foundation will support activities directed toward—

(a) The elimination of restrictions on freedom of thought, inquiry, and expression in the United States, and the development of policies and procedures best adapted to protect these rights in the face of persistent international tension.

(b) The maintenance of democratic control over concentrations of public and private power, while at the same time preserving freedom for scientific and technological endeavor, economic initiative, and cultural development.

(c) The strengthening of the political processes through which public officers are chosen and policies determined, and the improvement of the organizations and administrative procedures by which governmental affairs are conducted.

(d) The strengthening of the organization and procedures involved in the adjudication of private rights and the interpretation and enforcement of law.

III. The Ford Foundation will support activities designed to advance the economic well-being of people everywhere and to improve economic institutions for the better realization of democratic goals

The foundation will support activities directed toward—

(a) The achievement of a growing economy characterized by high output, the highest possible level of constructive employment, and a minimum of destructive instability.
(b) The achievement of a greater degree of equality of economic opportunity for individuals.
(c) The improvement of the structure, procedures, and administration of our economic organizations: business firms, industries, labor unions, and others.
(d) The achievement of more satisfactory labor-management relations.
(e) The attainment of that balance between freedom and control in our economic life which will most effectively serve the well-being of our entire society.
(f) The improvement of the standard of living and the economic status of peoples throughout the world.
(g) Raising the level of economic understanding of the citizens of the Nation.

IV. The Ford Foundation will support activities to strengthen, expand, and improve educational facilities and methods to enable individuals more fully to realize their intellectual, civic, and spiritual potentialities; to promote greater equality of educational opportunity; and to conserve and increase knowledge and enrich our culture.

The foundation will support activities directed toward—
(a) The discovery, support, and use of talent and leadership in all fields and at all ages.
(b) The clarification of the goals of education and the evaluation of current educational practices and facilities for the better realization of democratic goals.
(c) The reduction of economic, religious, and racial barriers to equality of educational opportunity at all levels.
(d) The more effective use of mass media, such as the press, the radio, and the moving pictures, and of community facilities for nonacademic education and for better utilization of leisure time for all age groups.
(e) The assistance of promising ventures in education making for significant living and effective social participation.
(f) The improvement of conditions and facilities for scientific and scholarly research and creative endeavors, including assistance in the dissemination of the results.
(g) Improving the equality and ensuring an adequate supply of teachers in preschool, elementary, and secondary-school education, and in colleges, universities, and centers of adult education.

V. The Ford Foundation will support scientific activities designed to increase knowledge of factors which influence or determine human conduct, and to extend such knowledge for the maximum benefit of individuals and of society.

The foundation will support activities directed toward—
(a) The scientific study of the process of development from infancy to old age; of the interaction of biological, interpersonal, and cultural influences in human behavior; and of the range of variations among individuals.
(b) Scientific study of values which affect the conduct of individuals, including man's beliefs, needs, emotional attitudes, and other motivating forces; the origins, interactions, and consequences of such values, and the methods by which this knowledge may be used by the individual for insight and rational conduct.
(c) Scientific study of the process of learning, so that individuals may become more effective in acquiring knowledge, skills, and attitudes and in adapting themselves to the demands of living.
(d) Scientific study of the processes of communications, including their channels and content, and their effects upon human behavior.
(e) The scientific study of group organization, administration, and leadership, for greater effectiveness of cooperative effort and for increased individual satisfaction.
(f) The scientific study of the causes of personal maladjustment, neurosis, delinquency, and crime, and the improvement of methods for prevention and cure.
(g) The development of reliable measures of the effectiveness of professional practices extensively used in psychiatry, social work, clinical psychology, and guidance counseling; and of ways of comparing the relative effectiveness of alternative practices and testing scientifically the theories underlying such practices.
(h) Increasing the use of the knowledge of human behavior in medicine, education, law, and other professions, and by planners, administrators, and policymakers in Government, business, and community affairs.
ACKNOWLEDGMENT

The trustees of the Ford Foundation wish to express their grateful thanks and deep appreciation to all those who contributed so generously and so effectively to the investigations leading to this report.

The work of the study committee, assisted by its staff, represents, in the judgment of the trustees, one of the most thorough, painstaking, and significant inquiries ever made into the whole broad question of public welfare and human needs. Their policy recommendations were accepted unanimously by the trustees and are believed to represent the best thought in the United States today.

The names of those responsible are gratefully listed here. Their own report to the trustees, on which this is based, will be published and copies made available to those interested in its findings and conclusions.

Special thanks are due more than 1,000 men and women in business, industry, the professions—in colleges, universities, foundations, and elsewhere—who most generously contributed through interviews, private memoranda, special studies, and otherwise to the investigations of the study committee and staff. There is not space here to name them all. Moreover, in any such study the contributions of wisdom and insight are so many and so various it is impossible even to know every contributor.

We hope that each individual who assisted in this inquiry will enjoy a deep sense of personal satisfaction from having helped guide the Ford Foundation toward what we hope may be significant and effective contributions to the good of our country and the advancement of human welfare here and throughout the world.

THE STUDY COMMITTEE

H. Rowan Gaither, Jr., chairman: Attorney, San Francisco; chairman of the Rand Corp. and adviser to other nonprofit organizations. Formerly assistant director, radiation laboratory, Massachusetts Institute of Technology; consultant, National Defense Research Committee; faculty member, University of California Law School.

Dr. Thomas H. Carroll, chairman, division of business: Dean of the School of Business, University of North Carolina. Formerly assistant dean, Harvard School of Business Administration; dean, College of Business Administration, Syracuse University.

Dr. William C. DeVane, chairman, division of humanities: Dean, Yale College; Sanford professor of English; director, Yale University division of humanities. Formerly chairman, American Council of Learned Societies; literary editor, Yale Review.

Dr. T. Duckett Jones, chairman, division of medicine: Director, Helen Hay Whitney Foundation; director, American Heart Association; adviser, National Heart Institute. Formerly member of the faculty, Harvard Medical School.

Dr. Charles C. Lawrison, chairman, division of natural science: Professor of physics and director, Kellogg radiation laboratory, California Institute of Technology; member, National Academy of Science; adviser to the Office of Naval Research.

Dr. Donald G. Marquis, chairman, division of social science: Chairman, department of psychology, University of Michigan; chairman, Committee on Human Resources, Research and Development Board, National Military Establishment. Formerly chairman, department of psychology, Yale University; president, American Psychological Association.

Dr. Peter H. Odberg, chairman, division of political science: Chairman, political science department, University of California. Formerly president, Reed College; Assistant Secretary of the U; assistant Secretary of the United States Treasury; member, President's Commission on Migratory Labor.

Dr. Francis T. Spaulding, chairman, division of education: Until his death in March of 1958, commissioner of education and president, University of the State of New York. Formerly Chief, Education Branch, Information and Education Division, United States War Department; dean, Harvard School of Education.

STAFF OF THE STUDY COMMITTEE

H. Rowan Gaither, Jr., director.

William McPeak, assistant director: Planning and organizing consultant to nonprofit institutions. Formerly Division Chief, Information and Education Research Branch, United States War Department.
Mr. Keele. Mr. Gaither, would you tell us now something of the operations—we are going to ask Mr. Hoffman later to tell us more in detail, and we will ask Mr. Ford to tell us the part of the story from the time that he first became acquainted with the foundation until such time as you took over the work of the planning.

First I would like to ask you this: You are not counsel for the foundation, are you?

Mr. Gaither. No, sir; I am not. I am associate director only part of my time.

Mr. Keele. Who are the other associate directors?

Mr. Gaither. The other associate directors are Mr. Chester C. Davis, Mr. Robert M. Hutchins, and Mr. Milton Katz.

The Chairman. Who was the last one?

Mr. Gaither. Mr. Milton Katz.

Mr. Keele. Will you tell us something of the background of those men and their experience and work?

Mr. Gaither. I think Mr. Hoffman could tell you that in much greater detail, Mr. Keele.

Mr. Keele. I think, perhaps, it would be wise to wait until Mr. Hoffman takes the stand with reference to that point.

The Chairman. May I inquire as to who are the incorporators of the foundation?

Mr. Gaither. To the best of my knowledge, there were three incorporators, Mr. Edsel Ford, I believe Mr. Clifford Longley, an attorney in Detroit, and Mr. R. J. Craig. Mr. Ford could answer that.

The Chairman. What was the number of trustees that they first elected, and how are the trustees chosen?

Mr. Gaither. Do you mean in 1936, Judge Cox?

The Chairman. Yes.

Mr. Keele. The foundation was started in 1936, was it not?

Mr. Gaither. It was started in 1936.

I am sorry I cannot answer that. My familiarity with the foundation begins in—

The Chairman. Has the number of trustees increased?

Mr. Gaither. The number of trustees has been increased, Judge Cox. There are now nine trustees, and the recommendation of the study, at least, was that the additional trustees should be added slowly so that the men, of course, could be indoctrinated in their responsibilities and that, perhaps, a desirable size board would be close to 15—12 to 15.

Mr. Keele. What is the eventual number that is thought you will have on the board?

Mr. Gaither. I think the articles place a limit of 15. The Michigan law, as I recall it, permits up to 21. I personally believe 21 is too large, and I think somewhere around 12 to 15 is a desirable number, but only operating experience will indicate the desirable number.

Mr. Keele. Would you tell us something of the deliberations and considerations that entered into the decision to enlarge your board of
trustees, and as to the number to which you hoped to go in having a full board?

Mr. Gaither. Well, the sheer magnitude of the responsibility of the trustees here, the task of adopting a program, organizing, selecting the president, selecting the officers, and then going forward into the actual development of the programs is a staggering responsibility.

It obviously had to be shared by a larger number than six or seven—I have forgotten the number at that time. So we felt an additional number was needed.

So we recommended that it should go to nine as soon as possible, and that recommendation was adopted by the trustees. We recommended that thereafter they should add slowly because you cannot take men and suddenly throw them into a task of this sort and expect them to understand fully the job that they must perform.

So we recommended the rate be slow and that the ultimate number should be indicated, of course, by the experience of the foundation, but looking at it generally from the experience of other organizations, we thought an effective size would be somewhere between 12 and 15.

Mr. Keele. Mr. Gaither, in the work of the staff we have noticed that there tends to be what we call an interlocking directorate on the part of trustees of the foundations. I think that was first pointed out many years ago by Professor Lindeman, in his book on wealth and culture.

In looking over the members of the board of trustees of the Ford Foundation, we have noted that their trusteeships of other foundations or related organizations are comparatively limited. I mean by that, it is limited in comparison with a number of the other foundations.

Was any policy adopted with reference to that very problem?

Mr. Gaither. Mr. Keele, I cannot say that there was any policy adopted. I know of no formal recommendation which was formally adopted.

I know that the subject was considered at some of the informal sessions with the trustees, at which members of the study staff presented their recommendations.

We felt that what the board of trustees, as then constituted should do was to broaden its experience and broaden its interests so that instead of duplicating the qualifications and experience of the men who were on the board, that they should expand and supplement them, that these men should have a broad interest in social, economic, and political affairs, a deep sense of the responsibility which they would have as trustees, an awareness of the responsibilities which they would have to discharge.

That is not something that could be undertaken lightly. This would be particularly true in the formative years.

Therefore, we did consider this question of interlock in a general way. Obviously, a first requirement, in addition to these basic qualifications, would be time to do this job, and men who were heavily committed with other trusteeships and other directorships, would, by reason of that alone, be disqualified.

Secondly, well, I, perhaps, should not put it quite this way, but I think that the attitude was that this responsibility was so great and the opportunity so unique really in the history of philanthropy, they wanted to take a full and fresh approach to it.
I think all of us are sometimes inhibited by our own experiences. I think any one of us who had worked too long in developing a particular program or a particular project in the field of interest might necessarily carry that over into another organization, and I think that was one of the elements that entered into our discussion.

Interlock, however, as such—or I should not say interlock, but service on another foundation, as such—certainly will not exclude a man; in many instances it would qualify him.

Mr. Keele. I think that you might say a word here as to the areas of activity which were decided upon in your plan and program, five areas for action which were decided in your plan, as submitted, or your report, and which were adopted by the trustees.

Would you just enumerate those with some notation, shall we say, of the significance of each of those five areas?

Mr. Gathier. I will describe these very briefly, because I think the best expression of any program is in terms of the activities and, after Mr. Hoffman became president of the foundation and assembled a staff, he proceeded very rapidly to develop a program, so I think rather than to discuss these objectives in any detail—

Mr. Keele. I thought if you would just mention them and leave for Mr. Hoffman the discussion of them, that would be satisfactory.

Mr. Gathier. The study committee proceeded, as I have indicated, by analyzing problems in needs, and then after having evaluated the problems and, I think, this is a sound approach, to find out what are the most critical needs of human welfare, the critical needs of democracy, and so forth, and they then started to narrow.

You cannot narrow too much, but you can narrow it to at least give some guidelines, some standards for program planning.

Five areas emerged, and by an area here I mean a group of problems or a cluster of needs which could be grouped in a rather logical way to call it an area.

Well, it was obvious in 1949, just as it is obvious today, that people were preoccupied with the threat of a third world war. The desire for peace is something which has gone on for thousands of years. It still is the great desire of the American people, and this was a response we were reporting, you see, to the trustees, not sitting around a conference table and trying to give the trustees our ideas; but this was something the people were talking about, this was a pressing problem pre-Korea; and, therefore, we put as the first area this as a goal of the foundation, that the foundation will support activities that promise—it could not guarantee anything, but activities that promise—significant contributions to world peace and the establishment of a world order of law and justice.

Mr. Keele. All right. Your second one?

Mr. Gathier. In the process of this we, of course, became aware of the problems—what some people have called the internal strength of America, the democratic functioning, the democratic institutions and processes, which make us a great nation.

So the second area then was that the foundation will support activities designed to secure greater allegiance to the basic principles of freedom and democracy in the solution of the insistent problems of an ever-changing society.
We also looked at the internal strength of America in terms of its economy. If you pull the bottom out of our economy, your aspirations for peace and other things obviously are a long way from realization. So the third major goal or area we described in this way: that the Ford Foundation will support activities designed to advance the economic well-being of people everywhere and to improve economic institutions for the better realization of democratic goals.

A fundamental underpinning to freedom, to the democratic institutions, is obviously education. It had to come in for great emphasis in the course of the study, so we, therefore, recommended a fourth goal, and that is that the foundation will support activities to strengthen, expand, and improve educational facilities and methods to enable more fully to realize their intellectual, civic, and spiritual potentialities; so promote greater equality of educational opportunity; and to conserve and increase knowledge and enrich our culture.

The last area deals with individual behavior and human relations. We frankly know too little. Many of our—in fact most of our—great social, political, and economic problems require a better understanding of why people behave and why they act as they do as individuals or in groups or in all kinds of organizations, and since this was so interrelated to the other problems which were expressed in the first four goals, we recommended a fifth goal: The Ford Foundation will support scientific activities designed to increase knowledge of factors which influence or determine human conduct, and to extend such knowledge for the maximum benefit of individuals and of society.

Those, Mr. Keele, are the five basic objectives. They are, in very general terms, descriptions of the five program areas of the foundation.

They were announced by the trustees in September of 1950.

Mr. Keele. Now, Mr. Gaither, those represent, do they not, the essence or the distillation of the opinions that you were able to gather through your staff, and members of your study committee; isn't that correct?

Mr. Gaither. That is correct.

Mr. Keele. I believe you have said to me, and I assume you would say it here, that it represents the crystallization of the best thinking you were able to obtain in the year 1949 as to the needs for action by a foundation; is that correct?

Mr. Gaither. That is correct. That was our objective, and I have considerable confidence that we reported the thinking in 1949 quite accurately to the trustees.

Mr. Keele. In other words, that is the composite thinking—

Mr. Gaither. Yes, sir—

Mr. Keele. Of probably thousands of people, the result of many monographs and papers that were written on the subject, and represents the end result of the study made as to what the activities of the Ford Foundation should be at this time; is that right?

Mr. Gaither. That is right.

The Chairman. May I observe that even though a tailor is undertaking to make the finest suit that can be tailored, do not depend too much on that because later he may be undertaking to pick your pocket.

Mr. Keele. What we are trying to show here, what seems significant, is that opposed apparently to the way the earlier foundations went about formulating their program, namely, by calling in a few
people, able as they were, and that you attempted to go out and get
the views of literally thousands of the citizens of the country. That is
the thing that to us, on the staff, at least, is an interesting development
in this foundation, and that is why I think I have tried to lead you
on to discuss this at great length.
I have no further questions at this time of Mr. Gaither, unless the
committee has some.
Mr. Hays. Thank you very much, Mr. Gaither, for a very informa-
tive statement.
Mr. Gaither. Thank you, sir.
Mr. Keele. We would like to have Mr. Ford called.
Mr. Hays. We are very glad to have Mr. Henry Ford with us this
morning. Mr. Ford, if you will take the witness chair, we will hear
your statement, sir.
The Chairman (Mr. Cox). Mr. Chairman [Mr. Hays], will it be
possible to make one statement? This young man, if I may call him
a young man—and he is—probably enjoys a greater nature of public
esteem than any other living American.
I deem it extraordinary that he should volunteer to come here and
give us his views on the questions that we are undertaking to inves-
tigate, and I think it is extraordinary that a young man of great wealth
like himself should seemingly consider himself somewhat as a trustee
for the use of the great funds which are his.
Again I say, Mr. Chairman, I think we have been very much compli-
cmented, and I mean complimented, in having this visitation from this
fine young American.
Mr. Ford. Thank you, sir.

STATEMENT OF HENRY FORD II, CHAIRMAN OF THE TRUSTEES,
FORD FOUNDATION, AND PRESIDENT, FORD MOTOR CO.

Mr. Hays. Thank you, Judge. Judge Cox speaks for the commit-
tee, Mr. Ford, in welcoming you before the committee.
Mr. Ford. Thank you very much.
Mr. Hays. We are very much delighted that you could be here to
give us the benefit of your thoughts and your experience in this very
important subject.
Mr. Keele. Mr. Ford, will you state for the record your name, your
connection with the Ford Foundation, and your business or occupation.
Mr. Ford. My name is Henry Ford II. I am chairman of the Ford
Foundation and president of the Ford Motor Co.
Mr. Keele. All right.
Mr. Ford, you have heard Mr. Gaither trace for us the early stages
of the recent development in the Ford Foundation.
I wish you would take us back to the time when you first came
to have an interest in the Ford Foundation, and tell us something of
what has happened in a general way since that time. I believe you
have said it was some time in late 1943, after you had returned from
service, that you first became associated with the foundation in an
active way or at least took an active interest. Is that correct?
Mr. Ford. That is correct; yes, sir.
Mr. Keele. All right. Beginning with that period, 1943, will you
tell us, generally, what has happened in the Ford Foundation?
Mr. Ford. I have prepared a statement, Mr. Keele, of 4 or 5 minutes' duration, which I can read; or, if you prefer, I can answer your questions specifically.

Mr. Keele. I think that statement will be helpful. I have seen it. You have pretty well encompassed the answer to that question, and you may read it, if you will, with the permission of the committee. It will be very helpful.

Mr. Ford. Thank you.

Mr. Hays. Yes, sir.

Mr. Ford. We believe that the history of the Ford Foundation actually falls into three phases. The first phase covers roughly the 12 years from 1936 to 1948.

During this time our operations were limited in character. The foundation during those years was never in a position to spend in any one year much more than about $1,000,000.

Approximately 50 percent of the grants during those years were made to educational and charitable institutions which had been established some years before by my grandfather and my father.

This seems, in my estimation at least, a natural thing to have done because certainly the foundation was formed, in part, to provide a convenient means for carrying on the many obligations of the Ford family to education, charity, and scientific progress.

Two of the institutions established by my family were particularly important to them—the Henry Ford Hospital and the Edison Institute, named after Thomas Edison.

From the first, the hospital was designed to be the best of its kind, experimental in many respects, scientifically progressive in all respects.

From what I have been told, the Edison Institute grew out of my grandfather's belief in the opportunities in America for those who follow such basic precepts as honesty, thrift, hard work, and ambition.

It was a question whether either of these institutions could ever be self-supporting, and the foundation was looked on as the best way to meet their deficits and assume them.

Incidentally, the Ford Hospital admitted more than 27,000 patients last year, and in addition there were nearly half a million calls made in the out-patient department, and this year so far 648,000 people have come from all over the country to visit the Edison Institute.

Phase 2 of the foundation's history was forecast as early as 1946 when it became clear that the administration of my father's estate was nearing an end. It was known, of course, that much of his estate would become an asset of the foundation.

With the prospect of enormously increased resources thus available to the foundation, our trustees realized that a careful planning for expanded operations was needed—that planning which Mr. Rowan Gaither has just explained to you.

Preliminary studies were conducted and, although they were helpful, the more comprehensive study which Mr. Gaither undertook was decided upon. The trustees drew heavily on the recommendations of this study group in adopting late in 1950, as you have already heard, the general program that the foundation is following today.

Mr. Paul Hoffman agreed to take the presidency of the foundation late in 1950, and he will be able to tell you the methods used to make
effective the various program commitments agreed upon by the trustees.

Mr. Hoffman is the organization's principal executive, and the trustees have placed on him and his associate directors the duty of devising the means for most effectively reaching the goal established by the trustees in their report.

The third phase, of course, is the future, and I would like to comment on this briefly because you may find useful some of the views that have been talked over by the trustees of our foundation.

It seems clear to us that foundations have played a unique and most constructive role in American society, and that they can continue to play such a part.

We believe that foundations, by and large, provide what someone has called the venture capital of philanthropy. There is a large area in human affairs that cannot adequately be attended to by unorganized charity and, in our estimation, at least, should not be attended to by government. It is in this area we think that foundations can do the most good.

To do so they must from time to time pioneer, under right experiments, and encourage programs and projects that might otherwise never have a chance.

Like any human institution, a foundation is bound to make mistakes. We are certainly aware of the possibility of mistakes and criticism in a program of the kind we have undertaken, dealings, as it does, with the problems of peace, human behavior, education, and the like.

But in the judgment of the trustees of the Ford Foundation——

The CHAIRMAN. Just a moment. You say "peace, human behavior, education," and what?

Mr. FORD. And the like, sir.

Mr. KEELE. And "the like."

Mr. FORD. But in the judgment of the trustees of the Ford Foundation it is better to risk mistakes in enterprising efforts to help solve such important problems than to leave the problems unsolved.

I think it is in order here for a minute to tell you something of the function of the trustees of the Ford Foundation.

During most of the first phase of the foundation's history, the trustees were all associated with the Ford family and company in some way or another. As I have indicated, the foundation program was devoted largely to the support of charitable institutions in which the family had a long-range interest.

The first step in a continuing effort to broaden public representation on the board was taken in 1945, when the late Mr. Gordon Rentschler was made a trustee. He was followed by Dr. Karl Compton in 1946, Mr. Donald David and Mr. James B. Webber in 1948.

Since that time, five additional board members have been added: Mr. Charles E. Wilson, formerly of Washington, and the General Electric Corp.; Mr. John Cowles, Mr. Paul Hoffman, Mr. Frank Abrams, and Judge Charles Wyzanski, Jr.

Of these, only Messrs. Webber and David have any other connection with the Ford name or interests. Both, as you know, became directors of the Ford Motor Co. after they had been elected trustees of the Ford Foundation.
My brother Benson and myself complete the trustees of the foundation.

It has always seemed in the best interests of the foundation, at least as long as a majority of its assets are in the Ford Motor Co. stock, to have foundation representation on the board of the Ford Motor Co., men who are not members of the Ford family and not owners of voting stock of the Ford Motor Co.

None of my fellow trustees regards his job as a soft berth or as anything but a public responsibility of great weight.

The quarterly meetings of the board run from 2 days to a week in length, and between meetings the trustees are required to keep abreast of the continuous flow of material from Mr. Hoffman's office and those of his associates.

In choosing new trustees, the trustees of our foundation have sought out men with wide experience in their respective fields, and with the demonstrated interest in philanthropic activity and with the willingness to devote the great amount of time that is needed to keep abreast of the varied activities of the foundation.

We intend to expand the board still further in the future. We also hope to make the foundation ever more responsive to the public purposes for which it was created. Thank you.

Mr. Keele. Mr. Ford, have you commented on the fact that in the early period from 1926 to 1948, a 12-year period, the benefactions or gifts, grants of the foundation, averaged a little more, let us say, than a million dollars a year, and were confined largely to the two items that you have mentioned: the Ford Hospital and the Edison Institute.

Now, beginning in 1948, there was a complete change in the program or the area, let us say, of activity that you hoped to enter; is that not right?

Mr. Ford. Yes, sir.

Mr. Keele. And that was because of the fact that at that time your father's estate and, possibly, your grandfather's—I am not sure of that—would approach settlement, and there would be available to the foundation greatly amplified funds and income.

Mr. Ford. Yes. Up until that time our income was relatively small, and it appeared that in about 1950 we would receive the income from the estates of my father and grandfather to spend on these purposes for which the foundation was established. Therefore, in the year 1948 we asked Mr. Gaither and the people whom he assembled, which you have already heard, to make this study report for the trustees.

Mr. Keele. All right.

Now, Mr. Gaither told us, as you heard here, of your determination to divorce the control of the foundation from your family or the members of your family, and it has been suggested here that possibly that might deprive the foundation of the abilities of your family.

Would you tell us why you made that decision, and what your thinking was in connection with it?

Mr. Ford. Well, we thought that the amount of funds that would be available in this public instrument was of such magnitude that it would hardly be right for one family to have the decision as to the distribution, in how they should be spent for educational, charitable, and scientific purposes.

Further than that, I think it was said, and probably justifiably so, that people have left their moneys to charitable organizations so that
they can keep control of it, and we felt that this trust was so large that the family should not have control of it.

Naturally we want to—we feel that we have an obligation as a family to—carry out to the best of our ability the desires of our forebears, and we intend to do so; I am speaking of my brothers and myself. We intend to do our part as a trustee of the foundation.

However, we felt that for the benefit of the whole thing it would be better to have the members and the trustees the same, and also have a majority who were not either connected with the Ford Motor Co. or members of our family, so that, if a matter came to a vote within the foundation, we would not have the control.

Mr. Keele. You do, however, do you not, take an active part in the affairs of the foundation, as any other trustee does?

Mr. Ford. Yes, sir; I do.

Mr. Keele. I assume, to some extent, a greater part inasmuch as you are chairman of the board?

Mr. Ford. Yes, sir.

Mr. Keele. And your brother Benson is also a member?

Mr. Ford. That is correct, Mr. Keele.

Mr. Keele. And a member of the board of trustees.

Mr. Ford, it has been suggested many times—and you have heard this, I am sure—that the whole scheme and plan of the Ford Foundation was a method whereby the Ford family could retain control of the Ford Motor Co. Would you care to say something along that line as to your views and your understanding of that?

Mr. Ford. Well, at that time the foundation was started in 1936. I was not actively connected with the company or with the foundation. As a matter of fact, I was in prep school, so anything that I may say is simply from having heard the story recounted, and I do not ever recall having heard it directly from either my grandfather or my father.

But if you put yourself back into 1934, 1935, our country was in a somewhat different condition than it is today, and my family had undertaken certain obligations, as I have just described, in the hospital and in the Edison Institute, that they felt they were obligated to keep up, and they were not sure just how that could be accomplished if the country were going to stay in the condition that it found itself in 1933 and 1934.

I think that was one of the reasons they wanted to start this foundation; in other words, to carry on their obligations to charity, as they saw them.

Certainly, there may have been some other reasons, and far be it from me to say that some may not have been to get this stock in one's hands, that may be with the possibility that they could still maintain a certain relationship between their stock and the operations of the company.

Mr. Keele. Perhaps we ought to say something at this point as to the financial structure of the foundation.

The Chairman. Let me emphasize the significance of the statement he made, and that is that the Ford family, in the accumulation of great wealth, considered it to be the obligation that rested upon them, the members of the family, to spend the fund for the public good.
Mr. Keele. I was about to ask you, Mr. Ford, about the assets of the foundation. They consist, as I recall it, of primarily the common nonvoting stock of the Ford Motor Co.; is that correct?

Mr. Ford. That is correct; yes, sir; not a hundred percent of it, however, sir.

Mr. Keele. I believe you have said approximately 90 percent or, perhaps, more than that of the nonvoting stock of the corporation, that is, of the Ford Co.?

Mr. Ford. Yes, somewhat more than 90 percent of the nonvoting stock.

Mr. Keele. All right.

There is no connection, as I understand it, between the foundation and the Ford Motor Co. other than the fact that the foundation does have as its principal asset something in excess of 90 percent of the nonvoting stock of the Ford Motor Co.; is that correct?

Mr. Ford. Other than the fact that Messrs. David and Webber, and my brother Benson and myself are both trustees of the foundation and directors of the Ford Motor Co.

Mr. Keele. I believe it has been your policy in the foundation to avoid having employees of the Ford Motor Co. in the organization of the foundation, other than the trustees that you have mentioned; is that correct?

Mr. Ford. That is correct; yes, sir.

Mr. Simpson. Mr. Ford, it seems to me that inasmuch as the assets of the foundation are largely in the Ford Motor Co., that it would be a matter of good business practice to have substantial representation on the board of trustees of the Ford Motor people. You would not be doing justice to the foundation if you do not keep that in mind.

The Chairman. I rather share that view myself.

Mr. Simpson. The trusteeship, is that self-perpetuating? How do you determine the membership of the trustees?

Mr. Ford. Of the trustees of the Ford Foundation?

Mr. Simpson. Right.

Mr. Ford. Well, the matter of choosing new trustees is one that we have spent a considerable amount of time discussing in the meetings of the foundation, and one which Mr. Gaither gave some time to in the study of his report.

We tried—what we have tried to do, as far as the board as a whole is concerned, is to get a cross section of all types of people in the United States, the best people we can get, the people who are the most qualified, the best qualified, and people who we think can do service to the Nation through our trust, and also people who are willing to give of their time because this actually, unbelievable as it may sound, is a time-consuming job for the trustees.

I was just going, for 1 minute, to say that we have reviewed lists upon lists of various names, and we have put people on in what might seem to be a relatively slow manner, but we felt it was better over the long pull to take people on relatively slowly rather than to go on and, say, put on two or three or four people at one time, and it seems to me that it is very difficult for a person to assimilate what is going on within the foundation and, therefore, we felt that one person coming on at a time would have the benefit of talking and conversing with the other trustees and getting up to date more quickly that way.
Mr. Simpson. Are they selected and elected by the present board?
Mr. Ford. Yes, sir; they are.
Mr. Simpson. I should think that one of the considerations would be a certain amount of business sense, and evidently that would assure some continuity and interest in the preservation of the assets of the foundation.
Mr. Ford. We certainly do.
Mr. Simpson. The welfare of the Ford Motor Co. It should—
Mr. Ford. I agree with you. We certainly want business sense on the foundation. We want people with business acumen and business knowledge, and of general good common sense.
On the other hand, we feel that it would be highly inadvisable to have people who are connected with the Ford Motor Co. in numbers represented on the foundation board of trustees, because we open ourselves, sir, in that way to the accusation that the Ford Motor Co. is controlling the foundation, and is dealing with itself, which we felt would be very disadvantageous and, from a public-relations standpoint, highly inadvisable, sir.
Mr. Simpson. Well, if I may suggest, if you were to be unwise enough to make very poor selections on your board of trustees of the foundation, and were to be profligate with your money, and put it into purposes which were not consistent with these you have discussed so far, I can see how you would not only hurt your foundation but the Ford Motor Co. We want to preserve the foundation, and do that by preserving your assets.
Mr. Ford. I agree with you, sir.
Mr. Simpson. That is all, Mr. Chairman.
Mr. Forand. Mr. Ford, are the trustees of your organization serving without pay, or are they remunerated?
Mr. Ford. No, sir, Mr. Forand; we pay our trustees $5,000 a year. We feel that this is justified, and they earn a great deal more than that.
We feel that they deserve some compensation for the time and effort that they put into our problems.
Mr. Forand. That is a fixed compensation and not based upon the percentage of the assets of the foundation, is it?
Mr. Ford. No, sir; it is just a fixed compensation, and we have never changed it, and we have no plans to change it, sir.
Mr. Forand. Thank you, sir.
Mr. Keele. You gave that matter of compensation of trustees considerable study. I think, did you not, Mr. Ford, or Mr. Gaither did or his group did?
Mr. Ford. We have.
In the beginning we had no compensation and, as the board became large and the amount of time required, and the amount of effort to be put in by each one of the individual trustees increased, and in reviewing what had been done not by business institutions, but, as I understand it, in some cases, by other foundations, it was evident that it was the thing that was pretty generally accepted, and we felt that we would not be criticized for such a move.
We thought it was the only fair thing to do, and we have done it.
Mr. Keele. All right.
You have no reason at this time to reverse your decision in that respect; you feel it is working out well!
Mr. Ford. No, sir. I do not have any reason to reverse it, in my estimation; I do not know how the other trustees feel about it.

Mr. Keele. Those are all the questions I have.

The Chairman. Mr. Chairman, I see no room for unfavorable criticism of anything that Mr. Ford has said. The observation that I might make, and which would be most satisfactory to myself, and best express my views, is that Mr. Ford and his young brother are chips off the old block.

Mr. Ford. Thank you, sir.

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

Mr. Keele. Well, most of the material that we expect to have introduced here will come from Mr. Hoffman. Mr. Ford could tell us much of the same thing as could Mr. Gaither, but to avoid—I have two or three more questions, after you finish, Mr. Simpson, but that is about all.

Mr. Simpson. This is a matter of policy. After an award or a grant is made, are your hands entirely freed from the ultimate use of that money, or do you have a continuing check to make certain that it is used in accordance with the intention of the trustees?

Mr. Ford. Well, we have a follow-up procedure, Mr. Simpson, to see that the money is spent in accordance with the way that we have designated that it should be spent.

In some cases, we actually have our own people, our own paid staff, on the ground to watch this dime by dime, as it were, or penny by penny.

In some cases where we give to larger institutions, we are not able to follow it up into the smallest detail, but we do watch the programs, and we do see that they follow out to the best of our ability the programs to which we gave the money.

We specifically do not give to an institution just because it is an institution. For instance, we would not give money just to Harvard University for the sake of giving money to Harvard University. If Harvard University had a specific program that we felt fell within the five areas, and one which we felt would be within the scope of the things that we would try to do, we would give to such a program.

We would evaluate the program and study the program, and then give to the program, and we would then follow up after the donation had been made to see that the funds were properly used.

Mr. Simpson. Yes.

Mr. Ford. I know you are familiar with the resolution under which this committee was created.

Mr. Ford. Yes, sir.

Mr. Simpson. It is inconceivable to me that with the intent of your trustees or trustees of any foundation with which I am familiar, they would grant money which should be used for purposes which might be termed "un-American" in any sense whatever.

Now, at the same time, this situation is alleged to exist in some places, namely, that foundation money has been used for un-American purposes.

The only way that would be possible, if it exists, is if the will of the trustees was violated, and that is why I inquired whether you have a continuing survey of the use of the money to the extent that you could withdraw if you found that the money was being used improperly.
Mr. Ford. I do not know, sir, whether we could withdraw a particular grant that we had made. We have never faced the situation and, possibly, we could. I would hope that we could if we found out that anything subversive or of a socialistic nature would exist.

Mr. Simpson. Yes, that is what I mean.

Mr. Ford. Actually, we have never been faced with a situation where we have had to withdraw funds for those reasons or for any other reason, and I would be unable to tell you whether that would be legally possible. I could tell you this, that we would never give them another dime, but whether we could take back what we had already given is just a question I cannot answer.

Mr. Simpson. Certainly, the unexpended amount.

Mr. Ford. Yes, we could hold that back; yes, sir.

Mr. Simpson. That is all I have.

Mr. Keele. Mr. Ford, there is one thing that has interested us, and that is the approach that you took to the problem of your activities, what they should be.

Normally, as we understand it, a foundation decides upon a field or an area which it is going to enter. Apparently, the approach taken by your foundation has been to the problems existing rather than to an area or field, and I believe that, contrary to the usual practice or the one we have met most frequently, is this: that you have first selected your program of activity, and then elected your officers; is that correct?

Mr. Ford. That is correct; yes, sir; Mr. Keele.

Mr. Keele. The usual procedure, of course, is for a foundation to select its officers and then determine upon the field or area in which it is going to operate. This may seem a bit personal, but will you tell us what motivated you in selecting Mr. Hoffman as the president or operating head?

Mr. Ford. As you have just stated, we did have the results of the study committee, and had agreed, as trustees, on the areas in which we wanted to operate.

We had made the decision prior to this time that we wanted to have the areas outlined, and from there on we would go and find someone that we felt could best carry out the work as outlined by the study report.

We spent some time reviewing the possible people, and we could never agree on any particular individual to fulfill the job of carrying out the areas, as outlined in the study report.

Mr. Hoffman's name was suggested, and we all readily agreed that he was the fellow who could best do it, in our estimation, in the five areas.

He had certainly had great experience in the problems of maintaining peace, and in furthering our democracy, and in education, and certainly in the behavioral sciences, and although he denies any knowledge of them, I think facetiously, I know he has a great deal of knowledge in those fields.

So we felt, all in all, that he was by far the best fitted to carry out the areas as outlined in the report, and we then went to him, and I gave him a copy of the report and asked him whether he would be interested.

In those days he was still the Administrator of ECA, but I knew he was going to get out, and after reading the report and surveying the problem, I believe he said that in the beginning he did not feel
that he was very much interested, but after he had read the report and had reviewed the areas in which the trustees felt there was something to be done, he felt there was a contribution that the foundation could make, and he accepted.

Mr. Keele. Did you consider at that time the advisability of attempting to obtain the services of some person who had been experienced in the foundation field?

Mr. Ford. No, sir; we did not.

Mr. Keele. You decided that Mr. Hoffman was the man who filled the bill as far as you were concerned, and that he was the man you wanted?

Mr. Ford. Yes, sir; that is correct.

Mr. Keele. Were the choices as to the other members of the staff—I mean those who were the officers and associate directors, and so forth—made on the same general basis?

Mr. Ford. I believe that it is fair to say that the choices of the staff were almost completely left to Mr. Hoffman’s original recommendations, with the approval of the trustees, after he had chosen the specific individuals.

The Chairman. You mean by that Mr. Hoffman has operated as probably the controlling influence in the foundation?

Mr. Ford. In the fact, Judge Cox, that he is the operating head. However, the trustees have final approval on all the donations, appropriations, and grants which the foundation makes, and also we have the right of a veto over individuals whom he might select as important operating people within the foundation.

The Chairman. That is a fair and satisfactory answer.

Mr. Keele. I have no further questions at this time.

Mr. Hays. Thank you, Mr. Ford.

Mr. Paul Hoffman will be our next witness, and the committee will be in recess until 2 o’clock.

(Whereupon, at 12 o’clock noon a recess was taken, to reconvene at 2 p.m. the same day.)

AFTERNOON SESSION

Mr. Hays. The committee will be in session.

Our first witness is the distinguished American, Mr. Paul Hoffman, president of the Ford Foundation. Mr. Hoffman, it is always a pleasure to have you before our committee. We recall with pleasure your previous appearances before many of the standing committees and the very great service that you have rendered the country.

Mr. Hoffman. Thank you, sir.

Mr. Hays. This is a new role for you, but one that we are happy to have you fill, and we will appreciate any help that you can give us in the assignment that Congress gave us in the resolution with which you are familiar.

All of us have but one purpose, and that is to strengthen our defenses, and I am sure that you can be helpful, and we are therefore happy to have you give us your experience and opinion with respect to the problems.

Mr. Hoffman. Thank you very much indeed, Mr. Chairman. We will certainly help as best we can because we do regard this as a cooperative effort, and we think much good will come out of it.
Mr. Hays. Mr. Keene, will you proceed.

Mr. Keene. Mr. Hoffman, will you state for the record your name, place of residence, and your business or occupation at the present time?

STATEMENT OF PAUL G. HOFFMAN, PRESIDENT AND DIRECTOR,
FORD FOUNDATION

Mr. Hoffman. My name is Paul G. Hoffman. My place of residence is Pasadena, Calif. My occupation is that of president and director of the Ford Foundation.

The Chairman. Can you pull the mike a little bit closer? They do not seem to be working too satisfactorily.

(Discussion off the record.)

Mr. Hays. Suppose you just proceed, Mr. Hoffman.

Mr. Hoffman. If they aren’t working, I can raise my voice.

Mr. Keene. All right, would you give us something of your background and experience, Mr. Hoffman, before you went with the Ford Foundation.

Mr. Hoffman. I was with the Studebaker Corp. for 38 years in various capacities, except for one and a half years in World War I.

I was president of Studebaker Corp. from 1935 to 1948. At that time I left the corporation and became the Administrator of ECA, and remained in that capacity until September 30 of 1950, and then on January 1 I became the president and director of the Ford Foundation, January 1, 1951.

Mr. Keene. What made you decide to take a job with the Ford Foundation, Mr. Hoffman?

Mr. Hoffman. As Mr. Ford said, he asked me to have a talk with him some months before I actually took on this post, and asked me if I would be interested in being the director of the Ford Foundation.

I was highly complimented, but almost totally disinterested because I will admit having then had almost 2½ years in Washington that I had a rather nostalgic yearning to get back to private business, but he asked me at the end of our interview if I would be willing to read the study report which Mr. Gaither spoke of this morning, and I said I certainly would be delighted to read it.

I did. I found myself, as I think anyone would, very moved and very excited by the goal set forth in that report, and after I got through that exercise, I told Mr. Ford I would like to have a second interview with him, and I asked him in that interview two questions. I said:

"Mr. Ford, I would just like to know if you and your trustees are as excited about the opportunity by this program as I am."

He assured me that they had become excited long before I had. And the second question I asked him was this. I said:

"You realize that if this program is to make a contribution, a real contribution, it is going to call for very bold and very imaginative action, and you might very well with that kind of action invite criticism, probably unavoidable. Are you prepared to take the criticism that will come if we proceed in a bold manner?"

He assured me that he was; as a matter of fact, I used an illustration with him. I said:
"You know your grandfather, for whom I had very great respect, financed a peace ship to Europe and the peace ship never got there, but it was a very noble gesture on his part. It is quite possible that in seeking these goals, we may launch some ships that won't get to shore, and we will have to take that chance, but if we can get one ship through, it will be worth taking on whatever failures we have to take on."

He assured me that that was the whole spirit with which the trustees and he were approaching this task. And on that I said, "All right, I would love to have the job."

Mr. Keele. What caused you to say to Mr. Ford that you would probably enter fields or do things which might bring about criticism? Was it the program that you had read or was it your ideas of the place of the foundation in society or both?

Mr. Hoffman. Well, I think it is both there. I think that basically if the foundation dollars are to be used most effectively, they should be used in activities that are what I would call of high risk.

In other words, this is I think, as Mr. Gaither said, the venture capital of social progress. If a project or an activity is sufficiently conventional, if it has been proved, it could be financed in some cases by Government.

If, on the other hand, it happens to be the kind of activity which has public appeal, you can get those dollars from the public, but there are any number of activities that can't be financed, should not be financed, by Government because they are highly experimental, and also probably cannot be financed by private subscription because they are either long range in their goals or they don't have any emotional appeal. May I illustrate?

Mr. Keele. Certainly.

Mr. Hoffman. For example, you take the behavioral sciences, this study of what makes us act the way we act as human beings. It would be I think quite inappropriate for the Congress to appropriate money for long-range studies on this subject of human behavior.

It is perfectly all right to appropriate money for scientific research in the field of physical sciences, but in this field, no; it is too intangible. The results are too far away.

You couldn't possibly raise private capital for this purpose because it doesn't have the appeal, for example, of a campaign to raise funds to try and alleviate the cause of cancer, the problems of heart disease. It hasn't that kind of emotional appeal, and yet perhaps we don't know. We have put some eight and a half million dollars in that field in universities trying to train people and get them interested and bring new brains into this field.

It is quite possible that out of those studies within the next decade will come some principles that will be understandable to all us humans, and therefore contribute to every goal toward which the foundation is committed, the goal of peace and the strengthening of democratic institutions, the strengthening of our economy, the improvement of education.

All those goals finally involve human nature, and if we can learn more about human nature, we can certainly proceed with more certainty toward these goals. That is what I mean by foundations providing the risk capital.
I think, Mr. Chairman, you and the Congressmen will agree with me that it would be entirely inappropriate for the Government to devote money for that purpose. It would be impossible to raise private funds, but we can go into that field because we are not a profit-making institution and therefore don't have to worry about producing dividends next year, and we don't have to explain to our voters why we devoted this money for this long-range purpose.

It is only our trustees whom we have to satisfy, who are hard-headed businessmen, but who can of course give us support because there you have a chance to give the explanation necessary to get the individual assent.

Mr. Keene. But to whom in the last analysis do you feel your foundation and foundations generally have accountability and responsibility?

Mr. Hoffman. Well, absolute accountability to the public. A foundation is a public trust. It is accountable to the public, and unless it pursues its goal in that spirit it is not discharging its responsibilities.

Mr. Simpson. Mr. Chairman, do you mind if I interrupt a moment?

Mr. Hoffman. To the extent that you receive tax advantages through a foundation, you are using moneys which otherwise would be used by the Federal Government.

Mr. Hoffman. That's right.

Mr. Simpson. You have suggested that there are limitations upon the Federal Government spending that money if it collected it. How do you rationalize the use of that money which the Government would have in taxes but doesn't get, how do you rationalize the expenditure by foundations for purposes other than what the Government would undertake?

Mr. Hoffman. I think the Government and the foundations must both work in the public interest, but there are practical limitations upon what Government can and should do that don't apply. You know there is this tax exemption. It seems to me that if the public interest is served—and I think we can show you clearly it can be served—that should be the test.

Mr. Simpson. Aren't you saying in other words the fact that there are areas where you as citizens believe experimental work should be done, but the Government, which must be as conservative as are the Members of Congress who are accountable for the money, dares not go into that field?

Mr. Hoffman. I think that is right. I think in a manner of speaking we are your agents, you see.

Mr. Simpson. You are using money in part which otherwise—

Mr. Hoffman. That is right, we are your agents. If we don't use that money in the public interest—but I think you oftentimes have found that you do employ agents who perhaps do spend money in ways that would be very difficult to get a direct appropriation for. I have in mind a number.

Mr. Simpson. It would be unconstitutional in some instances perhaps.

Mr. Hoffman. I couldn't answer that. May I illustrate what I mean?

Mr. Simpson. Surely.
Mr. Hoffman. I was coming to this later. I think it fits here though as an illustration.

In the field of peace to which we hope to make some contribution, we visited with High Commissioner McCloy, of Germany. At the time of our visit there was a great deal of misunderstanding on the part of the Germans, the good Germans, as to the American attitudes, and we asked Mr. McCloy what if a private foundation could make a contribution toward promoting better understanding on the part of the good Germans as to the American attitude.

At that time there was a great deal of furor about the rearming of Germany and a great deal of propaganda on the part of Russia. He said:

"If you would be willing to take a look at the Free University of Berlin and could help them get that university established, it would do more to promote understanding between Germany and America than we could ever accomplish with Government money, because any time Government money goes in, there is a thought that there must be a consideration for it."

We made a complete and thorough investigation. Mr. Ford was with me, Mr. John Collier, Mr. Hutchins, and others, and concluded that that university which you perhaps know serves Berlin, and 40 percent of the students attending the university come from Eastern Germany, often at the risk of their lives—they come there because they want education in a free institution.

In fact, the statement was made to me that the $1,000,000 that we contributed toward that university did more to building understanding and morale than could have been brought about by the spending of many times that amount through Government channels. So I say there is this area in which private foundation funds can be used, definitely it seems to me, in the public interest, where you could not use Government funds for that purpose.

Mr. Keele. Perhaps this might be a good time for you to comment on certain activities and projects of your foundation in Pakistan and Indonesia.

It is not quite the order I anticipated, but I think this is a natural place to pick up the question of whether or not they would accept possibly the funds of Government whereas they will as I understand it, funds of the foundations. Will you comment on that, Mr. Hoffman?

Mr. Hoffman. I will be very glad to. In the first place I want to make it perfectly clear that we have no delusions of grandeur as to what we can do. In other words, we know we can only do a little bit in a few places to help promote peace, but there are these little bits we can do that we think may make a significant contribution.

For example, a group of us visited India in August of last year, which by the way is not a good time to visit India from the standpoint of the weather at that moment.

We visited India. We found a rather high state of tension. We found that there had been much misunderstanding between their Government and our Government, and we had no idea as to the kind of reception we would get, but we had first cleared this with the Indian Government; told them they must not assume that because we visited India there would be any contributions coming, but we would like to take a look.
We were invited by the Government. Mr. Nehru invited us to see him when we first got there.

I don't know how familiar you are with the problems India is facing. They can be summed up in this way. India has a population of 360,000,000 people. It has an annual budget of $800,000,000. It has to defend its country externally and internally against communism, and here is a man upon whom depends the question of whether India goes Communist or does not.

We felt it important that if there be any little thing we might do to promote understanding, better understanding, it would be worth while.

We told Mr. Nehru our purpose was just simply to see if we could help in any way, and he asked us to see his ministers, which we did. Out of that evolved a program for assisting the provinces in the establishment of something that closely resembles our Rural Extension Service.

I think that ours was a very small part of that program, but perhaps did provide a trigger action, and I have good authority that that trigger action resulting as it did in substantial action on the part of the provincial government and the Central Government of India, and on the part of the United States Government, which is now also in the picture, it is entirely probable that the agricultural yields in India will be increased some 20 percent in the next 5 years, which is the difference between an India that hasn't enough food to go around, that has starvation in India, and that at least is operating at a subsistence level.

We can move in there; there is no suspicion of us, because we want nothing. In other words, we are not trying to get a treaty; we are not trying to do anything but work people to people.

If we are ever going to have peace in the world, we have got to have governments working government to government, and we have got to have people working people to people.

Mr. Keefe. That leads now to another question, and that is, What is the basis for determination of the spending of a substantial, fractional but substantial, amount of your funds in foreign countries? I believe the record showed something like 13.7 percent.

Mr. Hoffman. I think it might total a little more than that. I think you have got to relate this all to the goal.

If your goal is peace, contributing toward peace—remember, I said a little bit in a few places—if your goal is that, what you want to do is find the places where those dollars will prove to be most effective in their use.

Now, from the standpoint of this goal, it makes no difference whether the money is spent in Arkansas, if I may say so, or in India. We want a world at peace, and I think that every dollar we have ever spent abroad can be related intimately and closely to the interests of the American people.

If it won't stand that test, then of course it shouldn't be spent.

I know of nothing that is more important to the American people than the achievement of peace. As I say, without exaggerating at all, what we can do, we do feel that projects that will contribute toward that goal, even in a very small way, have almost a first call on our dollars.

Mr. Keefe. Do you supplement the point 4 program overseas in your overseas activities?
Mr. Hoffman. Not quite as formally as that. In other words, let me take another country, Pakistan, where we are also operating, a very important country.

Unless you have visited these new democracies that are struggling to exist in Asia, you can't appreciate their problems, but they are right where we were when our country was being founded.

In other words, the last part of the eighteenth century is now being reproduced in India, Pakistan, Burma, Indonesia, in those countries.

No you take on this question of Pakistan; there you have a country that has its influence throughout the Moslem world. There on the question of programs a very different need developed.

There they have no trained mechanics of any kind. Working with your hands had never been regarded as dignified, and the people who are now running that government, who are in charge of that government, recognize that they must dignify human labor, and they asked us to help establish a polytechnic high school, which we did.

We put some million and a half dollars into foreign exchange to buy the things that they had to buy outside of Pakistan. Pakistan itself furnishes all the labor, furnishes all of the materials that they can get locally, because in every program we put in overseas an effort is made to, No. 1, put the responsibility for the planning of the program on the local people, and secondly, to provide the very largest possible participation by the local people in the project.

In Pakistan I think their contribution went considerably beyond ours, but I think it has a very definite effect and I think it made considerable contribution.

Mr. Keele. Does the foundation enter into any formal agreements with those foreign governments? You have touched on that.

Mr. Hoffman. Yes. We enter into them very definitely. We have a formal agreement with the Central Government of India, which is backed up by agreements with the provincial governments. We endeavor whenever we go into a country to see our way out.

In other words, we don't want the country to become a permanent pensioner, even in a very small way, of the Ford Foundation, so that in India the program in the first year of this 4-year program we are putting up about three-quarters of the money, next year about half, we go down finally so that at the end of the fourth year the provincial governments take over the entire program of training what we like to call these Indian county agents.

The same thing applies as I say in other countries.

Mr. Cox. May I inquire right there, Mr. Keele?

Mr. Hoffman, are the operations of the foundations, or of your foundation particularly, of course, within foreign fields in anywise influenced by our State Department?

Mr. Hoffman. Before we go into any foreign country we consult with everyone about the conditions in that country. In other words, we had long talks with the people in the State Department about India.

Now we are independent, and while we take these safeguards, we never will compete with the Government on a program. If Government funds are available, either Indian Government funds in the case of India, or funds of the United States through point 4, we don't compete. We simply try to find the gaps.
The Chairman. But in the setting up of your programs in India and Pakistan, for instance, are you in a measure controlled by the views of the State Department?

Mr. Hoffman. No; we are not controlled by their views. We do endeavor of course to make sure that what we are doing fits into the broader program.

If it doesn’t, why, it might very well be a waste of money. In other words, we are fully apprised of what the State Department is doing, what is being done through U. N., and it is only after we are convinced that there is need and a very great usefulness for some foundation money in that field, do we go into the country.

Mr. Keele. Are your formal agreements subject to the approval of the State Department?

Mr. Hoffman. Oh, no.

Mr. Keele. I am talking now about formal agreements with foreign countries.

Mr. Hoffman. Strictly between the foundation and the country in question.

Mr. Keele. I assume from what you have said that the State Department is not only consulted in advance, but they are kept advised as to what you are doing.

Mr. Hoffman. Certainly, surely.

Mr. Keele. But there is no formal approval given to your formal agreements, nor are you subject to their direction; is that right?

Mr. Hoffman. That is correct.

Mr. Keele. But you do not operate counter to their views as to what is permissible?

Mr. Hoffman. Oh, no. If the State Department said, “For reasons that we won’t disclose because of high secrecy, we don’t think you ought to operate”—

The Chairman. There are those of us who have the feeling possibly that what the State Department has done as regards India, Pakistan, and many others has been quite radical. Of course, what you are interested in is in cultivating friendship and broadening the influence of your own country. Have you found that Pakistan is more stable and is far more friendly to our country than is India proper?

Mr. Hoffman. I think that was definitely true, Judge a year ago.

From what evidence we have now from our field representative, Mr. Ensinger, who is in New Delhi, and who travels the country constantly, I would say that there has been a very definite change of attitude on the part of India.

The Chairman. Have you found something in the behavior of India that would cause you to feel that she is less interested in Russia and the ideology of communism than has heretofore been true?

Mr. Nehru has a record, you understand, and that record establishes the fact that he lives far to the left. He is, of course, conscientious, learned, and strong, but have you seen anything from what has happened in India proper that would indicate a turning back of that sentiment?

Mr. Hoffman. Yes, I definitely have. There has been a very definite improvement in relations, and from rather long and intimate talks with Mr. Nehru, I concluded that economics wasn’t his field; that he was trying to feel his way; that he came, I think, to the problem with a certain prejudice against capitalism, probably because
some of the capitalists in India perhaps stirred up that prejudice in his mind.

The Chairman. You raise a point right there that is giving concern to lots of people. Speaking of capitalism, there are those who fear, you understand, that the foundations are all creatures of capitalism and have in many instances operated to bring the system into disrepute.

Have you found anything in the record of the foundations that would support the thought that maybe the foundations do too often lean too far to the left?

Mr. Hoffman. Judge, after all, I have been associated with a foundation 2 years only and have been very busy on the affairs of the Ford Foundation, and therefore am not in a position to talk for any foundation except the Ford Foundation.

The Chairman. Confine your remarks to the Ford Foundation. Of course, I know you do not want to pass judgment on any of the others, but just on the Ford Foundation.

Mr. Hoffman. I think a very subtle job has to be done. I happen to believe that we have in America evolved a new kind of capitalism that is very different from the capitalism that you would find prevailing in either Europe or Asia.

I think that while you can go out and preach it, if by deeds we get across interest in this American economy, not by preaching, because it won't work, but by deeds, we promote an interest in American capitalist system.

And I want to tell you that it is only as you learn about so-called capitalism and about socialism in other countries that you can really appreciate what we have here in America.

We have got something terrific, and the rest of the world doesn't know about it, and probably, as I say, they can't learn quickly, but what we have, what we have evolved, is a new form of free society here that is enormously productive and which the benefits of that production are fairly distributed.

As I say, the thing that I was always depressed by in both Europe and Asia was the fact that it is so hard to make the people understand.

We talk about American capitalism. We aren't talking about the kind of capitalism that they have in too many countries.

The Chairman. We have our own kind of capitalism.

Mr. Hoffman. I really feel that the work of the foundations—as I say, I don't want to exaggerate it, because after all, in these goals you are seeking, we are seeking, we have been at it for centuries and billions of dollars have been spent, and we have only a relatively few dollars, so we must not exaggerate what we do, but I really feel that in this work which we are doing abroad, and for that matter the work we are doing home, that we are strengthening this American society, this American way of life, if you want to put it in that way, in a way that perhaps is rather unique and that perhaps only foundation dollars can be used to strengthen.

The Chairman. Do you find anything in the record of the Ford Foundation, taking into consideration the manner in which the funds have been expended, the type of people that it has selected as its managers, as its trustees, that would indicate such an interest in socialism as would justify the criticism that is quite often heard?

Mr. Hoffman. I certainly don't.
The CHAIRMAN. You do not?
Mr. HOFFMAN. I do not; as I say, I think that most of us know too much about socialism, and it is a very anemic form of economic organization. It doesn't work well for the people.

The CHAIRMAN. In your foreign operations, have you confined your interest to countries that are entirely friendly to us? Have you gone into countries that are behind the iron curtain?
Mr. HOFFMAN. The only operation that we have behind the iron curtain is the operation in Berlin.

The CHAIRMAN. Is the Berlin University in the American zone?
Mr. HOFFMAN. Free university in Berlin is in the American zone.

The CHAIRMAN. I did understand you to say that 40 percent of the students of the University of Berlin are from the Russian zone?
Mr. HOFFMAN. That is right.

The CHAIRMAN. And that to the extent that they have been benefited as a result of what you have done, you have to that extent penetrated behind the iron curtain?

Mr. HOFFMAN. I think perhaps that the young people being trained at that free university in Berlin are going to be the future leaders of a free Germany, a free Eastern Germany.

When that will come, I don't know; but they come into the university—you might be interested in knowing the university didn't start until I think 1948, with a handful of students and a handful of professors.

Today it has 275 professors, 5,500 students. These young German boys and girls, I assure you, one of the most thrilling things you could ever do would be to just sit down with them, because they really know how important freedom is.

The CHAIRMAN. Is the University of Berlin as conservative as our great American universities, which could still be far to the left?

Mr. HOFFMAN. Well, I would say from what I know about the free University of Berlin, that it would be a middle-of-the-road institution.

That is where I would peg it.

The CHAIRMAN. Well, then, as I gather from what you say, the purpose of the Ford Foundation is to confine its operations to somewhere near the middle of the road?

Mr. HOFFMAN. Yes; I think that is a fair statement.

The CHAIRMAN. I hope that is true.

Mr. HOFFMAN. Yes; I think so. You yourself said India leans toward the left. We are in India.

Pakistan, I think, is far to the right with their government, although it is a forward-looking government. It is a middle-of-the-road government. I think that is a fair statement, Judge.

The CHAIRMAN. What percent of your grant or your giving goes into foreign countries?

Mr. HOFFMAN. Something less than 17 percent of our dollars go abroad.

The CHAIRMAN. How did you reach that figure?

Mr. HOFFMAN. That just happens that way. We never have put the test of: "Shall we send this many dollars abroad, spend this many dollars?"

What we are after is certain goals. In other words, we are trying, as Mr. Gaither said, to do what we can to bring about peace. We are trying to strengthen the democratic institutions as best we can, our
own domestic economy, improve education, advance the behavioral sciences, and the locale where the dollars should be spent is determined by an effort on our part to get maximum value out of that in terms of the goal we are seeking.

The Chairman. Has the question of whether or not there should be a grant of tax exemption on funds of foundations that went into foreign fields arisen in your mind?

Mr. Hoffman. It never has, because I think the important thing is the goal. After all, what is more important to the American people than peace, and if we can help bring peace by working in Berlin and India, that is of great importance to the American people any way you figure it.

The Chairman. Thank you, sir.

Mr. Keele. To what extent do you follow up these grants made to countries where, shall we say, there are tensions, to see that the funds do not eventually get into the hands of Communist influences or are not available to them?

Mr. Hoffman. As I said earlier, we never finance a vague program. The program we finance is specific, and the terms are set forth in a contract so we know what we are financing and can follow it up very easily.

In India we have a resident agent; we have a resident agent in the Near East where we are also operating. We do not have a resident agent in Berlin, but we have ways to follow up and make sure that money is being spent as it should be spent or as the agreement was to spend it. I think we can say we have whatever follow-up is necessary to make sure that our funds are devoted to the purposes set forth in the contracts and these projects.

Mr. Keele. You might tell us at this time something of the organization that you have in foreign countries. Of what does it consist, and how many people, who those people are, how they are selected, just generally.

Mr. Hoffman. I can give you the precise statistics if I look in my black book. I can tell you we operate with as small a staff as possible.

In other words, Mr. Ensinger we have as resident officer in New Delhi, and are establishing a resident officer in Pakistan. We already have a resident office in Lebanon. Mr. Ken Iverson is following our activity in that area. Also, the only places we have resident agents today because those are the only places we have any programs—

Mr. Keele. What are the duties of resident agents?

Mr. Hoffman. First of all they of course are responsible in part for the development of the program. They bring the proposals to us in some instances.

For the most part, however, our programs are established by a working committee with which we send out from here, and the work of the resident agent therefore is more administrative than anything else. He is to keep in touch with the projects primarily to make sure the money is spent for the purposes for which it was committed, and secondly he is to keep us informed of conditions and keep us informed as to whether we are getting results we hoped for from the program.

Mr. Keele. As I understand it the duties of these resident agents are somewhat different from the duties of the field teams you send out to survey the situation in advance.

Mr. Hoffman. That is right.
Mr. Keele. In other words, there are two stages, I take it, to this expenditure of money over there in foreign countries. One, you send out a team to survey the situation and make recommendations, and secondly you send out your own people to observe the administration.

Mr. Hoffman. After we have the program established, Mr. Keele. You are quite right.

Mr. Keele. And that is the control you have?

Mr. Hoffman. That's right.

Mr. Keele. Or the way, at least, that you follow up these grants?

Mr. Hoffman. That is right.

Mr. Keele. Now you were speaking about middle-of-the-road institutions, but before that you spoke of experimental work.

I wonder if you would explain how it is possible, if it is possible, to experiment in fields which may be controversial and still maintain an attitude of not getting off to the left or to the right.

Mr. Hoffman. Well, most of the work we do is not critical in nature, so that we don't really have this problem of right or left. I will go now into the field of education where we are spending a very substantial part of our annual income right here in America.

I know you are going to call on Mr. Ehrich and Mr. Hutchins later, but I will take one experiment to illustrate this point. There has been, I think, a certain amount of uneasiness among educators as to whether our teachers are being appropriately and well trained, and never does the foundation through its funds attempt to dictate as to what should be done. We merely are glad to finance experiments, and perhaps one of the most challenging experiments we have is going on now in Arkansas.

That is an experiment in teacher training quite different from that practiced as in certain other parts of the country. In other words, it involves major emphasis on the requirement by the prospective teachers of a liberal education, and then their actual training through internships, whereas in some areas the emphasis has been pretty largely on teaching techniques, in other words, high school, and you go to a teaching college and get a thorough training in teaching techniques.

What is involved here is an experiment to see whether through internships through a more formal education a better teaching can result. We don't know. We don't have any preconceived ideas.

That does not involve whether it is left or right, and that is characteristic, I would say, of most of the experiments that we finance. There is no political consideration involved. I am just trying to bring to my mind other projects. There may be some coming along. I can look through the list, but as of the moment I don't recall any where I can say this is right, left, or middle.

The Chairman. Has the foundation manifested any concern over the extreme radicalism that is found in the teachings of this country from the university schools right on down to the high schools?

Mr. Hoffman. I think the approach there is this, Judge: That as these experiments develop, I think the best possible cure for radicalism is knowledge, and as teachers are given the opportunity to acquire knowledge and become good teachers, they, I think, by the very process of learning become less radical.

The Chairman. How long do you think it would take to educate a confirmed Communist teacher out of his Communist leanings? The possibility isn't very great, is it?
Mr. Hoffman. I would say if you mean a hard-core Communist, he is a fanatic and can’t be reached through reason.

The Chairman. They are all more or less fanatical, are they not?

Mr. Hoffman. Yes. As I say, I have no way of knowing how many confirmed Communists are teaching. I don’t think a confirmed Communist would, of course, teach objectively, myself.

Mr. Forand. Mr. Hoffman, does your organization pay over the funds to some individual or always to some organization?

Mr. Hoffman. Almost always through another organization.

Mr. Forand. Rather than directly to some individual, it is through an organization?

Mr. Hoffman. Yes. As a matter of fact we have employed very largely what I would call, because of my business background, subcontracting. In other words, we do a great deal of subcontracting, and we feel in that way we can bring in additional brain power into the operation, and we also can get quicker results.

Mr. Forand. How much study is given to the caliber of the subcontractor?

Mr. Hoffman. I think we do a very thorough job. First of all, we not only check the staff of any organization to which we are going to give money, but we go behind that, and we check their board of directors, and then we also check any other sources of finance they have.

Mr. Keele. How do you check them?

Mr. Hoffman. Well, you check the individuals by methods with which we are all familiar.

I think that if you will give me a list of people for any board of directors, within 48 hours or maybe 72, I can have not only the formal checks that you can get through looking their records up and seeing whether they pay their bills and things like that, but beyond that there is hardly a place in the country that we can’t telephone to people and say, “We are taking a look at this particular organization. What do you know about R. A. Jones? What is his record?”

We can get it on a very confidential basis.

When it comes to sources of funds, unless they are willing to disclose sources of funds to us, we wouldn’t go ahead with it, so it really is not difficult to make the checks that I am suggesting be made.

Mr. Keele. Going back for a moment to the expenditures in foreign countries, are you prepared to say what proportion of the money that is spent overseas by the Ford Foundation is used for the purchase of materials or commodities here in the United States?

Mr. Hoffman. Well, you are getting into the field of economics, and I can just make a broad and general statement that there is no dollar ever spent abroad that does not have to come home to be spent finally, because this is the home of the dollar.

Furthermore, in the present situation of the world it comes home in a great hurry because there is such demand for American goods throughout the world that there is just a desperate need of American dollars, so a dollar that goes out from our shores comes hurrying back to buy something American.

Mr. Keele. Do you have any policy or agreement whether or not foundation dollars spent for commodities must be purchased in the American market or anything of that kind or are they free to purchase where they choose?
Mr. Hoffman. They can purchase wherever they can get the most for that dollar.

Mr. Keele. Would you say something of the nature of the work that is being done under the Ford auspices in Pakistan, for instance?

Mr. Hoffman. I will be very glad to. I said earlier that in Pakistan the problem is training mechanics. That is the real problem. They have automobiles there, they have tractors there, but they have nobody to keep them running.

You have this age-old tradition that it is something undignified, there is something undignified about working with your hands, so that the Pakistani Government asked us if we would not cooperate and collaborate with them in the development of a polytechnic high school—it isn’t really a high school, but they call it that—to train mechanics in those trades and a domestic-science school to train the women in home economics. Those were two separate ventures.

We put approximately a million and a half dollars into the polytechnic high school. Fortunately, we were able to get the deputy administrator of one of the best trade schools in America, from Boston, to go to Pakistan and take this on. He is having a very exciting time building up this polytechnic school there.

My guess is that land, native materials, and labor, taking them together the Pakistani Government is probably putting considerably more in than we are, more into that venture.

Mr. Keele. I would like to ask you whether you asked the foreign governments to match your funds to any extent.

Mr. Hoffman. We have a formal contract with them in which we agreed to put so many dollars for so many things. Most of that equipment has to come from America. We can get some things in England. If we can get them there, that is perfectly all right with us.

We do not specify America, because if the dollar goes to England, say, it only goes there long enough to stop for a few minutes and it is on its way back to America to buy some wheat, so whether it makes a stop along the way doesn’t worry us much. It comes home.

But that is the general way in which we contract. The Indian program is a very different program. I will be glad to give you any details you want.

Mr. Keele. All right, suppose you tell us something about the Indian program.

Mr. Hoffman. In India the problem is food. That is the primary problem, food.

There we found that many of the efforts that had been made to help the Indians had not been too successful because there had been an insistence that they abandon certain of the traditional practices of India, many of the things which we don’t understand and don’t particularly approve of, such as letting the sacred cows run around, and things of that kind.

Well, if you want quick results you can’t begin to knock over traditions in these foreign countries, but we were very fortunate in having with us in our party Chester Davis, whom I consider one of the really great agricultural experts of this country, and he had with him other very competent people, and we found that there had been experiments going on there on the part of one provincial government, in which by doing very simple things they had increased crop yields over one-third. They had used better seed. They dug shallow wells. They used
what they call a green fertilizer, a cover crop, which they plowed under.

Like most people, the Indian farmers—and, incidentally, they put a steel point on the wood plow, and that was about all. Well, those are simple things that cost very little, but there again they found that in order to get acceptance of those better methods, they had to go and demonstrate on the ground. They learned through demonstration.

This had been a 4-year experiment, but so spectacular were its results that what we did was to agree, working with the provincial governments, to establish some 15 training centers, centers that have about 80 to 100 villages in them, and there those centers are demonstration centers in each province and out from those provinces go the men who are trained within that demonstration center.

It is our hope that in time—and as I say, we provided only a trigger action: Point 4 is in there now with a program of some $50,000,000 to provide for seed and things of that kind, and other services. We hope within 5 years perhaps we can reach a substantial percentage of the 500,000 villages in India.

That is quite an undertaking, but it isn't beyond hope at least that by, as I say, this program of which we are playing only this small part, we are taking over because no one else could, really the establishment of a rural extension service in India, working at this central training level.

We are also giving to five agricultural colleges in India funds to expand their programs for the training of men higher up in agricultural echelons.

Allahabad is an American college with practically all Indian instructors; however, we gave that college, which has been operating very successfully for 70 years, I think, or more, $1,000,000 to expand its programs; so, in all, we are providing experts at the various levels right down to the man who goes out and says, "Will you give me a half acre of your ground so I can show you how you can grow more wheat?" We work right from the top down, and that program is in effect.

The Chairman. May I take you back to Pakistan, before you get too far away.

Mr. Hoffman. Yes, sir.

The Chairman. Does prejudice against the use of the hands you referred to exist on the farms?

Mr. Hoffman. No. Your great mass of people are agricultural, of course, Judge. That isn't true of the peasants. You have two classes there, the merchant class and then you have the peasants.

Now they are breaking that down. There are some very exciting things going on in the world. This is perhaps getting away from the main subject, but you have a demonstration of what can be done that the American people know little about, in Turkey.

In 25 years Turkey has been transformed from a feudal state, a state that was living in the traditions of a thousand years ago, a transformation under the leadership of a very great man, one of the great men of the present age, Ataturk, the plans he laid down that today you can say with assurance it is one of the bastions of the free world and is on the road toward being a sound modern democracy.

The Chairman. Do you see that same difficulty in India proper?

Mr. Hoffman. I think that the problem of India is more difficult
than the problem was in Turkey because India has so many divers people. They have Hindus, they have Moslems, they have Christians, and they have some 13 languages they speak in that country. There is only one common language in India, which is English, and they are trying to get away from that, so that the problems faced by India are difficult.

I do think that taking first things first, the first thing I think is to see that people aren't as hungry as they have been.

The Chairman. Repeat that, please.

Mr. Hoffman. I say the first thing is to see that their agricultural production is increased.

You might be interested in this. This program, the Etawah project, called not only for increased agricultural yields but a very simple health service; very simple. It called for education through three grades, and also for what they call a resurgence of certain Indian cultural activities.

That four-point program was carried out with remarkable success in Etawah, and wherever it has been repeated it has had similar success or promise of success.

The Chairman. It just happens I deserve some of the blame or the praise, whichever it might be, for point 4. I was going to ask you your thoughts on whether point 4 has been somewhat abused; but never mind. That's all.

Mr. Hays. Mr. Hoffman, I believe you could profit by a 5-minute recess. Suppose we suspend for about 5 minutes.

(A short recess.)

Mr. Hays. Mr. Keele, will you proceed?

The Chairman. Let me ask a question that might raise some controversy. Mr. Hoffman, have you detected any clashing in the thinking of the Ford Foundation and these other foundations as regards what foundations should probably do in the educational world?

Mr. Hoffman. Perhaps I shouldn't admit that I haven't had a great deal of contact with other foundation officials, principally because we really have been so occupied in trying to get our own program into action. As far as I know, I am not conscious of any conflict, but I couldn't speak with too much assurance about that.

Mr. Forand. Mr. Hoffman, I think those mikes are dead. Will you push them away from you and just lift your voice instead?

The Chairman. We can hear you better now.

Mr. Forand. You have got more volume than the mike.

Mr. Keele. Mr. Hoffman, what has been the press reactions in the foreign countries where you have operated, toward the foundation's activities?

Mr. Hoffman. I would have to say it has been overgenerous. In other words, I think that the press of India, for example, overstressed what we had done in India.

For some reason or other it appealed to their imagination, and the leading peoples of India gave a great deal of attention to the Ford program, and gave us much more attention than we deserved.

Mr. Keele. That was friendly, I take it?

Mr. Hoffman. Oh, yes, very friendly.

Mr. Keele. You were talking at the beginning of your testimony about the role that foundations play and in connection therewith you said that you deemed it to be their function to go into those fields
where government could not properly go in, advisedly could not go in. Are your duplicating point 4's activities in any of those countries? In other words, are you in a field where government actually is working?

Mr. Hoffman. Sometimes we do a little ice breaking and we get in there, but we get out. In other words, the minute point 4 will take over, we move out, because, as I say, our whole theory is that these private dollars will have real significance only as they are multipliers.

If we can break in, get something started by the government, preferably the government of the country in question, that is our whole effort in the first instance, having the government of the country we are working in take over. If they take over, we are out, but if point 4 wants to move in, we move out. In other words, we don't compete. We have too few dollars.

Mr. Keele. You are in the private projects. The moment they follow in behind, you pull out?

Mr. Hoffman. That's right. We do the pilot operations. I think we gave proof in India through our private operations that there was really great promise of success in our undertakings, and within the year both point 4 and the local governments were in. We are on our way out.

Mr. Keele. Are there any other areas besides Pakistan, India, and Berlin where you are operating?

Mr. Hoffman. Oh, yes; we are operating in the Near East, and there is a very different situation there. There we are feeling our way, because there you just have emerging two or three governments that are strong enough, so you could even make a contract with them, you see—just beginning to emerge. There what we are doing at the present time is trying to keep alive those very few institutions that are promoting understanding and good will toward the Western World.

Mr. Keele. What is the attitude of those governments down there with reference to your activities in comparison with their attitude toward the expenditure of point 4 money, let us say.

Mr. Hoffman. Well, as far as I know we have never had any government unwilling to accept whatever help we felt we could offer.

I don't want to name the countries, for obvious reasons, but there are two or three countries of very crucial importance to the free world that, for one reason or another, will not accept government funds. They have been not only willing but eager to have us come in, because they know we come in without any political objective.

Mr. Keele. So that you can operate in certain countries?

Mr. Hoffman. We do.

Mr. Keele. Which you choose not to name where the government cannot operate?

Mr. Hoffman. We are operating.

Mr. Keele. We didn't say very much about the organization here at the beginning of the Ford Foundation. I wonder if we could return to that for a moment and have you tell us what you did when you first went to the Ford Foundation, and especially with reference to the programming of the activities.

Mr. Hoffman. I will be very glad to. These goals which Mr. Gaither gave you and which I have repeated, namely, the goal of peace and the goal of trying to strengthen democratic institutions, strengthen the domestic economy and advance education and pioneer
in the field of behavioral sciences, those are all goals, most of them, at least four of them, are goals that the people have been working toward for centuries, and that billions of dollars have been spent on.

The first conclusion is that we want to recognize that after all we don't have billions, we only have a limited amount of money, and in order to make that limited amount effective, we have got to very carefully select the areas in which we will work, even the areas within those areas, and my first conclusion personally after I got through reading the study report and begin to try to envision how a program might be evolved that would take us toward those goals, my first conviction was that I couldn't do it by myself, that I had to have help and have help quickly.

I told Mr. Ford:

"The first thing I am going to do is to try to get four people associated with me who will approach this task from what I consider to be the right standpoint, and then after I have gotten four associates, then I am willing to sit down and start as a group to do some planning."

It seems to me that these are the criteria that we had to establish. First of all, anyone going into this kind of activity—and some people will and some people won't—have got to have a real devotion to the promotion of human welfare.

Second, they have got to have behind them a rather rich and varied experience, because the program of the foundation is so varied and this problem of selectivity comes into such an extent.

The next thing they have got to have is a good deal of imagination, because following conventional practices won't yield the results we hope for. In other words, it has got to be a hard content of imagination and boldness in the program, or it won't produce the results you want.

If you are going to get that kind of a program, you have got to find people who are bold and imaginative. I wanted also some associates with a great deal of courage so that they could hold my hand and I could hold their hand on occasion when we are engaging in some program we know might invite criticism. I think such programs are bound to develop and we are bound to have failures, and as I say, I wanted to be sure that I selected as my associates in this venture men who had those qualities.

Mr. Keele. Now who are the men that are your associates?

Mr. Hoffman. I will give them to you alphabetically. Chester Davis, whom I mentioned. At the time I selected him he was president of the Federal Reserve Bank of St. Louis. He had a very distinguished career in Government. He also was, I should say, one of the prime experts on resource development, both domestic and international. He has a very excellent knowledge of economics and he also has a great deal of courage.

Next was Mr. Gaither whom you heard this morning and who had, I think, produced the most brilliant study of philanthropy that, as far as I know at least, has been produced on this American scene.

Next was Mr. Hutchins who was, at the time I discussed this with him, chancellor of the University of Chicago. I had the opportunity of knowing Mr. Hutchins because for 15 years I was a trustee of that university, and like all other trustees, while occasionally Mr.
Hutchins would come forward with some program that seemed to be of great departure from the conventional, as some of my other business trustees said to me, if you go back over the last 15 years these programs on which we raised questions about at the time, 95 percent of the cases proved to be programs that had in them real advance. As you know, Mr. Hutchins' father was president of Berea College for years and his brother is now president, and I doubt if there is any family that has a more distinguished record in education than the Hutchins family.

The fourth man I had selected was a man I had worked with for 21/2 years and that is Milton Katz who was the United States special representative in Europe, administering the Marshall plan in Europe part of the time that I was Administrator.

All these men have broad interests, but he brought to the foundation, of course, a very specialized knowledge of activities both designed to produce development within countries and also a very specialized knowledge of the kind of activities that will promote peace. Those are the four men that I selected, and that have been associated with me since the very start of our planning for the work of the foundation.

Mr. Keene. We note one very interesting characteristic of the Ford Foundation, and that is that it has established certain funds that we of the staff have termed a sort of decentralization.

I wonder if you would comment on that structure and why you determined upon it, how it has turned out, the type of men you found to staff that as trustees or as employees.

Mr. Hoffman. I would like to very much indeed. As the five of us got together and began to take a hard look at these goals, we realized that if we operated as just the Ford Foundation—and if I may use my own term—and did no subcontracting, that the results we could get would be limited; that if we wanted to get results quickly and wanted to get results on a large scale, we had to subcontract, bringing in, if possible, existing organizations to do part of the work, which we have done in any number of cases, but, if necessary, create organizations, because what we wanted was brain power.

Now take in this field of advancement of education: As all of us know, that is a field that divides itself naturally between formal education and adult education.

We decided to establish two separate funds and with those funds we wanted to attract not only a staff but also wanted to attract as directors of the funds men who would bring to that activity wisdom and judgment. There isn't a single program that has been carried out in either fields that has not been approved by an independent board, the members of which have a very special interest in one field or the other.

We have been very gratified by the type of person that we have been able to attract into these funds. If I may, I would like to read the names to show you the kind of people who have been willing to devote time to these very vital problems.

For the fund for the advancement of education, Mr. Frank W. Abrams is the chairman. He has had a very great interest in education. He is the chairman of the board of the Standard Oil Co. of New Jersey.
Mr. Barry Bingham, who is the publisher of the Courier-Journal and Louisville Times Co.; Mr. Ralph J. Bunche, who is the Director of the Division of Trusteeship, United Nations; Mr. Charles D. Dickey, who is the director and vice president of J. P. Morgan. He has had a very keen interest in education in various universities, but mostly Yale.

Next is James H. Douglas, Jr., who is an attorney in Chicago; Mr. Burich, who is vice president of the fund. He was formerly president of the State University of New York. Mr. Clarence H. Faust is the president of the fund. He came to us as dean of humanities from Stanford. Mrs. Douglas Horton, formerly president of Wellesley College; Mr. Roy E. Larsen, president of Time; Mr. Walter Lippmann, author and journalist; Mr. Paul Mellon, president of the Old Dominion Foundation of Pittsburgh; Walter P. Paepcke, chairman of the board of Container Corp. of America; Mr. Phillip D. Reed, chairman of the board of General Electric; and Mr. Owen J. Roberts, former Associate Justice of the Supreme Court of the United States.

Well, I think answering certain of the questions I heard this morning that were asked, that that board embodies so much common sense and so much experience that they are not going to approve any crackpot experiments, but they will approve experiments, no matter how bold, that hold real promise.

Mr. Keele. How does that fund operate? What is its connection with the Ford Foundation? What is the relationship?

Mr. Hoffman. It is an independent fund. What they do is come to us not necessarily only once a year but they are now in the process of developing a program for next year. I had better talk about this last year.

The Chairman. What is the source of the fund?

Mr. Hoffman. The fund comes from the Ford Foundation. We are the sole supplier of money to this fund, although that isn't necessarily so.

They are independent and if they wanted to turn from us to someone else they could, but of course we are a reliable source of funds for them.

They came to us last year with a program that called for a total of $9,000,000, and they presented their program. Our trustees are hard-working trustees. They spent a full week going over our program for 1952.

The Chairman. All right, you might return now to Mr. Keele's question.

Mr. Keele. I think that was part of it, Judge.

The Chairman. I may sometimes ask a question that does not seem to be wholly relevant because I am unable to hear all you are saying.

Mr. Hoffman. My voice is not carrying now! I will try again.

The officers of this fund come to the Ford Foundation, the trustees of the Ford Foundation, once a year, and they present a program in general terms.

I mean they might want to spend X dollars for teacher education. They want to spend X dollars to provide fellowships for high school teachers. They want to provide X dollars for scholarships, and that program is either approved or not approved. If it is approved, the funds are made available.
Now when they come to us for additional they have to of course account for the money that was given them in the previous year.

As a matter of fact, we have a running liaison with them, a continuing liaison, so that we know pretty well almost from month to month the results they are getting, but we have over the fund for advancement of education and the fund for adult education about the same power that you in Congress have over an executive agency.

In other words, I can very well recall having to come before Congress and say, “This is the way we spent the money last year. We want this much this year,” and we had to justify what we had done with the money previously given us or we got no more, or had it cut back. Now that is exactly the relationship of the fund to the Ford Foundation, these two funds. Is that clear?

Mr. Keele. All right, do I state it correctly? The fund was set up, several funds, but we are talking about the fund for advancement of education; that fund was set up by the Ford Foundation and it is staffed by men selected by the Ford Foundation?

Mr. Hoffman. As directors.

Mr. Keele. Not staff; trustees or directors. You call these men directors, is that right?

Mr. Hoffman. That’s right. Those directors are selected by the Ford Foundation. Having selected them, you give them complete control of the way in which they dispose of the funds which you grant them.

Mr. Hoffman. That’s right.

Mr. Keele. Subject, however, of course to the fact that when they return and ask for additional funds for the next year, let us say, they have got to account for what they did and present their program for the following year?

Mr. Hoffman. I will have to amend that slightly. They have complete power to spend the money in accordance with the program presented and approved. The program is presented in general terms, not in detail. In other words, they come to us and ask us for funds for we will say a series of projects, and funds are supplied for that program.

Now if they want to go into another field, they have got to come back and they do come back and ask for a supplemental appropriation. But they can’t, without involving themselves perhaps in some trouble, take money that we have allocated to them for fellowships and spend that to build a new schoolhouse out in Idaho. That would not be in accordance with our understanding.

Mr. Keele. But so long as they stay within the limits of the purposes set out by them in their projects, then the manner in which they spend it is a matter of their business?

Mr. Hoffman. That’s right.

Mr. Keele. And are there other funds besides that fund? What are the other funds, Mr. Hoffman?

Mr. Hoffman. Well, we have the Fund for Adult Education in that same field. I don’t think I will take time to read you the list of people, because I think the people are similar in caliber to the people who are on the fund for the advancement of education.

In the field of peace where we are operating, we have two independent funds also. One fund we call the East European Fund. That fund has several purposes. Its purpose, I should say in the first in-
stance, is to finance projects which will add to our knowledge of Russia.

There are some scholarships there provided for individuals who want to make a study of Russia. There is also provision in that fund for publishing monographs from Russian scientists who have escaped and come to America, and I think I can say that out of that work has come material of considerable value at times to our Government and a source of very rich and important information.

That fund also supervises or helps these escapees or emigrees from countries behind the curtain to accommodate themselves to freedom. We do subcontract most of that, and we have found that people coming out of countries where they have led completely regimented lives——

Mr. Simpson. From where?

Mr. Hoffman. These people coming from countries where they had led completely regimented lives were helpless in America. They had been told what to do from morning until night and they put themselves in a country that is free and they just didn't know what to do. You take, for example, these two aviators, as you may recall, who escaped and came to America. One of them voluntarily went back to Russia because he didn't know how to accommodate himself to freedom.

We have found it is very important to provide for reeducation of these people for a certain length of time, and just accustom them to making decisions for themselves, ordering their own lives. That work has been done through a number of organizations, but we think it was important work as long as there was quite a stream of people coming in.

The Chairman. Have you at the present time succeeded in converting any one of these people?

Mr. Hoffman. These people are all people who left the countries behind the curtain; who escaped. They are for the most part escapees or displaced people, and they came here because they wanted freedom.

But still even wanting it, they have to have a little retraining before they can really accustom themselves to freedom.

That fund also has as a subsidiary the Chekoff Publishing Co. The Chekoff Publishing Co. publishes Russian classics in Russian and makes them available on a commercial basis to Russians in this country and throughout the world.

Many of the great Russian classics have been of course on the blacklist of the Kremlin, and to keep alive some of these Russian traditions among the Russian people outside seems to have been no more a useful device than the publishing of some of these books.

Incidentally, the Chekoff Publishing Co. is having unexpected sale of those books among the Russians. They also translate into Russian some of our American classics and make them available to the Russians so that they can have some understanding of American literature.

There again there is an avid interest in all things American, but of course most of the emigrees from Russia living outside of Russia, most of them read only Russian, and the only Russian literature available to them was Communist literature. We are trying to make literature available to them that is non-Communist, and we think that that is performing a useful enterprise.
We think that Chekoff Publishing Co. is doing a most important work and at a somewhat lower subsidy than we thought it would require.

This East European Fund was originally directed by Mr. George Kennan who, of course, had to give up that post when he went as Ambassador to Russia, and in his place Dr. Philip Moseley, of Columbia University, was elected. That is one of the two funds as I said operating in that field.

The other fund is an intercultural publications corporation. That fund is publishing in the first instance a quarterly magazine called Prospectus, which is circulating among—I hate to use the word, but I think it fits—the intelligentsia of foreign countries.

I think every one who has worked abroad is impressed and depressed by the lack of understanding on the part of the foreign intellectuals of American culture. They haven't been subjected to it, it hasn't been available to them because the cost of American magazines, cultural magazines, abroad is prohibitive.

This prospectus is being published in a number of languages. We think it will make a very important contribution to a better understanding of America. Of course, this is a fact that is worth perhaps putting some emphasis on: That in the Far East, for example, and all through Asia most of these new governments are being run today by or are under control of what we would call in America, the intellectuals, and it is very important that those intellectuals have some understanding of America, so we have this fund which is publishing this magazine.

It will probably engage in other ventures of cultural activity, with the purpose of promoting understanding among intellectuals throughout the world of this America of ours.

Mr. Simpson. How is it distributed?

Mr. Hoffman. It is distributed through commercial channels, but at a low cost. It is a subsidized publication. The president of that company, Mr. J. Laughlin, of Pittsburgh, either has just returned or has been in India, where one of the major problems from the standpoint of promoting understanding is this: The Communists flood India with literature at low cost, subsidized cost. In other words, for the equivalent of 10 cents you can buy a book on communism, but the only books that tell about America cost over $2.50, and an Indian hasn't got $2.50.

We are hoping that we can perhaps get into that field in a somewhat larger way and make available to the people who really want to know, the scholars of India—and oftentimes they are eager to make a sound judgment, but they don't have available—

The Chairman. In formulating a program like that, would you use the Indian as your expert to put together this book that you expect to make available to the Indians at low cost?

Mr. Hoffman. This magazine, Judge, Prospectus, is a magazine which gives once every quarter the best of contemporary American literature and also articles on art. That is pure American.

The Chairman. Unhappily we have not been too successful in our programs that we have sought to broadcast to the rest of the world. Take, for instance, the Voice of America. At one time it was—I will not say in disrepute, but it was not regarded as amounting to very much.
Of course, I think it has improved, improved considerably, but I was wondering if the people in this particular undertaking that you referred to were taking pains to guard against repeating the mistakes made by the Voice of America.

Mr. Hoffman. Yes; I think I can answer that affirmatively, Judge, and tell you that we wouldn't do anything in India unless we had counsel and advice from the best-informed people in India.

Mr. Keefe. That was the question you wanted to ask, the formulation of that. He said that they would not formulate——

The Chairman. Oh, I got that. I got the force of his statement. I heard him.

Mr. Simpson. The Department of State approves it also; do they not?

Mr. Hoffman. No; we don't submit anything formally to the Department of State, but we wouldn't go into a project without discussing it, because we want all the information we can get from every source before we ever reach a decision as to a project.

Mr. Simpson. Does the Department of State recognize their limitations in trying to reform foreign countries?

Mr. Hoffman. Well, you are asking a question that I can't——

Mr. Simpson. Do they evidence that by coming to you with suggestions as to where you might be able to spend money?

Mr. Hoffman. Yes; they come to us with suggestions.

Mr. Simpson. Would you care to tell us whether you accept all they suggest or some that they have suggested you didn't agree to?

What I am interested in knowing is whether they are too extreme to the left or——

Mr. Hoffman. No. I don't think that that has entered into it to any extent at all, Mr. Simpson.

Mr. Simpson. Could you tell us some areas you didn't care to go into?

Mr. Hoffman. Well, we had a meeting with various people and they presented programs to us. Well, they wanted us to go, for example, into a very elaborate program in Pakistan that called for the reclamation of waterlogged lands. Well, it was just too big a project for us, though undoubtedly a worthy project.

For the most part the projects that came to us we didn't feel represented the very best use of our limited funds. It wasn't a case of being left or right, but a question of judgment as to how you would get the most for your dollars.

Mr. Simpson. This opens a subject that I am interested in, and that is this: The record made before the committee has been highly favorable to foundations. You and the other witnesses have presented a very fine case as to why they should be continued. I know you believe in them.

Do you think they should be bigger and better? Should they be bigger and better, and more of them?

Mr. Hoffman. Bigger and better foundations?

Mr. Simpson. That's right. Should we encourage as a part of our national policy the growth of foundations, and putting it all in one question, should government make it more attractive to individuals to put their money in foundations than it is today?

Mr. Hoffman. Well, I really feel that foundations such as Rockefeller, Carnegie, and, we hope in time, the Ford Foundation, founda-
tions of this type, have a very great deal to contribute, and I would hope after you hear all the testimony you would all feel the same way. I don’t know how much additional encouragement is needed. In other words, I think the fact that there is a tax exemption is a very great encouragement to people with money to put those funds in foundations.

Mr. Simpson. There is a field, though, you have told us where this venture capital is needed which Government can’t provide or won’t provide.

Mr. Hoffman. That’s right.

Mr. Simpson. At the same time we are told that you are swamped with requests for money, out of which you can pick only a limited number?

Mr. Hoffman. That’s right.

Mr. Simpson. Now, does that mean that there is a great area in which foundations should be allowed to expand and cover more of the field that ought to be gone into but which you can’t because of the limitation in funds?

Mr. Hoffman. I think America would be better off if we had many times the number of foundations that we now have—

Mr. Simpson. You would like it done privately?

Mr. Hoffman. Oh, yes.

Mr. Simpson. As distinguished from government?

Mr. Hoffman. Oh, yes; I am sure of that.

Mr. Simpson. And the State Department having a sort of liaison?

Mr. Hoffman. That’s right.

Mr. Simpson (continuing). Between what they think ought to be done and the private-capital institutions would be advisory and might work together with government?

Mr. Hoffman. That is in the foreign field. Of course, you see, the major portion of our funds have gone into America. The major part of our funds are spent right here at home in the first instance.

I think in the last 2 years our appropriations for education exceed $35,000,000. That may sound like a large sum, but we had applications for over $300,000,000. So, while they all wouldn’t pass the test, I would say that you could use many times the number of millions available today through foundations for American education, to the great advantage of American education, because I am one of those who believe that it is highly important that the independent colleges and universities be kept alive. I don’t want to see higher education in America become exclusively a state enterprise.

Mr. Simpson. You don’t want, I assume, the Government to control the foundations in such a way either to direct the use of their money or to further curtail the ease with which they are created?

Mr. Hoffman. I think, sir, that the point there is I don’t believe the Government should control the operations of a foundation; if they get into operations, I think there will be a curtailment of the freedom necessary to get most effective use of the dollars.

Mr. Simpson. Do you suggest that they still further control the creation of them?

Mr. Hoffman. No. I would encourage their creation. I think it has already been borne out our attitude is that the foundations are a public trust and, therefore, the public is entitled to full information
about their income and about the way they spend their income, and we feel—I think this has already been said in these hearings—that if the foundations operate in a glass bowl you will have self-policing as a result. That at least, I would say, would probably tend to correct most of any evils that may have developed.

Mr. Simpson. I am inclined to agree with you on that; but, to the extent that the Government through the tax power can affect the growth or curtail the growth of foundations, you would prefer that the tax laws be written in such a way that the foundations can expand?

Mr. Hoffman. That is an understatement, sir. I think it is highly important that we give every encouragement to the establishment and expansion of the right type of foundations.

Mr. Simpson. I wonder if you are prepared to concede that legislation that would give this Government the power to look in, you understand, and to guard against the abuse of the funds which the foundations have to use, might be proper; not governmental supervision, not governmental control, but the power to guard against the abuse of the power which the foundations enjoy.

Mr. Hoffman. I only want to be sure that I understood what you meant by “guard against abuse.”

In other words, that I am afraid calls for passing a judgment. That may prove to be necessary. I don’t know, but it seems to me clearly that the first step is to put the foundations in a goldfish bowl so you can see them and let’s see what happens.

It should be perfectly possible; those reports should come to a central place; they should be public reports; they should be available. Anybody interested should be able to look at them, and you will find that the American public can do a pretty good policing job where there are any abuses going on.

My feeling—my guess is perhaps a better way of putting that—is that is about all that you need. Now, certainly it should be, in my opinion, the first step.

If it became evident that it was possible to really find out what all foundations are doing—of course, as you know, we report our operations completely. There is nothing that the Government wants to know about the Ford Foundation that it can’t find out, and that holds true of most of the larger foundations, and I think that that is a good idea, because we take a long, long look at anything.

I don’t think we need that kind of policing, but still I say as a public trust that is our responsibility.

Mr. Forand. May I ask a question?

Mr. Hoffman, you made mention of the translation of the Russian classics and so forth. What kind of check is made upon these translations?

What I mean is this: Once an individual makes a translation, what kind of check is made to see that the translation is accurate and that propaganda doesn’t enter into that translation?

Mr. Hoffman. In the first place, up to the present time the list has been selected for translation by George Keenan and by Philip Mosely and by people who I think probably know as much about Russian classics as anyone, and they tell me that some of the most telling attacks on the present regime in Russia can be found in the Russian classics where they use the power of ridicule to really show
up the kind of tyranny to which the Russian people are now subjected.

As I say, the protection is that the people who select the list to be translated are, as far as I know, the best-informed people we now have.

Mr. Forand. That part is all right.

Now, how about the other part of it? Once a translation has been made, is there a check made of that new translation to see that it is an accurate translation and not translated so as to serve purposes other than which you set out to show?

Mr. Hoffman. As far as I know, you have the usual precaution there. The translation is checked by another person in the publishing house, but these books are also read by some of our principals.

I don't say that it is impossible; and, now that you bring the point up, I am going to find out to make sure we have enough checks so no one could slip in a sly sentence or other, but I have every confidence we will find out it is all right. It is a good question, and I am glad you asked it.

Mr. Forand. I am very much interested in making sure that that is done, because it would be very easy for some of these smart alecks to slip something in.

Mr. Hoffman. It is a good question, and we will certainly check it.

Mr. Forand. That is all.

Mr. Keele. Mr. Hoffman, Edward Embree was considered, was he not, to be a very capable, shall we say, "philanthropoid," a man familiar with foundations and knowledge about that field?

Mr. Hoffman. You are now showing how unknowledgeable I am, because——

Mr. Keele. Let me say this: Edward Embree, as you may or may not know, was for many years a vice president of the Rockefeller Foundation.

Mr. Hoffman. I know the name, and I know the connection.

Mr. Keele. And then he was the president of the Rosenwald Fund. He seemed to be a very articulate spokesman. I am just referring to an article that he wrote that appeared in Harper's in 1949 in which he said, among other things, the following, and I think he said this very well [reading:]

> Occupational diseases that can easily affect foundations are traditionalism and self-preservation.

He was talking about in this—and I will make other references to this—the tendency of foundations to become ultraconservative in their approach to new problems.

What efforts are you making, if any, in the Ford Foundation to avoid that situation?

Mr. Hoffman. Well, I would say that we have the hazard very much in mind, and your protection against the hazard, of course, is people, and if you have the right kind of people you aren't at least in the same danger.

I think there is also a very great protection in this subcontracting principle. In other words, if you subcontract a substantial part of your program, you sit in judgment on that and you aren't under the risk of engaging solely in self-appraisal.

We are doing an arm's-length appraisal of all of the activities carried on by either existing organizations that are not affiliated with
us—you see, we spend a great deal of money, for example, with the Institute for National Education in handling exchanges of people. They get their money from several sources. We are just one of their sources.

We are obviously very critical—I mean, we may have a very critical attitude toward them—and there is no danger of that changing, whereas, if it were just one of our departments, we might not subject our own department to quite the same kind of examination.

I think there is a natural tendency in that direction. So, I think we have a protection in the fact of the kind of people on our board and, I think, in my associates, at least, in the management of the foundation, and I think we have the further protection of subcontracting.

Mr. Keele. Another one of the charges that he makes in this article, and which we have heard repeatedly made, is that there is a tendency toward interlocking directorates and what has been termed intellectual in-breeding, the fact that a trustee of a foundation is apt to be a trustee of a half dozen, or perhaps not that many, but a number of other foundations, and that sort of thing.

Have you considered that problem in the Ford Foundation?

Mr. Hoffman. Well, I think we have a great protection there because our trustees have to put in so much time they just can't take on many other foundations.

You see, we have the one annual meeting which I think this year will extend perhaps 10 days, in which the year's program is considered—a week at the very least—and we have quarterly meetings that usually run 2 days.

Then we officers harass our trustees in between times. We try to see them all at least once in each quarter; so, they are spending so much time on the work of the Ford Foundation that they just can't take on other foundations or other work.

In other words, we really work our trustees, as Mr. Ford suggested. He put in more than 40 days last year.

Mr. Keele. What is the situation with reference to the directors of your subfoundations, shall we say? Are they compensated?

Mr. Hoffman. Yes. We pay them a compensation because again they are worked very hard and make a contribution worth far more than the amount we pay them.

Mr. Keele. What do they receive?

Mr. Hoffman. We pay these directors of these independent funds, not all of them, as some of them serve without compensation, but for the most part they receive $3,000 a year.

Mr. Keele. I suggest, with compensated trustees or compensated directors as it may be, you feel freer to call upon them at all times for their services than if they were acting without payment?

Mr. Hoffman. Not only do we feel freer, but they are all people of conscience; so, they see that we get our money's worth, and more.

Mr. Keele. That was a considerable problem—was it not?—as to whether you would compensate trustees or not.

Mr. Hoffman. Very; yes. I don't except myself, you see. I don't belong to many boards, but the boards I am compensated for I feel obligated, really obligated, to put in enough time to justify that compensation.
The one or two boards I belong to, I think I can pay you a stipend if you come I very rarely attend because I figure: "Well, if I pass up the fee's O.K."

We find that there is a very real value in compensating the directors of these funds. In fact, we get about 10 to 1, I would say, or 20 to 1 or 100 to 1 in the way of brain power from what we pay.

Mr. Keele. Now, the Ford Foundation has approached its activities apparently in a different way than have many of the foundations. As we understand it, you determine certain areas but really you are looking at problems rather than fields or areas of activities; is that correct?

Mr. Hoffman. That is correct; looking at goals or looking at problems that have to be solved in approaching these goals.

Mr. Keele. You don't say you have to look at the field of medicine unless you feel the problems most pressing at that time are those in the field of medicine?

Mr. Hoffman. Correct.

Mr. Keele. Now we have observed also, in your defined areas of activity, that they are primarily connected with the social side or the behavior of mankind, shall we say, as opposed to physical sciences. Would you tell us the basis of that deliberate choice?

Mr. Hoffman. That choice was made by the trustees before I became associated with the foundation, so I am now simply giving you what has been given to me as the reasons.

It goes back to this notion that these new dollars coming into the foundation field ought to be used to support activities that it was most difficult to get money for. While no one would question the very great value of dollars spent in the medical field, it is much easier to raise funds for projects in the medical field than it is for projects in the field of humanities and social sciences.

Mr. Keele. Do you consider that the risk of criticism is greater if you enter these other fields than those which make popular appeal?

Mr. Hoffman. Oh, sure.

Mr. Keele. And that is a calculated risk you take?

Mr. Hoffman. Oh, that is a calculative risk; oh, yes.

Mr. Keele. What is the threat, if there is a threat, of foundations putting their money on what has been termed here the "blue chips," into projects which are beyond the realm of criticism usually.

Mr. Hoffman. Then if you take the risk capital out of the social field, I think you will have a very great slowing down of progress in that field. That is the answer there.

As I say, I think the foundations have got to be the principal source of risk capital in the social field—this field of humanities.

Mr. Keele. What precautions, if any, going back a moment to this program of rehabilitating escaped Russians, what steps, if any, do you take to guard against the possibility of those persons being agents of the Communist government?

Mr. Hoffman. Well, the only people we take are people who have been screened by the United States Government. As far as I know, that screening is a very careful, expert screening. We won't take anyone who isn't more or less certified by the United States Government.
Mr. Keele. In other words, they are people who have, in a way, been cleared by official agencies of the Government; is that correct?

Mr. Hoffman. Oh, yes.

Mr. Keele. I don't think I have any other questions.

The Chairman. Just for the purpose of getting a reiteration of your opening statement, I want to ask if I am correct in having understood you to say, in effect, that this resolution under which we operate imposes a joint responsibility upon the committee and the foundations to investigate and to collect the facts as they affect foundations and that your business here is to discharge the obligations as far as you are concerned that rest upon your foundation?

Mr. Hoffman. Certainly, sir. I think it is a very constructive enterprise.

The Chairman. You have told us many things that were favorable to the Ford Foundation. Is there anything that is not favorable in its record to which you might refer?

Mr. Hoffman. Oh, I think we have made some mistakes. I think I could go over this record.

We have appropriated some $72,000,000 in the last 2 years, and I would not want to give any impression that we haven't made some mistakes. I could point them out, too. I would rather not identify them.

The Chairman. It may be a mistake to ask you this question, but I am wondering if Mr. Owen Lattimore has gotten his hands in the pockets of your foundation for funds for some of his projects.

Mr. Hoffman. No, sir. Of course, I think I must say this: That part of the fact that I believe our record is relatively good is that we are very young, and perhaps our mistakes haven't caught up with us yet. I don't know. We are conscious of a few mistakes and we recognize there may be more that won't be visible for 2 or 3 years.

Mr. Keele. What about the need for reviewing your program, re-examining it? That program was formulated in 1949, as I understand it, but we are now in 1952. At what time do you think a review of that program will be necessary, or are you constantly reviewing it?

Mr. Hoffman. It is under constant review. We don't for a moment feel that we are operating in a strait-jacket, but the point is that these five goals they have set and the detail with which they are laid out, the projects within those goals are such that in its first 2 years we haven't even begun to make progress toward certain of these goals and subgoals in which progress is certainly highly desirable.

We have got another couple of years' work ahead of us, I would say, before we can say that we are really well organized to carry out the directives that came out of the study report. We have done, as yet, very little in this.

For example, in the area of strengthening our domestic economy we have done some things, but very little, comparatively. We have it under study and perhaps next year's program will carry substantial activities in that field.

I don't know, but we have had to choose not only among the areas but we have had to choose within the areas as to what would have priority. While we have used our best judgment, as I say, there is a great deal of ground we have not covered yet within these five areas.

Mr. Keele. Looking back over the work that has been done by the Ford Foundation, would you say that you see any evidences of any
of the money having gone into channels or fields wherein the work done has tended to be inimical or hostile to the American system, the capitalist system?

Mr. Hoffman. Not to my knowledge. If it had been we would have jerked back awfully fast.

Mr. Keele. I take it from what you have just said that you are interested in making studies which will tend to strengthen it.

That has been a matter of some concern because the charge has frequently been made—whether or not substantiated is not for me to say—that the foundations have tended to support projects which in the end also tended to weaken or at least attack our system of government, our system of economy, and that is one of the inquiries, of course, that this committee is making.

Mr. Hoffman. It is a perfectly sound inquiry. From my knowledge of the work of the larger foundations, I think that when you get through you will probably find that mistakes have been made, but I think on the whole that their records are excellent.

I hope that we can live up to what I think is a very fine tradition in its field of service by the Rockefeller Foundation, the Carnegie Foundation. Sure, they have made a mistake now and then, but I think, looking at the whole picture, it is a pretty good picture.

Mr. Simpson. Mr. Hoffman, is there any such thing as an organization of foundations? Do you have a common meeting place? Do you have an association?

Mr. Hoffman. No, sir.

Mr. Hays. Mr. Hoffman, are you still a member of the University of Chicago board?

Mr. Hoffman. No. I resigned from all—I was a member of the board of trustees of the University of Chicago and a member of the board of trustees of Kenyon College; and I resigned from both those boards when I took on this Ford job.

Mr. Hays. The Chicago University was created by a foundation gift.

Mr. Hoffman. Yes, sir.

Mr. Hays. It goes back to Mr. Rockefeller's interest in education in the Midwest; doesn't it?

Mr. Hoffman. It certainly does.

Mr. Hays. The history of this somewhat justifies the idea of experimentation. The money could have gone into the older institutions, but because of a new need that was not being met, he chose to put it there. You feel that that was an enlightened and beneficial step, I am sure.

Mr. Hoffman. I certainly do, Mr. Chairman. I may be prejudiced because I went to the university, but I think it has made a great contribution not only to the Middle West but the United States, and, for that matter, many other countries in the world.

Mr. Hays. The Ford Foundation, then, operates in both the Eastern and Western Hemispheres, in Europe, the Orient, and in Latin America?

Mr. Hoffman. Our operations up to the present time, our overseas operations, are restricted to a few operations in Europe. Major operations are in the Near East and Asia. We have just one very small operation in Africa.

Mr. Hays. In Africa?
Mr. Hoffman. One very small operation.
Mr. Hays. Of course, we were interested in what you had to say about the Free University, which indicates that you aren't neglecting Europe.
Mr. Hoffman. No. However, Germany was a special situation at that time. Berlin was a special situation.

We are doing other things in Europe. We are not financing but we are helping in the promotion of certain measures that we believe will contribute to a better understanding of our American economy, working, however, rather quietly in that particular field because people don't really like to feel—Europeans don't like to feel—that they are learning from America, or vice versa.

It has got to be very subtle if you want to get any results there, but our major effort is in the areas where we feel that with deeds we can bring about better understanding among the peoples in areas where there is this tension.

The Chairman. Let me ask this question right here. I wonder, Mr. Hoffman, if a young student that comes from Eastern Germany and attends the University of Berlin is free to come and go. By attending this school is his connection severed from Eastern Germany? How does that operate?

Mr. Hoffman. They are allowed to come back and forth to the university, but every student that attends that university is almost a marked girl or boy. Of course, what they all want to do is to keep out of Eastern Germany if they can.

The Chairman. What's that?
Mr. Hoffman. They want to keep out of Eastern Germany. I mean they are not particularly eager to go back there after they finish their education, because it is not a very pleasant environment.

The Chairman. How long will that attitude on the part of youth in Eastern Germany last under present conditions? Sooner or later the East Germans will all be Communists.

Mr. Hoffman. I think you are quite right. I think that there is a very real danger if Eastern Germany remains under Communist control for another 15 or 20 years, most of the people who have known freedom will have died and most of the children will have been pretty thoroughly indoctrinated.

I don't pretend to be any expert on this, but there is very great unrest in every country behind the iron curtain, including Russia. In other words, the Russian system, which is the only system the Russians know, still is a system that even though the people don't know freedom, creates very serious unrest.

They have, as you know, in prison camps something between 12 and 15 million Russians. Now that, itself, tells of the high state of unrest within Russia.

The Chairman. I wonder if your foundation has the means of getting information from behind the iron curtain countries?

Mr. Hoffman. Of course, we obviously, Judge, cannot engage in either political or military operations of any kind, and we can't engage in any kind of covert activity.

The Chairman. That is right.

Mr. Hoffman. This has happened, though. These Russian scientists, escapees who have come to America and are at our universities, have produced monographs of real importance. One monograph, for instance, pretty well located the uranium mines in Russia, rather
important information which came through scholars, you see; so, there are practical results.

Let me say this: I think if we can accomplish one purpose we need have no fears. In other words, if by some process we can take the violence out of competition between our system and any other system in the world, our system will win out.

The one hazard is that today the Kremlin is trying to force their way of life through violence, not through free and open competition. There is nothing that I would welcome any more than nonviolent competition between Russian communism and American capitalism, because we have here a system in which we do recognize there is a God and the heavens, and we do have freedom, and that kind of a system will win out any time against a system of tyranny.

The only temporary success that these tyrannies can achieve is through the use of violence. I just say that because when people are fearful about inroads of communism, I say if they will just take the violence out of it, we haven't a thing to worry about.

The Chairman. I think it would probably be a good thing for the country if Congress would just continue this investigation indefinitely, certainly until we have exhausted the possibility of bringing down here people of the type that have been before this committee. You preach a fine doctrine and it is something which ought to be carried to the firesides and the homes of people.

Mr. Simpson. Mr. Cox, this, I believe, is one of the first times that the foundations have had an opportunity to express themselves in detail before a congressional committee. I think it is a valuable contribution to the people.

The Chairman. I think so, sir, and I wonder if you are not prepared to state that after all it has thus far been demonstrated, this inquiry was a good thing for the foundations as well as for everybody else.

Mr. Hoffman. I would say to you, Judge, that the spirit with which this inquiry is being conducted, in my opinion, guarantees it is going to have a most constructive result. It would have been possible to conduct an inquiry that would not have had such a result.

The Chairman. Well, you people have demonstrated a very great faith in the fairness of this committee. You haven't resisted in anywise or in any manner. It has not been necessary to summon you down here.

You take the position you want to come, you feel you are obligated to come, and you do come to cooperate with the committee in an endeavor to find out just what the truth is.

Mr. Keene. I think it ought to be noted—the committee may not know this, not all the members of the committee, but I think it should be noted—that at my request Mr. Ford, Mr. Hoffman, Mr. Hutchins, Mr. Eurch, Mr. Gaither, and the counsel came to Washington on Saturday morning and spent all of Saturday and all of yesterday from 10 in the morning until about 8 in the evening going over these various matters.

The Chairman. The foundation evidently enjoys the affection of its trustees and of its officers. Though it happens that the witness is before the committee, it gives a demonstration that he refuses to be tempted away from the job that he has now.

Mr. Hays. Mr. Forand has another question.
Mr. Forand. Mr. Hoffman, you made reference during the course of your testimony this afternoon to the fact that the foundation follows pretty closely the expenditure of its funds once it has been allocated for a certain project. Now, is there any way that the foundations can recover funds from an organization if the organization should be using those funds for other than the stated purpose?

Mr. Hoffman. Well, we don't deal, as a rule, with organizations in which we haven't entire confidence. There have been two or three cases I can recall where we were somewhat doubtful, and in those cases we went on the instalment system, and in one case we never made the last payment because we didn't think the people were living up to their agreement. I prefer not to name it, because it is not important, but that possibility is always present.

But, if you check the organizations with which we deal, you will find that in almost every case they are responsible and we don't have that because we think the real protection is to thoroughly examine the organization to which you are subcontracting your work.

Mr. Forand. But there is always the possibility that once you have made an allocation of funds to an organization in which you have complete confidence, and due to a change of personnel possibly in that organization, something may go haywire.

If you have allocated all of your funds, is there any way that you could stop the spending of funds beyond the point where you discover this?

Mr. Hoffman. I doubt it. I question whether if you have made the transfer of funds, legally you can make a recovery, unless there is a clear violation of contract, but I am not a lawyer and I don't know.

Mr. Forand. Thank you.

The Chairman. One more question, and I am through.

There are a great many of the smaller foundations that have become static. By static, I mean have become inactive in the purposes which they were set up for. The purposes for which they were set up no longer exist, and yet the foundations are there and render no public service at all.

I am wondering if in instances like that there would not be justification on the part of Congress to liquidate them or to see that they might expend the funds in some manner reasonably consistent with the intentions of the donor?

Mr. Hoffman. Judge, doesn't the 1950 law which, as I understand it, have a provision against undue accumulation, give a protection there that would enable you to get the action you want? I don't know.

The Chairman. Frankly, I do not know.

Mr. Hoffman. I am really asking a question. I just don't know.

Mr. Keele might know on that.

Mr. Keele. The question was, of course, whether or not they might be reformed. The only thing that can be done now under the courts, of course, is under the doctrine of cy pres.

The question was whether something could be done as was done in England where moribund foundations or ones the purpose for which had passed with time, their resources could be devoted to modern needs.
The Chairman. That's right. That is what I am interested in. I am greatly concerned in seeing that the Government does not confiscate money from inactive foundations. I don't think it should confiscate them if it is possible to reform the foundations in a manner that would be reasonably consistent with the purpose of the creator of the foundation.

Mr. Hoffman. I just don't feel that I have enough knowledge of foundations to answer that question. I just haven't been in this long enough to have made a study of any foundation.

Mr. Keele. That involves some law.

Mr. Hoffman. Yes; that involves law, too, and I am not a lawyer.

Mr. Keele. After all, you have a future rather than a past, the Ford Foundation. We are talking now about those long-gone and moribund for one reason or another.

Mr. Hoffman. We haven't had that problem ourselves.

Mr. Simpson. May I inquire for what term are the trustees of the Ford Foundation selected? For life or for a period of years?

Mr. Hoffman. Three years is the period. I want to check that to be sure I am correct. That is correct.

Mr. Hats. Do you happen to remember or to know whether or not Mr. Horace Holmes is working under your direction in India?

Mr. Hoffman. No. Mr. Horace Holmes, I think, was on loan from the United States Government to the United Province, which is the province in which the Etawah project was carried forward, and he never worked directly for us, but he was of inestimable help to us. We just take off our hats to the job he did.

Mr. Hats. I asked that question to be sure that the information we have gathered from other sources through other committee-men regarding the importance of that work in Indian, that we relate this testimony to that properly. He has been a very important figure in the reconstruction.

Mr. Hoffman. A very important figure. If it hadn't been for the work done by Mr. Holmes and his predecessors, I think it would have been quite impossible for us to pick up and carry on this program in India, because it was their pioneering work that made possible our development.

Mr. Keele. One question I did not ask that probably should have been asked, What has been the rate of your expenditures for grants in the last 3 years, Mr. Hoffman?

Mr. Hoffman. Well, take the last 2 years. The year before that we did very little, I think about three-odd-million dollars.

Mr. Keele. I was thinking of the current year as one of the 3 years, your commitments.

Mr. Hoffman. I started in 1951. The expanded program has started in 1951, so we haven't had quite two full years, but our appropriations are approximately $72,000,000.

The Chairman. And that did not impinge upon capital?

Mr. Hoffman. And grants within that appropriation—this is rather technical language, but the trustees will often make an appropriation to a project, and they will leave it to the officers to make the grant after conditions have been met that have been prescribed.

Our appropriations are about $72,000,000. Our actual grant from those appropriations are about $55,000,000.
Mr. Hays. Mr. Hoffman, does the subsidization of these publications in foreign languages of American books duplicate any of the work of the Government, or how is that being handled so that you do not overlap?

Mr. Hoffman. We have complete liaison. In other words, without taking orders we don't make any move knowingly until we have full information from all Government departments that might be involved as to what is going on, and we not only don't duplicate, but if we can interest them in taking over the idea, we give it to them and we go somewhere else.

Mr. Hays. Start something new?

Mr. Hoffman. Start something new, yes.

The Chairman. So the foundations are not such easy marks as one might imagine.

Mr. Hoffman. I will say this, Judge. I am reminded every day of one statement made I think by Mr. Rosenwald that it is easier to make an honest million dollars than it is to spend a million dollars wisely. That I am sure of, after 2 years in this business.

Mr. Keele. Might we ask this question: You have answered it I think by quoting Mr. Rosenwald, but you have acted as head and as director of business corporations. What are the relative difficulties of a director or trustee of a foundation giving away money and of a corporation director?

Mr. Hoffman. It is very simple to answer that. You can't put a real profit-and-loss statement on a foundation.

In other words, at the end of every month that you are in business you know whether you have made money or lost it; you know whether you have sold goods or haven't sold them, but we are dealing with intangibles; and, therefore, we don't have the immediate check.

I assure you that that is what makes it difficult. When you are operating with the operating results available monthly, you can catch your mistakes awfully fast, because they show up in the profit-and-loss statement, but when you are operating a foundation and spending money you are trying to do a very thorough job of evaluation.

This is kind of technical language, you see, but we try to build into every project a project for evaluation of results as it goes along. But it isn't nearly as clear as the profit-and-loss statement.

The Chairman. You have made a very fine case for the Ford Foundation. As a matter of fact, you have made a fine case for all the foundations.

Mr. Hays. Mr. Hoffman, you have been on the stand for 2½ hours or more. The committee is extremely grateful to you for a very fine statement.

Mr. Hoffman. Could I give you some expert testimony? This is the best committee I ever testified before.

Mr. Hays. The committee is recessed until 10 o'clock in the morning.

(Whereupon, at 4:35 p.m., a recess was taken until 10 a.m. Tuesday, November 25, 1952.)