

# TAX-EXEMPT SUBVERSION

**Congressman B. Carroll Reece**

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[Congressman Reece oversaw the hearings in 1953 of a special House Committee. The hearings were published in 1954: *Tax-Exempt Foundations: Hearings Before the Special Committee to Investigate Tax-Exempt Foundations and Comparable Organizations, House of Representatives, Eighty-Third Congress, Second Session*. This document is exceedingly rare. At the end of this article is information about where you can download a PDF file of the complete set of the hearings.]

Tax-exempt philanthropic foundations clearly have become one principle source of Communist influence infiltration and subversion in the United States.

Inquiry by four committees of Congress since 1952 has demonstrated beyond all question that eleemosynary foundations – however laudably described in their charters – are accountable in history for all their works.

As one promising approach, the Senate Internal Security subcommittee (of the Committee on the Judiciary) recommended on February 28, 1957, that Congress withdraw the tax-exempt status from any organization “contributing funds to a Communist or Communist-front organization, or for Communist purposes.” Such a law would apply to all foundations those definitions already established in the Federal Code by the Subversive Activities Control Act. Tax-exempt foundations then would be subject to citation by the SACB whenever their operations were determined to be tainted by Communist inspiration, purpose, or direction.

This type of legislation would not touch reputable and law-abiding foundations. But where the hearing disclosed financial support of Kremlin programs, a foundation's tax-exempt status would be terminated automatically. This would fix a due-process death sentence upon subversive foundations.

The House Committee on Tax Exempt Foundations reports there are about 7,000 foundations in the United States today. Their combined trust funds aggregate \$7.5 billion, with total annual income approximating \$675 million. Some 500 of the larger foundations, those holding more than \$10 million each, control roughly 56 percent of the total endowments, and collect approximately 32 percent of all foundation income.

Some fifty foundations were named in the hearings as supporters of studies or programs contributing to Communist purposes in the United States.

“It is the conclusion of this committee that the subject of foundations urgently requires the continued attention of Congress,” the House committee reported in December 1954.

Under today's law, foundations administer their capital and income “with the widest freedom, bordering at times on irresponsibility.

“Wide freedom is highly desirable as long as the public dedication is faithfully followed, but present laws do not compel such performance.”

The Committee's criticism fell, for the most part, upon foundations operating in the social sciences, as distinguished from those supporting research in the physical sciences, or missionary activities through bonafide religious organizations.

In the social sciences, the power of the large foundation is enormous.

“It can exercise various forms of patronage which carry with them elements of thought control. It can exert immense influence on educational institutions, upon educational processes, and upon educators. . . . It can materially predetermine the development of social and political concepts and courses of action, through the process of granting or with-holding foundation awards upon a selective basis, and by designing projects which propel research in selected directions. It can play a powerful part in the determination of academic opinion, and through this thought leadership, materially influence public opinion.”

This power to influence national policy is amplified tremendously when several great foundations act in concert.

“There is such a concentration foundation power in the United States, operating in the social sciences and education . . . It operates in part through certain intermediary organizations supported by the foundations. It has ramifications in almost every phase of research and education, in communications, and even in government.”

A professional class of administrators of foundation funds already has emerged. This informal guild, as the committee describes it, “has fallen into many of the vices of a bureaucratic system, involving vast opportunities for selective patronage, preference and privilege.”

Through selectivity in granting funds for research projects, this vast interlocking guild of social engineers “has shown a distinct tendency to favor political opinions of the Left.”

One influential foundation gave heavy financial support to The Institute of Pacific

Relations, which later was shown to be an all-out Moscow front working for the establishment of a communist regime in China, an aim which has since been accomplished.

At one point, subversion is defined in the committee report as “the process of undermining our vitally protective concepts and principles.” Several big-name foundations were found to have supported attacks upon our social and governmental systems, and to have financed “the promotion of collectivist ideas.”

Socialist attack upon these Congressional reports misrepresent the purposes of the committees, by suggesting that the end sought by Congress might be to bring every foundation grant under direct federal supervision. Instead, the Committees urged merely that all foundation objectives be described honestly to the public – thus to destroy the protective shield of high-sounding public purpose as a possible cover for hateful attack upon the freedom under the law.

The first principle of subversive organizations necessarily must be to defy public inquiry.

“As indicated by their arrogance in dealing with this committee, the major foundations and their associated intermediary organizations have entrenched themselves behind a totality of power which presumes to place them beyond criticism,” one House Committee reported.

“Research in the social sciences plays a key part in the evolution of our society. Such research is now almost wholly in the control of the professional employees of the large foundations and their obedient satellites. Even the great sums allotted by the Federal Government for social science research have come into the virtual control of this professional group.

The public interest in foundation funds was illustrated dramatically by Thomas H. Briggs, professor emeritus of education at Columbia University. “This right and this responsibility are derived from the fact that the public has chartered the foundations, and also that by remission of taxes it is furnishing a large part of the available revenue. In the case of the Ford Foundation, which has an annual income in excess of \$30-million, the public contributes more than \$27-million, or \$9 to every \$1 that comes from the original donor.” (hearings page 96) This is the dollar value of tax-exemption to one foundation.

Is it to be argued that economic privileges of this magnitude granted by public law entail no public responsibilities or accountability?

Almost without exception the trustees of large foundations are active men of great affairs, often too busy with their private concerns to give minute attention to the foundation's operations. The effective decisions thus are made by the administrative

officers. The trustees meet once a month, or once each quarter, to approve staff reports and recommendations. But in the case of The Ford Fund for the Advancement of Education, Professor Briggs told the House Committee he had resigned from the national advisory committee when he became satisfied that:

“Not a single member of the staff, from the president down to the lowest employee, has had any experience, certainly none in recent years, that would give understanding of the problems that are met daily by the teachers and administrators of our schools.”

This staff had been selected, the witness continued, “by a former influential officer of The Ford Foundation who is notoriously critical – I may even say contemptuous of the education of teachers.”

When the Advisory Committee suggested changes in the program submitted by the staff managers they “were glossed over without discussion.”

“As a former member of the so-called Advisory Committee I testify that at no time did the administration of the fund seek from it any advice on principles of operation, nor did it hospitably receive or act in accordance with such advice as was volunteered.”

This testimony offers a challenging commentary on the advisory-committee gimmick, which presumably protects the busy trustees in the discharge of their full fiduciary responsibility as custodians of tax-exemption.

Because the trustees are recognized as eminent citizens “with many other occupations and avocations,” they had no way of knowing that the Rockefeller Foundations was contributing heavily to international Communism through the Institute of Pacific Relations. Neither could the trustees of the Carnegie Endowment for International Peace, have been aware of the full background of Alger Hiss at the time he was confirmed as president of that endowment. Both cases illustrate the normal chasm between the trustees and office managers of the foundations. Likewise, both cases illustrate the interlocking guild which prevails among the professional foundation managers. When lush jobs are available on the foundation projects, the guild provides the ideal candidate.

Scores of incidents in the extended hearings (1952-56) underline the House Committee’s conclusion that, as a general rule, “Trustees of great foundations are unable to keep their fingers on the pulse of operations, except to a very limited degree.”

That finding explains how the Fund for the Republic could spend considerable sums on producing, and distributing an hour-long TV film defending Dr. I. Robert Oppenheimer, following his dismissal from the Atomic Energy Commission on findings that his earlier associations with identified Communists disqualified him for access to restricted information in the AEC.

It also explains why the trustees of the same foundation could not know that Mary Knowles, identified by witnesses appearing before investigating committees as an active Communist, had been granted a special citizenship award of \$5,000 following her dismissal as librarian at the Plymouth Meeting of Friends, in Plymouth Township, near Philadelphia, Pa. When called before the Senate Internal Security Subcommittee, on May 21, 1953, Miss Knowles pleaded the fifth amendment.

No set of foundation trustees, meeting once a month, could possibly be fully aware of such devious operations. Yet these are some of the reasons why the City of Los Angeles, through formal action by its Board of Education, rejected a gift of \$300,000 from the Ford Foundation for teacher training.

Are the American people without any legal recourse whatever to stop these outright assaults upon freedom – indeed upon our very national security – with millions of dollars in the hands of men who are responsible to nobody for their actions?

Reflective study of the hearings discloses that, as a rule, foundation trustees incline to delegate their fiduciary responsibility to the president and officers of the endowment; and these top administrators, in turn, delegate to department heads; and the department heads lean heavily upon the subsidiary organizations created for specific operations. Thus, in the case of the Rockefeller Foundation, the trustees are far removed from the operations of the Social Science Research Council, and the American Council of Learned Societies, which are, substantially, subsidiary off-shoots of the Foundation.

The point at which the inter-locking guild of professional foundation managers touches government administration is in appointments to new federal agencies, as they come along.

“We have seen many Communists and fellow-travelers recommended by foundation executives for government posts,” the House committee reported. “In the case of the recommendations to the government made by the Institute of Pacific Relations and the American Council of Learned Societies for experts to be used by our occupations forces in Germany and Japan, the lists were heavily salted with Communists and their supporters.” (Report p. 57).

Professor Kenneth Colgrove, secretary of the American Political Science Association, also related his experience touching selection of civilian advisers for Japan: “I was shocked when I saw the list . . . I wanted to find out where the list came from, and I was told it had come from the Institute of Pacific Relations.” (Hearings p. 561)

Later a second list had been supplied by the American Council of Learned Societies, “and the list of the American Political Science Association had been ignored.”

“And so,” Professor Colgrove concluded, “General MacArthur, who had very little control over the personnel that was sent to Japan at this time for civil affair – practically no control – had to receive a large group of very leftist, and some of them Communist, advisers in the field of political science.” (Report p. 201)

Testifying before the Cox Committee on December 22, 1952, Maurice Malkin, a U.S. immigration inspector in New York, told of Moscow’s direct orders to American Communists to penetrate our philanthropic foundations. Malkin had been a member of the Communist Party of the U.S.A. from 1919 until 1937, when he was expelled.

Ludwig Martens, the first official Soviet representative in the United States, was the transmission belt for this penetration order, Malkin related.

“This Ludwig Martens came to the Party and ordered us, that instead of depending upon Moscow to finance the American party directly, we should try to work out ways and means of penetrating philanthropic charitable grants, foundations et cetera . . . to try to penetrate these organizations, in order to drain their treasuries, that they should be able to finance the Communist Party propaganda in the United States, beside the subsidies that will be granted by Moscow.” (Cox hearings p. 692)

This campaign of penetration was in some measure successful, Malkin continued: “We made a little headway, like trying to penetrate the Garland Fund, at that period known as the American Fund for Public Service . . . In the Garland Fund we succeeded in placing a few Communists and fellow-travelers at the controlling board, or grant board.”

Among the men thus placed, Malkin named as known Communist sympathizers William Z. Foster, Benjamin Gitlow, Norman Thomas, Roger Baldwin, Forest Bailey, Adelaide Shulkind.

A similar penetration had been successful in the Phelps Stokes Fund, the witness recalled: “Now in these two organizations the Communist Party actually succeeded in getting in and milking the organization dry . . . Up until about 1928 these organizations actually financed the Communist Party publications, known as the *Daily Worker*, *The Young Worker*, the *Masses*, the *Labor Herald*, and *Novy Mir*.”

“Besides that, these two funds also helped to finance the organization of the Worker’s School in New York in 1924, which was actually the training school for Communist leadership in the United States, which later was supplemented by what they call the Lenin Institute and Lenin School of Moscow.”

Critics of the Congressional inquiries into tax-exempt foundations studiously ignore this segment of the record.

“The existence of this plot was corroborated by others, and stands amply proved,” the final House Committee report said; in December 1954. (Report p. 197)

Another witness before the Cox Committee was Igor Bogolepov, who had served in the Soviet Foreign Office through the years 1923- 41. He renounced Communism in 1943, joined the American occupation forces in Germany in 1947, and came to the United States early in 1952.

Bogolepov told of a secret meeting in Moscow in 1930, in which Stalin had “revised one of the most basic conceptions of Marxism.”

“He recommended this way of thinking: that the revolution in the Western world can be made, evidently not with the hands of proletarians, who proved to be rather indifferent to the Communist conception and ideas, but through the brains of western intellectuals who, as we discovered, were very sympathetic with the Communist ideas, and with the whole construction and conception of socialism in the Soviet Union.”

After this directive from Stalin, Bogolepov continued, Foreign Officer Oumansky was placed in charge of the intellectual penetration operation. Later Oumansky was assigned as Soviet ambassador to Washington.

“So started this big operation whose results we still see every day,” the witness continued.”While reading reports of the Soviet Embassy in Washington, more than once I met the name of the Carnegie Endowment and of the Rockefeller Foundation . . . I read about these foundations mostly in the reports of the Soviet ambassador in Washington, when he said what kind of people he and his officials met from these foundations in this period of time, what kind of assignments they gave to these people, or through other people, to these foundations, or to these foundations through American universities or publishing houses . . . He gave the names of the people whom he met, and the people his agents met . . . I just registered in my memory the fact that with every year the number of mentions of these foundations became more and more numerous, and the people involved in this machination of the Soviet Embassy in this country became also greater and greater.” (Cox hearings, pp.677-78)

In my attempt to summarize the problems presented in subversive activities supported by tax-exempt foundations, I have reviewed carefully some 3,000 pages of hearings and reports from the two House Committees established especially for that inquiry in the 82nd and 83rd Congresses, plus voluminous collateral material gathered in the House Ways and Means Committee hearings in the 84th Congress, and several bulky reports from the Senate Internal Security Subcommittee Relating to the Institute of Pacific Relations, and Interlocking Subversion in the Federal Agencies. But no reader should assume that this brief synopsis presents all facets of the problem.

We have not touched, for example, upon the impact of the foundation-supported Kinsey Reports in the field of American sexual behavior, nor upon the influence of certain foundation studies upon the military or foreign policies of the United States. These are large areas remaining for future development.

For the present, we seek merely to demonstrate that tax-exempt subversion presents a national problem which demands the attention of the Congress and the people.

One other aspect of national policy touching foundations generally awaits attention. Many complaints have been received, that foundations established to expand research and teaching along traditionally “conservative” lines often have been denied tax-exempt status. On the other hand, foundations which avowedly seek to foster theories and doctrines of the political Left often have been accommodated promptly and most graciously with the tax-exempt privilege.

If the administration of the law in this field has been influenced by discrimination or favoritism, a Congressional study on that score would quickly indicate the amendments needed to enforce practical fair, and, impartial application of the tax-exempt privilege to all research and educational foundations. It was never the intention of Congress to provide tax-exempt privileges exclusively for institutions sponsoring ideological subversion of the traditional American, principles of life and government.

But I desire to emphasize, in the words of our final committee report, that “not even an inferential conclusion should be drawn from this report that foundations are undesirable. Our conclusion is the opposite. It is our intention to present critical material for the very purpose of increasing the usefulness of foundations and making their place in our society firmer and safer. We hope that such material will induce the foundations themselves to ‘clean house’, if that is necessary.” (Report, p. 3)

Finally, I would warn the reader against much violent vituperation currently prevalent in appraisals of the Congressional committee’s findings. Here, J. Edgar Hoover, chief of the FBI, puts my warning in eloquent terms: “It is an established fact that whenever one has dared to the Communist threat he has invited upon himself the adroit and skilled talents of experts in character assassination.”

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A complete set of the Reece Committee hearings is available here:

<http://www.garynorth.com/products/item9.cfm>