IX

Philanthropy, or Noncommercial Investment

"They . . . were supporters of such charitable institutions as might be beneficial to their sick domestics."

JOHN GALSWORTHY, The Forsyte Saga

The field of contemporary philanthropy, or noncommercial investment, is a labyrinth of mirrors, flashing lights, fitful shadows, and pervasive ballyhoo. One can be sure of little in this maze, for everything superficially perceptible is an illusion multiplied to infinity.

Practical philanthropy, so-called, centers largely about the foundations. E. C. Lindeman, the outstanding authority on the internal functioning of foundations, states in his monumental Wealth and Culture, published in 1936, that his "first surprise was to discover that those who managed foundations and trusts did not wish to have these instruments investigated. Had it occurred to me then," he continued, "that it would require eight years of persistent inquiry at a wholly disproportionate cost to disclose even the basic quantitative facts desired, I am sure that the study would have been promptly abandoned."

The reader, then, should prepare to enter in this chapter a subterranean cavern of modern capitalism, discarding at once all preconceptions about munificent donations by the economic barons for the welfare of mankind. Fostered by the newspapers and the publicity bureaus of the millionaires, these preconceptions have little justification in objective fact.

But have not the Rockefellers given away from $500,000,000 to $700,000,000, as the newspapers have plainly stated? Have not all the American multimillionaires given away huge sums? Do not gifts from the wealthy support most scientific research? Are not
vast artistic and cultural enterprises—symphony orchestras, operas, universities—largely supported by gifts from the wealthy to which there are no personal strings attached?

Unfortunately, the answer to all these questions is no.

What, then, has been taking place to justify all the publicity?

There has, it is quite true, been some disinterested philanthropic activity, but the philanthropies, so-called, have to the grandiose descriptions they inspire the relation that a pebble has to the pool on whose surface its impact brings countless momentary ripples. For very little money—a trivial amount, in fact—has been given away by the wealthy of fabulously rich America, and most of that has been given since the income tax took effect in 1913. The word “gift” might properly be discarded in this connection in favor of more precise words like “allocation” and “transfer.”

All gifts and donations to institutions in the period 1909–32, by rich, well-to-do, moderately circumstanced, and poor, according to Robert R. Doane, in The Measurement of American Wealth, aggregated only $27,888,000,000, or less than two per cent of total incomes for persons of all classes.

From 1860 to 1932 social expenditures, philanthropic and non-philanthropic, by rich and poor, according to the same authority, amounted only to $65,533,000,000, or about twenty-five per cent of the $233,628,000,000 expended by the government in social avenues.

“The total gifts of all who filed income tax returns has never amounted to as much as two per cent of their incomes, even in our prosperous years,” according to Ryllis A. and Omar P. Goslin, Rich Man, Poor Man. “Our 3,000 richest families with average income of $300,000 and over gave an average of only $25,400 each in 1928. After the depression set in they found it necessary to reduce their gifts to $12,900 each. The 248 very richest families with incomes of over a million dollars gave an average of $30,100 each in 1928. This includes all gifts to churches, colleges, endowments, or relief.”

The total philanthropic budget for 1928, according to The John Price Jones Corporation, was $2,330,600,000, and Lindeman found that of this all the foundations and community trusts, instruments of the rich, contributed only 9.16 per cent.

Professor Lindeman explodes the newspaper-fostered notion that
much money is willed to philanthropy. After a scientific study of wills filed in New York City in 1927–33, Lindeman concluded that ninety-four per cent of the wills transferred ninety-four per cent of the wealth to relatives and friends. As the greatest ownership of wealth is concentrated in New York City, this distribution of $11,500,000,000 of private property in seven years must stand as the authoritative indication of the disposition of wealth by wills in the United States.

"The bulk of the wealth thus distributed," Lindeman remarks, "flows into the treasuries of churches, hospitals, and conventional charities. In short, the cultural importance of redistributed personal wealth is slight." Lindeman, it may be pointed out, uses the word "culture" to connote those activities of men which have collective meaning in terms of value; to him, culture implies ways for organizing emotional experience, experiments in tone or quality of living; thus, culture cannot be merely something which conserves but must, as he insists, become dynamic.

Has not philanthropic activity been greater, however, during the post-Civil War ascendancy of the industrialists and bankers than it ever was before?

Again, unfortunately, no. Henry Demarest Lloyd, in Wealth Against Commonwealth, quotes the Committee of the United Hospitals Association of New York as saying in 1893: "The committee have found that, through the obliteration of old methods of individual competition by the establishment of large corporations and trusts in modern times, the income of such charitable institutions as are supported by the individual gifts of the benevolent has been seriously affected."

The trend of giving to philanthropic and charitable enterprises, in relation to all income and all other expenditures, is still downward. According to the Golden Rule Foundation, national income in 1936 was $48,718,000,000 more than in 1932, representing an increase of sixty-one per cent. In the same interval earnings of 105 of the largest industrial corporations increased by 3,975 per cent, while contributions to colleges declined eighteen per cent, to community chest's twenty-four per cent, to general benevolences twenty-nine per cent, and to churches thirty per cent.

Abraham Epstein, distinguished sociological investigator and re-
former, says in *The American Mercury* (May, 1931), that “the benevolences of a dozen individuals, such as Carnegie, the Rockefellers, Harkness, Rosenwald, and a few others account for a considerable proportion of existing foundations.” The supposed benevolence of even these persons is questionable; but if we grant that Epstein has veritably isolated the true philanthropists, we can say he has about exhausted the list. Among the powerful, rich families that have no reasonable claim to significant philanthropic inclination at all are the Mellons, Fords, Du Ponts, Fishers, Fields, Phippses, Berwinds, Bakers, McCormicks, Reynoldses, Metcalfs, Greens, Fricks, Morgans, Stillmans, Ryans, Tafts, Goulds, Bradys, Guggenheims, Vanderbilts, Goelets, Astors, and most of the others.

“An examination of organized philanthropy in the United States at once reveals,” says Epstein, “the parsimoniousness of the many rather than the largesse of the few. Even a casual study shows that the myth of our unparalleled generosity has no firmer base than the benevolences of a very few men who have distributed small parts of their extraordinarily large fortunes. Among the masses of the well-to-do not many give anything to charity, even in the most generous city, New York. A negligible proportion of rich individuals support all of the charities. The vast bulk of the wealthy contribute to none.

“In the cities in which money is raised through community chests or welfare federations the contributors never exceed 17 per cent of the total population. The 360 American community chests, in spite of the energetic trumpeting, cajolery, and high-pressure salesmanship that go with them, do not raise more than $80,000,000 a year—less than half of the sum now spent through workmen’s compensation laws alone.” Fewer than eight hundred persons and corporations, Epstein says, donated $250 or more at one time to become life members of the Association for the Improvement of the Condition of the Poor in New York City.

“That the slackers in the United States are not the poor people but the richest and most respectable is well known to persons engaged in the business of raising money for charitable purposes,” Epstein says. “In many cities the charitable agencies spend far more upon relieving the distress of the workers of certain local corporations
than these firms contribute. A Detroit attorney recently testified before a United States Senate Committee that while over 36 per cent of the city's expenditures on unemployment relief go to unemployed Ford employes, Mr. Ford even pays no taxes to the city. Edsel Ford's contribution to the Detroit Community Chest of $130,000 amounts to about 15 per cent of what the city spends monthly on unemployed Ford Company men. A number of heads of community chests blamed the failure of their recent drives entirely on the richer groups. At the same time, they commended the generosity of the poorer classes, who have been giving more than ever before."

Private philanthropy, Epstein warns, "will never be able to relieve the growing difficulties inherent in the industrial order, and it is also seriously objectionable for another reason. Under this system the burden of social ills falls almost entirely upon the few generous rich and the bulk of poor wage-earners, who cannot refuse to give to charitable appeals when the boss asks them to contribute. It is altogether contrary to the modern principle of fair proportional distribution of the burden. The bulk of the well-to-do escape entirely from paying their share."

But are there not, then, vast sums concentrated in philanthropic foundations?

There is, alas, actually much less than $1,000,000,000 in philanthropic foundations, or less than \( \frac{1}{350} \)th of the tangible wealth of the United States. The twenty largest foundations, according to a study published as of 1934 by the Twentieth Century Fund, account for $622,066,308, or 88.6 per cent, of all effective foundation capital, and the records of The Foundation Study show 258 foundations and 73 additional funds that may be classified as foundations.

Total foundation capital of substantially less than $1,000,000,000 compares with recurrent annual income of substantially more than $1,000,000,000 accruing to the five hundred richest individuals, whose personal capital resources exceed $20,000,000,000; and it compares with recurrent annual income of more than $5,000,000,000 (estimated) for all members of the five hundred richest families.

Total grants out of investment income by the twenty largest foundations in 1934, according to the Twentieth Century Fund study, amounted to $30,968,778—90.5 per cent of all foundation grants.
In previous years the grants ranged up to about $50,000,000, equivalent to slightly more than 40 cents per year for every man, woman, and child in the United States. Lindeman discovered that eighty foundations and twenty community trusts made grants of $83,743,490 in 1928, the maximum for any year in the postwar period.

When it is observed that the appropriations of two men—Rockefeller and Carnegie—account for nearly sixty per cent of all capital in 123 foundations studied by the Twentieth Century Fund—an organization financed by Edward A. Filene, Boston department-store owner, it becomes clear that institutional philanthropy is, on the whole, a shoestring proposition. However, the shoestring, while it means little to society in a constructive sense, confers immense social power on those who hold it, as does the shoestring control by the rich of the big corporations and banks as described by Berle and Means.

The twenty largest foundations, according to the Twentieth Century Fund study (1934), are as follows:

<table>
<thead>
<tr>
<th>Capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>$157,553,073</td>
</tr>
<tr>
<td>153,609,942</td>
</tr>
<tr>
<td>45,822,414</td>
</tr>
<tr>
<td>43,430,252</td>
</tr>
<tr>
<td>41,592,087</td>
</tr>
<tr>
<td>34,611,416</td>
</tr>
<tr>
<td>30,821,545</td>
</tr>
<tr>
<td>15,457,575</td>
</tr>
<tr>
<td>13,120,850</td>
</tr>
<tr>
<td>11,127,415</td>
</tr>
<tr>
<td>10,449,862</td>
</tr>
<tr>
<td>10,177,137</td>
</tr>
<tr>
<td>10,000,000</td>
</tr>
<tr>
<td>8,646,011</td>
</tr>
<tr>
<td>8,024,688</td>
</tr>
<tr>
<td>6,542,421</td>
</tr>
<tr>
<td>5,906,751</td>
</tr>
<tr>
<td>5,759,000</td>
</tr>
</tbody>
</table>
Not many of the sixty richest families, it is readily apparent, are included in the tabulation. It is also clear that many persons who do not rank among the wealthiest—Kellogg, Falk, Couzens, and Buhl—have made relatively large contributions. The second largest accumulation, that of Carnegie, does not represent a surviving dynasty, nor does the Sage fund. All of the sixty families, however, as the Twentieth Century Fund study clearly shows, are associated with some organized philanthropy or pseudo-philanthropy; all find it expedient to carry on some ostensible philanthropic activity.

Some of the foundations are established, it appears, merely as imitations that confer prestige; the lesser rich, striving for status, imitate the greater rich, although the foundations of the former are practically moribund, consisting merely of desk room in some office, a small bank account, and stationery with an impressive letter-head. We will not concern ourselves with these.

Size of capital, however, does not always determine the size of annual grants, for some of these foundations plow part of the income back into the capital fund. In the distribution of income other foundations, having no connection with the sixty richest families, figure outstandingly. Income distribution of the twenty most active foundations in 1934 was as follows (Twentieth Century Fund data):

| Grants |
|-----------------------------|-----------------------------|
| **1.** Rockefeller Foundation | $11,840,719 |
| **2.** General Education Board | 5,465,225 |
| **3.** Carnegie Corporation | 4,738,022 |
| **4.** Carnegie Foundation | 1,919,962 |
| **5.** Commonwealth Fund | 1,720,515 |
| **6.** Cranbrook Foundation (Booth family, Michigan) | 668,296 |
| **7.** Spelman Fund | 537,250 |
| **8.** Horace and Mary Rackham Fund (Horace H. Rackham, Michigan) | 527,110 |
| **9.** Children's Fund of Michigan | 507,249 |
| **10.** Julius Rosenwald Fund | 505,691 |
11. John and Mary R. Markle Foundation (donor: John Markle; J. P. Morgan management) .......... 420,656
12. New York Foundation ............................................... 413,913
13. Russell Sage Foundation ........................................ 267,255
14. W. K. Kellogg Foundation ........................................ 252,405
16. Carnegie Endowment ............................................... 205,032
17. New York Community Trust ...................................... 199,493
18. Committee of the Permanent Charity Fund .......... 197,333
19. Cleveland Foundation ............................................. 190,179
20. Buhl Foundation ...................................................... 176,128

The Rosenwald Fund appears among the ten largest distributors of grants but not among the twenty largest foundations because the late Julius Rosenwald stipulated that the capital should be distributed in twenty-five years rather than maintained in perpetuity as are the Carnegie and many of the other foundations. Originally capitalized at about $20,000,000, the Rosenwald Fund is now down to about $13,000,000; largely devoted to the erection of school buildings for Negroes in the South, for Negro health and other forms of aid to Negroes, this fund has been one of the most judiciously utilized from the standpoint of human welfare. In 1931 the M. and L. Guggenheim Foundation granted $707,158 and in 1932 it granted $401,608, but in 1934 neither it nor the John Simon Guggenheim Memorial Foundation figured in the twenty largest grants.

Except for the contributions of the skeptical Carnegie, Mrs. Russell Sage, and Julius Rosenwald, none of these relatively modest capital sums has been “given away.” Control of the foundation investment portfolios, consisting of stocks and bonds of corporations dominated by the respective donors, has been retained by the donors, in virtually all cases, through special, complicated charter provisions; the donors sit among the trustees and officers, and direct the affairs of the foundations. What has actually happened in the “giving away” process is that title to capital has been transferred to foundations; the foundation income, instead of being paid to the donors in dividends and interest, has then been employed, to the material advantage of the donor, in philanthropic, social, semiphilanthropic, quasi-philanthropic, and even antiphilanthropic and antisocial avenues.
By allocating funds to philanthropies, it should also be noticed, the persons that retain control over these philanthropic funds have evaded payment of inheritance and income taxes. One is permitted a deduction of fifteen per cent from net taxable income if this proportion of income has been transferred in a given year to a philanthropic enterprise, even though the money is capitalized instead of expended by the philanthropy. Where the ostensible philanthropist has been faced by the prospect of reduced financial strength through the incidence of taxes he has, in taking advantage of the provisions of the tax laws, actually increased his financial power by placing income as well as capital in personally controlled philanthropic funds.

Not only has the public been given an exaggerated conception of the total of endowment funds, but it has also been given an exaggerated conception of the so-called benefactions of various individuals. Carnegie, who had no son, allocated to his foundations $350,000,000, or eighty per cent of his fortune, of which $62,000,000 went to Great Britain and $288,000,000 to the United States. As Carnegie attached no personal strings to the allocations other than to prescribe their fields and to stipulate their “perpetual” existence, his must be considered a unique contribution although in the Carnegie foundations there has been, as in all the other foundations, much misdirected activity. Upon analysis it appears that the bulk of appropriations by the Carnegie Corporation has been expended upon library buildings, museums, college buildings, and conventional educational enterprises. In recent years this foundation has made to adult education fairly large contributions, which may seem to be culturally progressive, but here again it appears that most, if not all, of this money is distributed through the agency of the American Association for Adult Education, the chief officer of which is a former Carnegie Corporation employee; consequently, it cannot be expected that the variety of adult education thus promoted will have true cultural significance; as a matter of fact, the above Association expends most of its funds on salaries for its officers, on publications, and on researches.

The size of Rockefeller allocations to so-called philanthropic uses has been particularly exaggerated by newspapers and even by some rather critical commentators, because the Rockefeller publicity bureaus have, from time to time, made repetitive announcements of
identical allocations which have emerged to public view in different forms at different times. Funds initially announced as received by the General Education Board and the Rockefeller Foundation have later been announced as received from Rockefeller personally by the University of Chicago and the Rockefeller Institute for Medical Research, although these latter have actually received the funds from the two big foundations.

Outside observers have increased the confusion by failing to distinguish between the original capital endowment and the recurring grants from the foundation income; the consequence has been that estimates of Rockefeller transfers to foundations range from $550,000,000 to $700,000,000. Fortune (December, 1931) set Rockefeller endowments at $445,556,183 and total Rockefeller "benefactions" at $574,155,789. The New York Times, on the occasion of the elder Rockefeller's death in May, 1937, set the endowments at $420,754,335 and total Rockefeller benefactions at $530,853,632; although this computation was made six years after Fortune's, it was lower, thus indicating that a different result is produced by each different approach. John T. Flynn gives the total of the elder Rockefeller's "gifts" as $508,921,123.01 as of 1928 (no "gifts" have since been made); "gifts" of the younger Rockefeller he computes at $65,234,606.29, bringing the total for the family to $574,155,729.30, or very nearly the same as the Fortune total. But "gifts" is an all-inclusive word, and does not connote philanthropies; the elder Rockefeller, as we know, made to United States senators and representatives "gifts" which some persons have been unkind enough to term bribes.

One would have to be uncritical to accept these computations. The New York Times as well as Fortune supplied partial breakdowns of the items entering into their respective computations, thus enabling us to evaluate the merits of some Rockefeller "philanthropies." A Rockefeller philanthropy, according to the Times, was an item of $510,042 given to the Anti-Saloon League, which opponents said functioned as a Rockefeller political arm and opposed even "drys" when they were hostile to Standard Oil. The Times also included as a benefaction $118,000 presented by Rockefeller to the Republican National Committee! An item of $5,962,839, said the Times, covered undesignated Rockefeller "gifts" in amounts of less than $100,000.
Among the individual gifts unquestionably were donations to churches, whose philanthropic character some students might dispute, and whose reactionary social role other students might proclaim, and to individuals whose friendship was of great profit to the Rockefellers. Also included may have been other contributions to the Republican National Committee. The Rockefellers, to be sure, have no apparent reason to regard the Republican Party as other than a philanthropic enterprise; it has, at any rate, been charitable to them.

Both the *Times* and *Fortune* included among the individual Rockefeller "benefactions" $250,000 given to the American Petroleum Institute—trade association of the petroleum industry whose chief function is lobbying for tariffs and arranging marketing agreements among oil companies! Both publications included many other dubious items, and appear also to have included grants out of foundation income as contributions of additional Rockefeller capital to philanthropy.

Flynn sets forth the philanthropic allocations of the elder Rockefeller up to 1928 as follows:

<table>
<thead>
<tr>
<th>Foundation and Laura Spelman Memorial</th>
<th>$256,580,081.87</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Education Board</td>
<td>129,197,900.00</td>
</tr>
<tr>
<td>Rockefeller Institute for Medical Research</td>
<td>59,778,141.14</td>
</tr>
<tr>
<td>University of Chicago</td>
<td>45,000,000.00</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>18,365,000.00</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$508,921,123.01</strong></td>
</tr>
</tbody>
</table>

By John D. Rockefeller, Jr. Various gifts ........................................................................ $65,234,606.29

The first two items of the elder Rockefeller's gifts may stand as unchallengeable; Rockefeller transferred approximately that much to his two foundations. However, not more than $11,501,000 of the University of Chicago item or more than $8,000,000 of the Institute item may be designated as given by Rockefeller, for most of the University and Institute funds came from the Foundation or the General Education Board. Very probably all of the Institute fund
came from the Board and from the Foundation. The total of Rockefeller capital transfers has been approximately $400,000,000.

Up through 1902-03 Rockefeller appears to have given the University of Chicago $11,500,000 directly. The General Education Board, formed in 1902, was thereafter Rockefeller's main instrument of transfer until the Rockefeller Foundation swung into action in 1913. From the fact that he reserved the right to allocate a certain portion of the funds of the General Education Board and the Foundation himself, confusion arises in totaling Rockefeller's transfers. He did not give up this privilege until 1917, before which a good part of the funds received by the University of Chicago and the Rockefeller Institute came from the Board, and, after its formation, from the Foundation, although the reports of the University and of the Institute attributed the allocations to Rockefeller personally.

Included in the total Rockefeller gifts to the $129,000,000 fund of the General Education Board, for example, is a transfer of $32,000,000 made in 1907. According to The General Education Board: An Account of Its Activities, 1902-1914, published by the Board itself in 1916, $13,554,343.99 of this was earmarked immediately for the University of Chicago and $10,267,022.10 for the Rockefeller Institute. Rockefeller gave to the Board $1,000,000 in 1902, $10,000,000 in 1905, $32,000,000 in 1907, $10,000,000 in 1909, $20,000,000 in September, 1919, and $50,438,768 in December, 1919, or $123,438,768 in all. Anna T. Jeannes gave this fund $200,000, and some smaller additional Rockefeller transfers were also made.

As the General Education Board total obviously included $13,554,343.99 earmarked for the University of Chicago this amount must be deducted from the total of $45,000,000 indicated by Flynn as an additional benefaction for the University. The annual report of the University of Chicago, 1910-11, noting Rockefeller's "final" endowment gift of $10,000,000, published Rockefeller's letter wherein he said: "I have this day caused to be set aside for the University of Chicago, from the funds of the General Education Board which are subject to my disposition, income-bearing securities of the present market value of approximately $10,000,000. . . ." Rockefeller stipulated that the University was to receive this fund in equal installments over a period of ten years. It was a fund obviously in addition
to the 1907 fund, which had already been transferred to the University, so that we are justified in subtracting $10,000,000 more from the $45,000,000 ostensibly given by Rockefeller as new capital to the University.

In acknowledging the 1910 bequest the University added to the confusion when it remarked that it had received $35,000,000 in all from Rockefeller, but failed to explain that nearly $25,000,000 of this came from funds of the General Education Board subject to Rockefeller's personal disposition. Since 1910 the University has received something over $10,000,000 more from the General Education Board and the Rockefeller Foundation, so that we are justified in taking away this amount from the $21,445,656.01 gained by above deductions. The resulting $11,445,656.01 is very close to the $11,500,000 personally given by Rockefeller to the University up through 1902-03.

Similar misinterpretation of Rockefeller Institute benefactions has also taken place. On the basis of the reports of the Rockefeller Institute (1911 and 1934) it becomes doubtful if Rockefeller personally allocated to it more than $200,000 in 1901 and some land in New York City in 1902. The 1911 report of the Institute indicates that Rockefeller gave it $2,620,610 as an endowment in 1907, $500,000 for a hospital and $170,015.20 for general uses in 1908, $3,650,000 in 1910, and $925,000 in 1911. This made $7,865,625.20 apparently transferred by Rockefeller to the Institute, which reported that as of October 14, 1911, its endowment aggregated $7,186,554.11. But, as we have seen, $10,267,022.10 was earmarked by the General Education Board for the Institute in 1907, or more than had already been transferred to it up to 1911. Reports of the Rockefeller Foundation subsequent to its formation in 1913 indicate that the later Institute funds have been derived from it as well as from the General Education Board.

We are therefore justified in eliminating all except $11,500,000 of the University of Chicago money and all of the $59,778,141.14 of Institute money which Flynn and others treat as philanthropic capital additional to the capital already reported by the General Education Board and the Rockefeller Foundation.

This writer also eliminates the "miscellaneous" item of $18,365,000 because he does not regard as philanthropies the contributions of the elder Rockefeller to the Republican Party, the Anti-Saloon League,
church organizations, propaganda associations, magazine editors, and similar recipients.

A word of further explanation is in order as to why this writer does not concede the philanthropic character of the $18,365,000 handed out by the elder Rockefeller. It is not to be doubted that this money was given away. From the very beginning Rockefeller gave away some of his earnings—to churches, to individuals—in consonance with the religious teachings of his mother. As Rockefeller was an individual mainly intent upon increasing his personal power (his whole life proves this), we must infer that he gradually discovered the transforming effect of such gifts upon individuals. He learned that loyalty, or at least silence, could be bought. He therefore, as he grew wealthier, increased his gifts to churches, to hospitals, to schools, to politicians, in time utterly silencing all general criticism of his business methods which, incidentally, were no worse than those of many other men. Rockefeller, however, had gained such a fundamental position in the nation's industry that he simply had more than others to "give away."

Should any gift, whatever its nature, be considered a benefaction to humanity? To argue that it should would leave oneself open to crushing rejoinders. Rockefeller, in all his miscellaneous "giving," was not really giving at all: he was buying. One can purchase a good many friendly observations for $1,000,000; patents of nobility have been acquired for much less. For $18,000,000 one can very nearly purchase sainthood.

To what extent have the individual "miscellaneous" allocations of the younger Rockefeller out of his vast income been philanthropic? Let us look at one salient and, perhaps, debatable example. John D., Jr., allocated $14,000,000 to reconstruct Williamsburg, Virginia, as it stood in colonial days. The undertaking looks to this observer like part of a combined advertising stunt, playing upon the patriotic susceptibilities of the sentimental multitude, and a method of reducing income-tax liability. However, young Rockefeller showed in the Williamsburg project that he was willing to reconstruct the past; he and his family have not been so willing to reconstruct the present. The money given to perpetuate a useless though agreeable historical monument might better have been used to build a much needed free
hospital in the Harlem area of New York City or livable dwellings in the share-cropper region of the South.

A more dubious Rockefeller "philanthropy" consisted of $22,-500,000 allotted by the Foundation to war work in the period 1914-18, of which money a little more than $8,000,000 went to the Red Cross. The only one of the Central Powers that was given assistance was Turkey, which got a mere $55,504. Because it concentrated relief and assistance on one side, although many were suffering on the other side, the expenditure represented less of a contribution to the welfare of humanity than a means of bolstering the war morale of one group of belligerents.

What, if anything, have the Rockefellers given to indisputable philanthropic uses?

They have given some of the income of their funds; but not all the income. Computations based upon the published reports of the Rockefeller foundations lead to the conclusion that not more than $225,000,000 of income has been granted. As about $100,000,000 of this income has been recapitalized by the University of Chicago, the Rockefeller Institute, the China Medical Board, and other organizations under Rockefeller control, it seems that not more than $125,000,000 has been given in the sense that control over its disposition has been relinquished. However, the Rockefellers, like the other philanthropists, have stipulated the uses to be made of these "gifts," so the gift aspect itself is subject to severe qualification. The "gifts" usually control behavior in the interests of the donor.

Not only has the amount of initial capital allocated by the Rockefellers to so-called philanthropy been exaggerated but, as previously remarked, capital has been added together with income. John T. Flynn, whose thorough biography of Rockefeller is otherwise very valuable, has unfortunately given currency to this grievous error. After totaling the elder Rockefeller's "benefactions" to $508,921,123.01, Flynn goes on to say:

"For many years in addition to grants out of the principal of these endowments, immense sums in interest have been dispersed which would add not less than $175,000,000 to the above, so that it may be reasonably [sic] stated that various public philanthropic enterprises have received from the Rockefellers a sum equalling seven hundred
and fifty million dollars.” As if this were not bad enough, Flynn continues: “After which most of the principal was still intact.”

Reduced to everyday terms, this is like saying, “Years ago I put $100 in the bank and designated it for charity; the interest on this has amounted to $100, which has been paid out to various benevolences; and, to cap it all, the original $100 is still intact. I have therefore given $300 to charity.”

The giver in this hypothetical case has allotted $100, the income, to charity, and no more. And if he stipulated that starving vagabonds use the money for fad diets, he has been less of a benefactor than a dictator of behavior.

As the Rockefeller family retains its foundations under its control, subject to its own disposition after listening to the counsel of “experts,” the capital funds have in no sense been given away or alienated from Rockefeller dominance. Under the present arrangement Rockefeller, Jr., strangely enough, could transfer to his foundations all his personality that carries working control of corporations and banks, and still suffer no diminution in his industrial and financial authority; for he would still decide how these securities might be voted in the various Rockefeller companies, and he could determine what salaries the companies should pay him, or what salaries the foundations should pay him in lieu of dividends he relinquished to them.

II

There is a double aspect perceivable in the use of the noncommercial foundations, although this dualism is only apparent, not actual; the foundations really function as wholes under the dispensation of a loose integration which is not externally apparent; all their separate aspects blend into a unifying perspective, a general sense of direction: they function, in brief, on behalf of the status quo.

It is convenient, however, to study the workings of the foundations from a dualistic, or double-aspect, point of view. In this dualistic frame-work we find that the foundations function intensively as well as extensively; specifically as well as generally; and, stated in psychological terms, sentimentally, personally, and emo-
tionally as well as coldly and impersonally. The dichotomy might also be outlined thus: in their intensive, specific, and emotional aspect the foundations and their directors are “soft”; in their extensive, general, and impersonal aspect they are “hard.” In the good they accomplish—and they unquestionably do accomplish a restricted amount of good—the foundations serve truth; in their extensive, general, and impersonal aspect—the aspect which contains the real reason for their existence, they serve personal pecuniary power as much as do the political machines and the newspapers.

There is, therefore, no inconsistency in the fact that the men who direct these “philanthropic” enterprises are (a) contributors to political slush funds, (b) controllers of newspapers, and (c) men accustomed to “bargain” with their employees under cover of machine guns. Before leaving the power-serving aspect of the foundations for a brief interval it is instructive to note the names of men who direct foundation affairs. Some trustees of the Rockefeller endowments are Rockefeller, Jr., Winthrop W. Aldrich, John W. Davis, Harold H. Swift, and Owen D. Young. Some Carnegie trustees are John W. Davis, Herbert Hoover, Howard Heinz (pickles), Frank O. Lowden, Andrew W. Mellon, Walter S. Gifford, Edward L. Ryerson, Jr. (steel), Silas H. Strawn, corporation lawyer, Robert A. Taft, and Thomas J. Watson, head of International Business Machines Corporation. Some Guggenheim trustees are Francis H. Brownell, head of American Smelting and Refining Company, Simon Guggenheim, and Charles D. Hilles, New York Republican boss. A trustee of the Falk Foundation is Ernest T. Weir, ultrareactionary steel manufacturer. The trustees of all the foundations are, it is evident, persons whose careers have identified them less with benefactions to humanity than with the exercise of power for private pecuniary satisfaction.

Lindeman’s penetrating study revealed that more than fifty per cent of the trustees of the seventy leading foundations belonged to the power-serving rather than the truth-serving area of society. Fifteen per cent were lawyers, ten per cent were corporation officials, nine per cent were bankers, nine per cent were university and college administrators (i. e., plain corporation executives), and five per cent financiers. Of the 186 trustees remaining out of four hundred,
no fewer than fourteen were manufacturers, eight were merchants, seven were editors, seven were judges, seven were railroad officials, four were United States senators, four were publishers, three were real-estate brokers, three were bishops, two were capitalists, and two were ambassadors, politicians, cardinals, priests, and brokers, respectively.

Illustrations will be chosen throughout from the Rockefeller institutions, both because so many illusions are cherished about them and because they lend themselves readily to full exposition. Here and there, however, illustrative examples will be cited of other philanthropies when they serve to bring out a general condition.

What are the philanthropic foundations used for on their intensive, specific, emotional, quasi-truthserving side?

Lindeman, after studying the operation of one hundred of the largest foundations over a decade, concluded that expenditures upon work in education were largest, upon work in health and medicine next largest, and upon "social welfare" third largest.

Not at all oddly, the greatest emphasis in the educational field was in higher education, which produces engineers, doctors, lawyers, scientists, and the like, who are employed profitably by the big corporations and whose increasing oversupply constantly tends to reduce scales of remuneration. Overproduction of technicians, it should be plain, increases the profits of the owning class.

Educational grants by the foundations, says Lindeman, aggregated $223,000,534.21 for the decade 1921-30. Of this sum 60.9 per cent went into higher education, which relatively few persons can afford even with scholarship and fellowship grants, and only 4.1 per cent went into adult education, on which the public itself spent from $10,000,000,000 to $15,000,000,000 in the decade 1926-35. Only two foundations, neither of which is heavily publicized, assisted with grants for the education of labor leaders in the problems of their own class. Elementary and secondary school education received only 14.8 per cent of the grants.

As it is only the relatively well-to-do that can afford to finance themselves up to the threshold of higher education, the grants in this field have had the effect of supporting the lower fringe of the well-
to-do in completing their studies. In the following chapter on education, as we shall see, most of the foundation allocations of funds go to fewer than a dozen institutions of the upper class—Harvard, Yale, Princeton, and so on.

In medicine and health, which took 33.2 per cent of all disbursements in the post-war boom decade, as contrasted with 43 per cent of disbursements for education, an aggregate of $173,141,129.55 was expended. Here again the emphasis fell upon areas that included the personal problems of the rich. Dental hygiene, of crucial concern in a nation the bulk of whose people is afflicted with grave dental disorders but of little concern to a wealthy class able to pay privately for the best personal dental attention, received only seven-tenths of one per cent of foundation grants. Mental hygiene, another field wherein the rich are little concerned personally but of ever greater importance as social and economic disequilibrium is increasingly reflected in widespread mental disequilibrium, received less than five per cent of disbursements. According to Albert Deutsch, in The Mentally Ill in America, there were 480,000 inmates in American mental hospitals in March, 1937; the population of mental hospitals is increasing by fifteen thousand persons a year; and the rate of increase is five times that of half a century ago. Public health, of deep concern to the body of the populace but of little concern to the rich, received only 28.3 per cent of foundation health grants. But physical health, directly related to diseases and maladies with which the rich as well as the poor are inevitably afflicted, received no less than 61.1 per cent of the combined foundation budget.

The controllers of the foundations determine what use medical men engaged in research shall make of the money. According to well-grounded reports in New York medical circles, the Rockefeller Institute is prompted in the inquiries it undertakes by Rockefeller, Jr. It is a matter of cold record that many persons who transfer specific sums to medical work designate fields restricted to diseases with which they or members of their families are or have been afflicted rather than fields in which there is the most pressing public need for help. A great many examples could be cited.

In 1925, for instance, Mrs. Aida de Acosta Root (now Mrs. Henry
S. Breckinridge), wife of Wren Root, traction magnate and nephew of Elihu Root, endowed a fund in honor of Dr. William Holland Wilmer, surgeon who had saved her eyesight; she enlisted the aid of the General Education Board and offered $1,500,000 if an equal sum were raised by others. J. P. Morgan, George F. Baker, Sr., and George F. Baker, Jr., each gave $100,000, and Munsey, Harriman, Rosenwald, and Widener also contributed. The outcome was the creation of the Johns Hopkins Eye Hospital.

In 1927 J. P. Morgan gave $200,000 to equip and maintain an entire floor at the Neurological Institute of New York, for treatment of sleeping sickness. Two years previously his wife had died of the malady.

In 1932 William H. Donner, steel magnate, gave $2,000,000 for research on cancer, with the stipulation that none of the money be used to construct buildings; three years earlier his son had died of cancer. There is, incidentally much to-do about cancer, but the editors of Fortune issued a survey in 1937 which showed that only $700,000 annually is spent upon cancer research, or less than Harold S. Vanderbilt and his associates spend to equip and maintain each America Cup yacht defender. The largest single yearly expenditure for cancer research—$140,000—is made by the United States government. Soon after the appearance of the Fortune survey Starling W. Childs, utilities man, announced the allotment of the annual income on $10,000,000 for cancer research, bringing the total up to slightly more than $1,000,000, or still under the cost of an America Cup defender.

The Rockefeller Foundation gave Cornell University $42,500 to study diets as a means of prolonging life—a subject in which the elder Rockefeller, who lived nearly 100 years under the care of a personal medical staff, was keenly interested.

A one-for-one personal gain or satisfaction can be shown in almost all the medical “benefactions” of the rich. The Rockefeller Institute, for example, has done much work in seeking control over tropical diseases. Helpful as this work is, it must be observed that it is of material assistance in the economic exploitation of tropical Latin America, where the Rockefellers have vast oil holdings.

Discoveries of cures for obscure diseases are, unquestionably, val-
uable; but cures for many diseases that afflict mankind are already known and yet these cures are not “distributed.” There is the same lag in medicine between the capacity to produce and the facilities to distribute that there is in commerce and manufacture, and this is illustrated in the case of a disease like pellagra, spread over a good part of the South. Pellagra sufferers merely require food. Heart disease, to cite another example, leads in the causes of death today; its causes are well known, and among them are overwork (industrial speed-up), malnutrition (unemployment), and worry over economic instability. Research is not required for the control of most heart ailments; social reconstruction, however, which could take place only at the expense of the present “philanthropists,” is required.

Public rather than private funds have supported movements to control tuberculosis, diphtheria, smallpox, and typhoid fever. Although cures for a disease like syphilis are known, five hundred thousand Americans contract it annually, according to Dr. Herman N. Bundesen, health commissioner of Chicago; and one out of five Americans is said to be affected by syphilis in some form. Significantly, the recent movement to “distribute” the cure for syphilis was launched under public auspices.

The rich in their medical benefactions concentrate rather extensively, it is instructive to see, upon research laboratories. These are economical to operate, and discoveries obtain the maximum of publicity. It would be infinitely more expensive to underwrite wide distribution of medical services.

However, the rich, individually and through their foundations, are very devoted to hospitals, and reports of this devotion have a pleasant sound to the misinformed multitude, which supposes these hospitals to be maintained for it. The private hospitals, however, in no ascertainable cases are wholly free institutions except when operated in conjunction with some big manufacturing industry, in which case they are merely adjuncts to the profit-making machinery. Hospitals endowed by the rich operate on a strictly commercial basis as far as the majority of patients is concerned but, like all hospitals, they have some free wards and clinics. The expensive laboratories, operating rooms, and general equipment, however, are always ready for use by the “donors” and their friends, and medical advances made
in clinical work naturally accrue to the advantage of the "donors" as well. In no case does it appear that any rich family has endowed free institutions like the huge government-operated Cook County Hospital of Chicago or the Bellevue Hospital of New York.

Yet the restricted number of hospitals established by the rich, and in large part supported by paying patients, are as good as neighborhood hospitals to all members of the wealthy class although of little importance to the citizenry in general outside the immediate hospital area. It is instructive to note this. The facilities of specialized, remotely located hospitals are at the disposal of the rich wherever they may be. In an emergency a wealthy man can be rushed to such hospitals by airplane or by train; and if he is unable to move a specialist may be dispatched to him by ship, train, or plane. The distant poor, and even most members of the middle class, cannot except rarely avail themselves of these specialized hospital services. Medical advance, therefore, means less than it seems to mean contempora-neously to the ordinary man.

Not a few of the hospital benefactions present curious personal aspects. The huge, commercially operated Medical Center of New York at One Hundred and Sixty-eighth Street and Broadway, largely created by the Harkness family, has often provoked curiosity as to the reason for its location. The twenty acres on which it stands were acquired by the Harknesses many years ago when the region was virtually rural.

At the close of 1935 the assets of the Medical Center, including the Presbyterian Hospital, the Vanderbilt Clinic, and the Sloane Maternity Hospital, stood at $41,687,323.77. The land was valued at $1,418,213.72 and the buildings at $13,271,376.50. Stock, bond, and real-estate investments were valued at $23,194,846.42, and current assets, including cash, had a certified valuation of $2,165,960.08. Radium, furniture and fixtures, and equipment comprised the remainder of assets.

Balanced against this, as liabilities, or obligations of the establishment to the donors, were the endowment funds—the income from which alone accrued to the Center. These endowments totaled $251,158,947.45, and most of the remainder of liabilities consisted of the capital account, which was $16,315,605.51, offsetting the value of land and buildings. Among the liabilities were the Edward S. Hark-
Income in 1935 was derived from the following sources: $1,718,691 from patients who paid $7 to $25 a day for private rooms, $6 a day for semiprivate rooms, $4 a day for beds in wards, $65 for obstetrical services in wards, and varying fees for clinical and X-ray treatment; and $999,037 from the endowment funds, donations, and the United Hospital Fund (generally contributed to by New Yorkers). The total money value of free treatment was only $1,334,735, or the price of three or four Park Avenue “coming-out” parties. According to the Medical Center’s own report, the Vanderbilt Clinic treated 456,279 patients in 1935, but refused admission to 28,544 applicants “for lack of facilities.”

Similar curious unphilanthropic features were disclosed in the 1933 report of the New York Hospital-Cornell Medical College center—another monolithic medical establishment. The assets of nearly $60,000,000 were composed of buildings and realty valued at $32,815,100 and securities and cash valued at $24,309,529. The liabilities mainly comprised $56,897,415.21 of securities. Three Payne Whitney endowment funds aggregated slightly more than $17,000,000, and three George F. Baker funds came to a little less than $3,000,000. A J. P. Morgan fund amounted to $2,092,914, a James Buchanan Brady fund to $783,067, and an Alice M. Flagler fund to $228,154.

The majority of the New York Hospital patients also appear to pay liberally for services. Both the New York Hospital and the Medical Center reports indicate that their individual hospital units are never more than sixty-seven to seventy-five per cent occupied, yet every public hospital in the New York area suffers from chronic overcrowding.

Neither the Medical Center nor the New York Hospital, in short, is a philanthropy, although both are referred to as such by the newspapers. Among the trustees of the Society of the New York Hospital are Henry W. de Forest, Cornelius N. Bliss, William Woodward, Arthur Iselin, Robert Winthrop, Joseph H. Choate, Jr., F. Higginson.
Cabot, Jr., John Hay Whitney, Vincent Astor, George T. Bowdoin, and Henry R. Sturgis. George F. Baker was a trustee. Edward S. Harkness is a vice-president of the Medical Center. Among the trustees for 1937 were Henry W. de Forest (interlocking with his New York Hospital trusteeship) and Dunlevy Milbank. Trustees for 1938 include Johnston de Forest and S. H. Fisher (Chase National Bank and the Harkness-controlled Commonwealth Fund). Other trustees include officials of the Rockefeller, Harkness, and Carnegie foundations.

We are confronted here with another paradox. Just as we find in charge of the “philanthropic” enterprises in general men who have dedicated their lives to grinding out profits, here we find presiding over establishments of mercy men whose corporations in many instances rule their workers by machine guns and labor spies, men who dictate when the country shall go to war.

Many instances could be cited to show how these establishments, and others like them, utilize the doctors and scientists in their pay on strictly upper-class errands having nothing whatever to do with medicine or science. But one example will suffice. In Thomas W. Lamont’s Saturday Review of Literature (July 31, 1937) appeared a review of two distinguished books dealing with the menace of syphilis and the need for coping with it through government agencies, as private treatment was obviously inadequate. The review was written by Thomas J. Kirwin, M.D., urologist with the Brady Foundation for Urology, New York Hospital. Dr. Kirwin wrote:

The very idea of free treatment for those who can afford to pay violates the inherent principles upon which the government of this nation was founded.

And he continued, with a particularly revolting chauvinistic turn:

We have no means of knowing whether the blood from the unprotected feet of the Continental Army which stained the snows of Valley Forge carried a syphilitic taint or not. But we do know that that blood was shed in defense of our liberties, chief among which is our right to bear to the extent of our rightful share of the country’s responsibilities while at the same time we enjoy the protection of a just and equitable government. This does not mean paternalism; it
does not mean that when we have perhaps spent our all in riotous living we have a right to demand from the government the treatment or other measures which we must have administered to us, in order to overcome the physical effects of our folly.

Dr. Kirwin, it is clear, saw the government campaign against syphilis, which affects even innocent children, as an insidious invasion of the field of “private enterprise,” which might set a precedent for other “invasions.”

Perhaps the most elaborate hospital in the country—if not in the world—is Doctors’ Hospital, New York City, to the creation of which one hundred and eighty of New York’s wealthiest families contributed. Exclusively for the rich, its appointments rival those of the Waldorf-Astoria Hotel; a temperamental patient may have a suite specially decorated. This hospital boasts a small clinic for free “emergency” treatment of neighborhood patients.

There is much more to be said about the strictly class character of the medical benefactions of the rich, but enough has been said to suggest that these benefactions are tinged to a large degree with self-interest.

The vague field of “social welfare” took $74,776,259.84 of foundation grants, or 14.4 per cent, in the decade 1921—30, according to Lindeman’s findings. This is a wholly static field, wherein activity does little to modify the social causes of public distress. Work in this field at most absorbs a fraction of the shock of social dislocation. Community organization took 25.4 per cent of the “social welfare” budget, Lindeman found, and “relief” took 18.8 per cent. With decreasing emphasis the grants then ranged down through items classified as “club work, dependents, settlements, maladjusted, counsel, surveys, training, pensions, administration and standards, handicapped, unclassified, defectives, and preventive.” In a world standing on its head for more than twenty years this distribution of funds in the name of philanthropy was obviously insane.

Expenditures in these three broad fields of education, health, and social welfare accounted for 90.6 per cent of all foundation grants in 1921—1930. All are, under the present social dispensation, socially static fields.
What of a constructive nature could the wealthy do with their foundation grants? They might follow the example of the Russell Sage Foundation, established by the widow of a big stock-market operator. This foundation makes social studies, interprets its findings, and disperses the information through publications and conferences with a view to helping people to help themselves. Or they might follow the example of a small fund which, according to Wealth and Culture, has accorded decreasing emphasis to individual philanthropy, conventional relief, and conventional education; and has increasingly emphasized the arts, experimental learning and cultural interaction, international action, the social application of science rather than its prostitution for private profit; social planning, social legislation, and movements for freedom and justice.

A rich family could establish a great daily newspaper, supporting it as Willard Straight and Mrs. Leonard K. Elmhirst have supported The New Republic and as Mr. Villard supported The Nation. Such a newspaper, if endowed and placed in the absolute control of a board of trustees consisting of undisputed truth servers like Dr. John Dewey, Dr. Charles A. Beard, the late Dr. James Harvey Robinson, and Dr. Carl Becker, would increase general enlightenment and thereby make possible intelligent social and political action. Such a newspaper, however, would be, from the standpoint of special privilege, "subversive" in character.

Many curious examples could be cited of the manner in which the rich, seeking to earn distinction as philanthropists and yet desiring to avoid upsetting the social status quo which has served them so well, select fields of so-called philanthropic activity which will not affect existing social relationships. They often want to do good, it cannot be doubted; but not so much good that their own interests will be affected adversely. Walter P. Chrysler recently entered the field of philanthropic activity by underwriting a study of child camping, into which he intended to put some money. This philanthropy will have a pleasantly sentimental sound, but the area of possible social good embraced in it is so small as to be negligible.

We can conclude, therefore, that in their intensive, specific, sentimental, truth-serving aspect the philanthropies of the rich, so far as
the health of society is concerned, are hopelessly warped and almost wholly misdirected and inutile.

Lindeman summarizes this very aptly in *The New Republic* (December 16, 1936) as follows: “Although foundations are often referred to as philanthropies or charities, it is apparent that only a small portion of their gifts is directed toward specifically charitable ends. . . . only the slightest fraction of foundation money ever finds its way into the hands of economically dependent persons. . . . The basic purpose of foundations is to support existing institutions.”

III

In their power-serving aspect the great so-called philanthropic enterprises are most significant and, perhaps, most impressive. That portion of activity just surveyed provides merely their excuse for existence.

One may lay down generalizations about the operation of the philanthropic enterprises, but it must be pointed out that all these enterprises are designed to serve the special needs of certain families. The special personal needs account for differences in size of philanthropic allocations and for differences in philanthropic incidence and emphasis. The Rockefeller philanthropies will continue to be relied upon as a central point of reference.

I. Very little philanthropic activity, so-called, is carried on unless the ostensible philanthropist has been under sharp political attack or public criticism: the philanthropies are in the nature of good-will offerings to public opinion and must therefore be accompanied by a maximum of publicity.

II. Virtually all so-called philanthropic activity has a direct relationship to the tax structure of the nation or of a particular locality at the time it is instituted. Philanthropies provide means for escaping taxes and of retaining, or expanding, industrial control.

III. Philanthropic foundations in themselves confer upon their promoters a vast amount of concentrated social power which can be, and is, exercised on behalf of the general social status quo.

IV. Many philanthropies come into being simply because the philanthropist has no progeny or no male progeny.

Rockefeller announcements of “gifts” to the public have always
followed some outburst of public or political hostility against the Rockefeller family, or some change, or proposed change, in the basic tax laws. Rockefeller announced his first small donation to the University of Chicago in 1889, when the political onslaught against the Standard Oil "octopus" threatened to become disastrous. Chicago was located in the Middle West, where sentiment against Rockefeller was strong.

Until 1902 Rockefeller made gifts almost annually to the University. Thereafter, as we have seen, annual gifts came from the General Education Board, although made in Rockefeller's name. Rockefeller could easily have given in the beginning the whole amount he did give up to 1910, but in that case he would have received only one salvo of acclaim. He knew that the memory of the public was short, and set out to refresh it from time to time.

In June, 1901, was announced Rockefeller's allocation of $200,000 to the Rockefeller Institute, and up to this point he had given less than $10,000,000 to the University, to the Institute, and to all charities, although he was, by all odds, the richest man in the country. He had, of course, been feverishly distributing money privately, for reasons already suggested.

In September, 1901, President McKinley, a Rockefeller creation, died. And in 1902, with Theodore Roosevelt publicly and privately manifesting virulent hostility to Rockefeller for real or imagined political opposition, Rockefeller announced the formation of the General Education Board, capitalized at $1,000,000. In 1905, with Roosevelt still harrying him, Rockefeller announced that he had turned over $10,000,000 to the General Education Board. Just at this time, too, Standard Oil was frontally attacked by suits in many states, some of which issued warrants for Rockefeller's arrest.

Late in 1906 Roosevelt sent to Congress findings of his Bureau of Corporations, and in his message of transmittal the President said: "The Standard Oil Company has benefited almost up to the present moment by secret [railroad] rates, many of these secret rates being clearly unlawful."

At this time Standard Oil was indicted in Indiana for violations of the Elkins Act, which prohibited secret freight rebates, and in Missouri for violation of the Sherman Antitrust Act. Another threat
appeared in the form of a sly proposal by Roosevelt on December 3, 1906, that an inheritance tax be made operative.

Reeling under these blows, Rockefeller in February, 1907, announced the allocation, "for the benefit of mankind," of $32,000,000 to the General Education Board. On July 7, 1909, Rockefeller gave the Board $10,000,000 more. Unquestionably Rockefeller was thoroughly scared, but he was not so scared that he failed to retain control over the funds he "gave away." The allocation of the $32,000,000, it was observed, preceded by a few days the imposition of a $29,000,000 fine by Judge Landis in one of the railroad rebate cases; the decision was upset on appeal.

The next allocation came in 1910, a few days before Standard Oil attorneys filed briefs in the Supreme Court on the antitrust suit, and was disclosed in the statement that $10,000,000 was to be given to the University of Chicago. As this amount of money had already been appropriated to the General Education Board and as the new contribution was to come out of the Board's income, it represented no new capital. Rockefeller was merely noisily shuffling over his earlier "benefactions."

A new reason soon developed for the allocation of further funds to philanthropy. The transfer of about $60,000,000 had already succeeded in quelling public hostility, and Rockefeller "benefactions" among newspaper editors and publishers played no small part in the improved public temper.

On July 12, 1909, Congress submitted to the states the income-tax amendment to the Constitution which Pulitzer had long been demanding. On March 2, 1910, with various states approving the amendment, Rockefeller asked Congress to issue a special charter for his foundation; but the stipulations laid down by Congress were so rigid that Rockefeller instead procured a New York charter on May 14, 1913. The Rockefeller Foundation was precipitately endowed with $100,000,000. On May 31, 1913, the sixteenth amendment to the Constitution, authorizing income taxes, took effect. But Rockefeller had reduced his tax liability.

Rockefeller, as we have observed, was a tax dodger. He was, in fact, the biggest tax dodger ever seen and probably the possessor of the most highly developed power complex on view in the United States. 

AMERICA'S 00 FAMILIES
States of our own day. As the Rockefeller family possessed more money than it could conceivably use for itself, it is clear that multiplication and retention of power for power's sake was at the root of all the Rockefeller pecuniary maneuvers. Rockefeller neglected no device—not even that of controlled philanthropies—that would help him, nor has his son.

It was hardly an accident that the contest of the first income-tax law should have been handled by Joseph H. Choate, Rockefeller's principal attorney for many years, and that Choate should have prevailed on the Supreme Court in 1894 to hold the law invalid. Rockefeller, as the man with the largest income, stood to lose more by such a law than any other man.

The Rockefeller Foundation, like the General Education Board, put a good deal of money—and voting power—beyond the reach of any proposed income or inheritance taxes, and the gentle veil of philanthropy was drawn around it all. Is saying this an injustice to Rockefeller? Did he really want the money put to effective public use? If he did why did he not merely turn it all over to Congress and permit Congress to allocate it?

The next conspicuous Rockefeller benefactions were not announced until 1917, 1918, and 1919, when the profits from Standard Oil became greater than ever as a consequence of war business (see Appendix B) and when income-tax rates had been scaled up to relatively punitive levels. The income-tax rates have been mentioned earlier, but a word is necessary on the novel inheritance taxes. A tax of ten per cent on estates above $5,000,000 was passed by Congress in 1916; the next year this rate was increased to twenty-five per cent on estates of more than $10,000,000. Then Rockefeller, terrified, began transferring the bulk of his fortune to his son, betraying that it was really taxes he was worried about. When Rockefeller died his personal fortune had been reduced to $25,000,000.

In 1917 Rockefeller retained control of $13,000,000, which the income-tax bureau would have taken, by allocating it to the Foundation. In 1918 by creating the Laura Spelman Rockefeller Memorial he retained control of $73,000,000 of war profits otherwise destined for the tax bureau. In 1919 he gave the Board $50,000,000 and the Foundation $70,000,000, retaining control of the funds at the same
time that he escaped heavy tax assessments. On the basis of the reports of the General Education Board, the Rockefeller Foundation, the University of Chicago, the Laura Spelman Rockefeller Memorial, the Rockefeller Institute, and the China Medical Board we can conclude that the Rockefeller family, by reason of war profits and avoidance of income taxes, possessed more voting power in American industry in 1920 than ever before.

But as the Republican postwar administrations progressively reduced upper-bracket income and inheritance tax rates the frantic Rockefeller transfers of capital to philanthropic funds ceased. Nothing was given for more than twelve years except by the younger Rockefeller, who was able to reduce his tax liability by an amount equivalent to fifteen per cent of his income if such an amount was distributed in the broad, ill-defined field of "public philanthropy." In the upper brackets it is often more profitable to "give away" fifteen per cent of one's income than to retain it and pay taxes on it.

In this period, however, the Rockefeller publicity bureaus kept up a barrage of announcements about various gifts, which were the grants out of income from the funds set up much earlier.

Especially has it become more profitable to give away certain sums since the passage of the 1935 and 1936 tax laws. The Cornellian Council Bulletin, addressing alumni in 1936, pointed out that persons with net taxable estates of $1,000,000 could save $4,350 in estate taxes and $350 in administrative costs by giving the University $15,000; and that persons with net taxable annual incomes of $100,000 could save $8,650 in Federal income taxes and $1,000 on the average in state taxes by giving the University $15,000 out of income.

Under the New Deal tax laws gift taxes range from one and one-half per cent on all individual personal gifts of $5,000 to fifty-two and one-half per cent on gifts of $50,000,000 or more. Estates of $20,000,000 to $50,000,000 are taxed sixty-nine per cent, in contrast to sixty per cent under the tax law of 1934, forty-five per cent under the law of 1932, and twenty per cent under the law of 1926. There are, of course, additional taxes imposed by various states.

As soon as the tax laws of 1934 and later began coming out of the legislative hopper the Rockefeller family, displaying its old solicitude about its power, once more began restlessly moving funds about.
The new Securities and Exchange Act also impelled some of the transfers.

In November, 1934, Rockefeller, Jr., announced that he had "disposed" of enough Standard Oil of New Jersey and Standard Oil of California shares to bring his holdings under ten per cent of the two companies' outstanding stock aggregates. What form the "disposal" took was not indicated, but Rockefeller has six children; if the "disposal" was made in the form of six gifts it would incur a relatively modest gift tax.

In August, 1936, the Securities and Exchange Commission revealed that nine days after President Roosevelt asked Congress for higher taxes Rockefeller, Jr., "gave away" 2,100,000 shares of Socony Vacuum Oil stock, worth $27,000,000. As no announcement was made that the shares were going to "philanthropy," they were presumably given to members of the family. If they were split six ways among the children the total gift tax incurred amounted to no more than thirty-two per cent of the full amount. If they were made in the form of one gift the tax incurred amounted to fifty-one and three-quarters per cent. If Rockefeller had retained them in his estate, and if he had died under the 1935-36 tax dispensation, they would have been subject to a Federal estate tax of sixty-nine per cent, less credit for payment of state taxes. And if Rockefeller had retained them the income at five per cent would have been subject to an income surtax of seventy-three per cent.

As the distribution of these shares served to bring his holdings of the stock below ten per cent of those outstanding for Socony Vacuum, Rockefeller was no longer obligated under the law to report changes in his holdings to the Securities and Exchange Commission. The distribution, therefore, also regained secrecy for the family.

There are some persons, ever on the alert for innocent interpretations, who would call this juxtaposition of tax laws, philanthropies, and gifts coincidental. But they would not be in agreement with an authority like Frederick P. Keppel, president of the Carnegie Foundation, who was quoted by The New York Times (November 9, 1936) as saying that doubts and fears concerning taxation spur "giving." Only by "giving" in a period of relatively high estate and income taxes can the wealthy retain control over a maximum of assets;
and control, as many know, is worth more than ownership and is not fraught with many of the responsibilities of ownership.

Before 1800 there was only one foundation, according to Lindeman's figures; from 1801 to 1900 there were established only five foundations, although men like Astor, Vanderbilt, and Rockefeller already had huge fortunes. From 1901 to 1905 five more foundations were established, two of which were the General Education Board and the Rockefeller Institute. From 1906 to 1910 seven foundations were established. The vogue of foundations, however, did not really set in until the income-tax amendment was passed and the estate tax was instituted, and in the period 1911-15 no fewer than twelve foundations were formed. In the period of high taxes and high profits from 1916 to 1920 twenty-one foundations were launched. The usefulness of the device having been demonstrated, we find no fewer than forty-nine foundations being born in the decade 1921-1930. (In 1924 Federal estate taxes were raised from twenty-five to forty per cent on accumulations exceeding $10,000,000; the tax rate was reduced to twenty per cent in 1926.) In this decade there was a great deal of tinkering with all the tax laws, which were steadily revised downward. However, special tax problems existed in many states, and even in a period of declining national taxes the foundation, like the family holding company, is useful as a device for manipulating income and capital in such a way as to reduce tax liability.

As to the increased industrial and financial power conferred by the foundations we find an excellent example of the use of these funds in the Rockefeller endowments. Robert W. Stewart was ousted as chairman of the Standard Oil Company of Indiana in March, 1929, by John D. Rockefeller, Jr., who voted against Stewart the shareholdings of the Rockefeller Foundation, the General Education Board, and other Rockefeller endowments, as well as the shareholdings of the Harkness, Pratt, and Whitney families. The foundation funds, in brief, are a factor in controlling industry while escaping taxes. Although the rich forego some personal income in setting up foundations, they forego no power.

As to the social power conferred upon their creators by the foundations, Lindeman points out that most of the foundation grants go into salaries. If control over an individual's livelihood confers any control
over the individual, then the foundations exercise a decisive degree of power over many highly placed, influential persons who enjoy public confidence. Lindeman continues, in *Wealth and Culture*:

Foundations do not merely exercise power and control over those who accept their money. Such influence is obvious even when the foundations making grants insist to the contrary. A more subtle and much more widespread control comes about by reason of the multitude of indirect relationships in which foundations play a part. Those who accept foundation grants often turn out to be radical critics, in private, of the control which has been exercised over them and their programs. Those who live in anticipation of receiving foundation grants are the more servile.

Another device for projecting foundation control has become popular in recent years: foundations frequently supply the initial funds for a new project, these funds to be used for exploratory and conferencing purposes. In many cases the foundation acts as host for such preparatory groups. By the time the final project is formulated it becomes clear that nothing will be proposed or performed which may be interpreted as a challenge to the orthodox conception of value which characterizes foundations as a whole. Very few important cultural projects of any size are consummated in this country without having experienced either the direct or indirect impact of foundation philosophy and influence.

Lindeman’s observation that those who merely anticipate foundation grants are often more servile than those already in receipt of grants is especially illuminating. The power of the foundations is so insidiously refined that without expending any money they can influence the attitudes of professional and technical people who need money to go on with their work. These people, hoping that the lightning of a foundation grant will strike them, consciously or unconsciously shape their attitudes so as to please potential donors, who passively achieve their objective of inducing these prospective recipients to speak out in defense of the social *status quo* or to maintain silence about features of the *status quo* that they would otherwise be obligated to challenge.

This subtle extension of the power of foundation grants far beyond the immediate money payment accounts for the otherwise mysterious fact that many presumably independent, freethinking scholars, scientists, and professional people give public utterance to opinions that
differ in no way from those of a Wall Street banker. In private these persons may differ among each other profoundly; but in public their utterances are as uniform as those of newspaper editorial writers. A number of obiter dicta by such persons will be cited in the chapter on education to follow. Here there is room for only one, typical of many.

On the first page of The New York Times (October 20, 1936), under the headline “High Taxes on Wealthy Crippling The Hospitals, Surgeons Are Told,” appeared the remarks of Dr. Frank E. Adair of the Memorial Hospital of New York. Dr. Adair spoke before the annual Clinical Congress of the American College of Surgeons, in Philadelphia. The gist of his remarks was adequately summarized in the headlines; it apparently never occurred to Dr. Adair that the public tax reservoir could do more for hospitals than the undependable, haphazard, egocentric benefactions of the rich.

The ordinary reader could not be expected to remember that the Times (April 28, 1936, page one) told that the General Education Board had given the Memorial Hospital $3,000,000 for the erection of a new building. The Times accompanied this particular announcement with a rewrite of the same eulogistic editorial it has published recurrently for years whenever some new “philanthropy” is announced by a rich family.

The outflow from foundations inspires shallow thinking like that of Dr. Adair in a multitude of professional and technical people, who are quicker to spring to a defense of the prerogatives of the rich—feeling themselves to be champions of the truth—than are the rich themselves. These professional people are not familiar with the fact, disclosed by Doane, that the much-maligned government has allocated to social uses since the Civil War more than four times as much as private persons. Nor are these professionals conscious that their first allegiance should be to the race in general, which has handed down to them their skill and knowledge.

“IT seems to me entirely reasonable and clear,” says Lindeman, “that independent scholars, artists, writers, and critics should have some voice in determining the ends for which vested wealth is used. They cannot make an effective contribution, however, if they become subservient to foundation officials or trustees. If there is to be in our society a reservoir of wealth which is not needed for material pur-
poses, or if it is conceived that cultural aims are necessary, if economic progress is to lead toward true social progress, then it seems clear that the use of such a fund should devolve upon persons who are culturally minded in a valid sense."

At this point Lindeman touches upon the crux of the entire problem, saying, "Nothing, it seems to me, is so repugnant as the arrogance of those who presume to impose cultural norms upon a society on no basis of warrant other than their pecuniary success under the dispensation of a competitive economy."

In his New Republic article Lindeman indicated (a) that the foundations exert a controlling influence in research and (b) that they act as a drag upon American cultural development by conservative selectivity and "the tendency to neglect or to stereotype creative movements."

The Rockefeller philanthropies have been singled out in this chapter. Let us, however, clearly understand that a similar critical approach to almost all the other foundations would yield very similar conclusions. The Rockefeller contribution, if such it may be called, is larger than the others because the Rockefeller ownership is larger and because Rockefeller had only one son to whom to transmit his fortune. Where there are no sons, or daughters, the tendency is to leave the entire fortune to public uses. The two big nineteenth-century fortunes of Stephen Girard and Leland Stanford were, for lack of progeny to leave them to, given to the public. But where there are many children—as in the Du Pont, Vanderbilt, Mellon, and other families—there is little need to resort extensively to the device of foundations to escape either income or inheritance taxes, since tax liability can be spread among many persons. It is observable that the younger Rockefeller, who has six sons, in his 1934 and 1936 transfers did not allocate the taxable surplus funds to one of the foundations under his control.

The Guggenheims, a numerous tribe, have set up two small foundations, which must be regarded (from the standpoint of the Guggenheims) as devices to bring about favorable publicity. Awards of less than $200,000 a year by the John Simon Guggenheim Memorial Foundation to writers, scholars, scientists, and other professional workers, inspire a recurring torrent of publicity. Each recipient, dis-
t Resulted in his field, continues work and goes through life identified as a former Guggenheim scholar. The socially and culturally sterile name of Guggenheim is thus associated, in a never-ending stream of echoes, with art, science, progress.

IV

Brief attention must be given to the more extreme pseudo philanthropies, although most of those we already have observed are themselves of that category. Nevertheless, along with the self-biased social, financial, and industrial control exerted by units like the Rockefeller funds, there has accrued some good to the human race. Through the Rockefeller and Rosenwald funds a number of Negroes in the South have learned, at least, to read. Through Rockefeller's endowments some people have escaped the ravages of disease. They have, it is also true, been saved from physical death very often only to prolong what might be called their social death; but that is another matter. And somewhere along the line one of these funds may unwittingly have helped to preserve a Beethoven, a Lincoln, a Darwin, a Newton. Private philanthropy is most easily justified, perhaps, in the field of medicine.

There is a lower plane of so-called philanthropic activity where chicane is much more obvious than in the branches already surveyed. In contrast with some so-called philanthropists the Rockefellers, Guggenheims, Harknesses, and a few more take on the appearance of human saviors. It is, however, not only these who, upon dying, are proclaimed in simple newspaper headlines as a "capitalist and philanthropist," or even, more simply, as a "philanthropist." In passing, it may be observed that in modern journalistic jargon "capitalist" and "philanthropist" have become synonymous. One cannot, in the contemporary inversion of values, be a philanthropist without being a capitalist, or vice versa.

Lindeman, as we have observed, found few evidences of philanthropy in wills. Let us look at a few of the big wills. They are peculiarly interesting illustrations of the psychology of the rich.

When Henry Clay Frick died in 1919 the fortune he left, after earlier personal bequests and gifts to individuals, was $75,000,000. Of this total $20,000,000 went to a daughter, $5,000,000 to the widow,
and the balance to educational institutions. Harvard was ostensibly given $10,000,000, Princeton an equal amount, and the Massachusetts Institute of Technology $5,000,000, while similar sums went elsewhere. Frick was hailed by the newspapers, of course, as a great benefactor of the human race. There was a fly in this ointment, though, and it was pointed out to C. W. Barron by Frederick H. Prince, wealthy Boston railroad promoter. Prince said that Frick's will actually stipulated that the inheritance tax, then twenty-five per cent, was to be paid entirely out of the philanthropic bequests; after this was done the philanthropic items were all reduced by more than eighty per cent, and some were reduced by ninety per cent.

James B. Duke, the tobacco king, distributed his property before his death, thus avoiding inheritance or estate taxes. One-third went to his wife, one-third to his daughter, and one-third was kept under Duke control by segregation in the Duke Endowment, for the benefit of Duke University. Controlling blocks of tobacco and public utility stocks were given to the Endowment, to be used in the domination of certain companies. Furthermore, the nature of the endowment included the University in the privately unhappy consequences of any regulation of public utilities or increases in tobacco taxes.

The greatest secrecy surrounds the Duke Endowment. The Twentieth Century Fund reported in its 1934 study that the Endowment had failed to respond to requests for information, and therefore was not included either among the twenty largest capital funds or among the twenty largest donors of income. In its study for 1931, however, because the Duke Endowment made grants of $3,754,592, or the fourth largest total for the year, the Twentieth Century Fund capitalized these grants theoretically at five per cent, or $75,091,840. For reasons which do not appear, the Duke Endowment does not want its inner operations scrutinized.

Richard B. Mellon, brother of Andrew W. Mellon, died in 1933, and left an estate officially appraised at $200,000,000. A headline in The New York Times called him "a noted philanthropist" and also reported: "Many gifts to charity in testator's life." The only charitable items reporters could find to tell about, however, concerned the erection at Mellon's expense of a $3,000,000 Pittsburgh church and the giving of "hundreds of thousands of dollars to the unemployed."
Even so, Richard B. Mellon was considered the "philanthropist" of the radically unphilanthropic Mellon clan; and the profundity of his philanthropic inclinations is, perhaps, best illustrated by his own remarks: "You couldn't run a coal mine without machine guns."

Mellon's will, however, carried out the fiction of the philanthropies by saying with laudable reserve: "I have always been interested in religious, charitable, and educational institutions, and particularly in those which I felt had an especial call upon me." The testament did not explain to be sure that this "interest" was largely academic. The will itself best indicated how philanthropic the deceased had been: $1,100,000 was left to the personally profitable Mellon Institute, $250,000 was left to servants, and $198,650,000 was left to Mrs. Mellon, to Richard K. Mellon, a son, and to Mrs. Alan M. Scaife, a daughter. The executors, moreover, entered into prolonged litigation with the state of Pennsylvania over taxes, and after nearly four years agreed to accept an assessment of about $13,000,000. Prolonged wrangling was also carried on with the Federal government, the final outcome of which has not been announced at this writing. Under the 1932 Revenue Act the estate was subject to a tax of forty-five per cent, or $90,000,000, including the payment to Pennsylvania. The net value of the estate left to the wife and two children was, therefore, about $108,650,000.

The Mellons have established in Pittsburgh the Mellon Institute, which a wide public fondly supposes is devoted to scientific advancement of general benefit. The Institute cost $80,000 to establish, was designed solely for industrial research, and has already produced so many privately profitable discoveries that it has been greatly expanded at no genuine expense to the Mellons. Patents are taken out on the discoveries and inventions of its workers, and the patents are exploited in the market. The Institute endorses products, some of dubious merit, which are sold in the retail market. Much of its income is paid by manufacturers for permission to put their research men to work in the Institute's laboratories.

Very recently the wide and subtle uses to which foundations and charitable trust funds may be put have been borne in upon the consciousness of many wealthy persons. What many now realize, the Rockefellers, always farsighted, long ago understood.
When George Ball, Muncie, Indiana, glass-jar manufacturer, purchased control of $3,000,000,000 of Van Sweringen railroad assets for $275,000 from J. P. Morgan and Company, sophisticated observers suspected something unusual. When Ball placed the controlling Van Sweringen stock in a "religious and philanthropic foundation" informed observers surmised there was something even more unusual, and watched to see what would be the outcome of this transaction. When Ball’s foundation within two years gave up the control, which already showed the enormous potential profit indicated in Chapter VI, to gain a much smaller profit by selling out to two New York brokers, the transaction became even more extraordinary. Charity and religion would have benefited tremendously had Ball left the entire Van Sweringen railroad system behind them. As it was, Ball’s foundation took the lesser profit offered by the two New York brokers. What was behind all this is not yet plain. One thing, however, is certain; a goodly amount of capital-gains taxes was avoided.

Very probably the future will bring forth many more of these tax-saving philanthropic foundations to act in similar odd transactions.

George F. Baker, Jr., died in May, 1937, and his will set up a philanthropic fund that showed he had learned well from the elder Rockefeller that it is more profitable to give than to receive. Baker inherited from his father $73,000,000 of assets in 1931, the valuation being at extreme depression lows. In 1929 the elder Baker’s assets had a reported market value of $200,000,000. Between the deaths of the father and the son there had been a great rise in market values, but as no announcement was made of the value of the son’s estate, and as he had previously transferred a good deal of wealth both to his wife and to his four children, as his will stated, it is impossible to tell precisely what he left.

*The New York Times* set the estimated value of the estate at $60,000,000, after the gift of $5,000,000 of First National Bank stock to his wife in 1934 prior to the increase in the still modest gift-tax rates and after uncomputed transfers to two sons and two daughters. Assuming this to have been the size of the estate (the *Times* said its value may have ranged up to $80,000,000), we find from that pessimistic analysis that the Baker family would have been left only $20,000,000
after payment of state and Federal estate taxes. The Times' analyst construed the Revenue Act of 1935 to mean that taxes of seventy per cent are levied on estates above $50,000,000, whereas the Act says that amounts above $50,000,000 are taxable at seventy per cent after $32,362,600 has been paid on the first $50,000,000.

The Bakers, however, had no intention of turning over even this amount to the Treasury; moreover, the Federal law allows a credit for the payment of state taxes in the amount of eighty per cent of the estate-tax liability under the 1926 Federal law. The Times conveniently assumed that Baker had arranged it so that his estate would pay the government the maximum possible.

On June 24, 1937, the Times published some of the provisions of the Baker will under the typically misleading headline:

G. F. BAKER WILLED
PUBLIC $15,000,000

Baker was one of the group behind the Republican Party that stormed against high taxes in the 1936 election campaign. Here, then, was a paradox: he did not want the government to get his fortune; yet he wanted to leave one-quarter of it to the public. Let us see how this worked out.

If Baker's net estate was $60,000,000, as it may have been after the earlier transfers to his wife and to his sons of what the will termed "substantial property," then the philanthropic "bequest" reduced its net taxable value to $45,000,000. In effecting this reduction the estate rid itself of the $10,000,000 surplus above $50,000,000 which, taxable at 70 per cent, would have yielded the Federal government $7,000,000.

The hypothetical $45,000,000 remaining would apparently yield New York State $7,500,000 at its tax rate of sixteen and one-half per cent on fortunes exceeding $10,000,000. The Federal credit against this would be $7,200,000 under the terms of the 1935 Revenue Act. The Federal tax on the remaining $45,000,000 amounts to $11,662,600 on the first $20,000,000 and to sixty-nine per cent, or $17,250,000, on the remaining $25,000,000.

Instead of the $40,000,000 tax which the Times had indicated the estate would pay, much to the anguish of readers who sent in letters,
the actual payment would be approximately as follows (assuming always that the estate amounted only to $60,000,000):

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>New York state tax at 16 1/2% on $45,000,000</td>
<td>$7,500,000</td>
</tr>
<tr>
<td>Federal estate tax</td>
<td>$28,912,600</td>
</tr>
<tr>
<td>Less credit for payment of state tax</td>
<td>$21,712,600</td>
</tr>
</tbody>
</table>

On the first $10,000,000 of his charitable bequest Baker saved $7,500,000 and on the second $5,000,000 he saved $3,450,000 in Federal taxes—$10,450,000 in all, or more than two-thirds of the sum left to "charity." The cost to the Baker family of the philanthropic fund that controls $15,000,000 of First National Bank stock is, therefore, slightly more than $4,000,000.

Taxes, then, have reduced the Baker estate only to $30,787,400, in contrast with the $20,000,000 reported by the Times. However, even this figure does not represent the assets left in the control of the Baker family. It actually appears that the family, on the basis of the modest $60,000,000 estimate of the fortune and the earlier intrafamily gifts, retains control of at least $40,000,000 of assets, or twice as much as was indicated by the Times.

Baker's will stipulated that his philanthropic fund should be placed in charge of his family, his two sons taking it over upon attaining their majority. In this fund is immobilized enough First National Bank stock to keep in Baker control the twenty-two per cent of stock they have always controlled. Only income on the seventy-five hundred shares allotted to philanthropy goes to philanthropy, and only to such philanthropies as the Bakers may select, thereby increasing their power over persons far removed from the world of finance. Baker, incidentally, in obvious anticipation of the 1935 tax law, increased the bank stocks he had allotted to the philanthropic fund from five thousand to seven thousand five hundred shares.

However, even after all this, it is quite a come-down to see the vaunted fortune of George F. Baker, of a market value of $200,000,000.
in 1929, reduced to a paltry $40,000,000 odd. Let us, therefore, ex-
amine it more closely.

Baker Jr., as we have seen, inherited from his father an estate valued at $73,000,000, on which a state and Federal tax of about $13,000,000 was paid. Not only had the younger Baker before his death transferred to his wife and two sons about eleven thousand First National Bank shares, but he also had settled an unannounced amount of property on his two daughters, Mrs. John M. Schiff and Mrs. T. Suffern Tailer.

The will, significantly, did not appraise the assets. And even after the assets are appraised there will be no real indication of what the family is worth, for it would be necessary to know what intrafamily gifts have been made over a term of years, and among how many persons they had been apportioned, before one could estimate its true worth.

Harking back to the 1924 income-tax returns we find that both George F. Baker and his son paid approximately the same tax each on the income from an indicated joint fortune of $210,000,000. In short, back in 1924 the junior Baker was already in receipt of half the family revenue. As no disaster has engulfed the Baker properties, whose market values were only temporarily reduced in 1931, it cannot be argued that the payment of the Federal taxes already surveyed would do much to reduce the fortune. However, if the Baker who died in 1937 had in his own name much of the family property above the value of $50,000,000, it would be subject to total taxes higher than here indicated. But if the property had been distributed to a "sub-
stantial" extent among his wife, two sons and two daughters, as appears to have been the case, his death, contrary to The New York Times, brought no tax disaster to the estate.

The income, estate, and gift-tax laws, especially the latter, are so drawn as to give the rich a premium for having numerous progeny. This aspect will be touched upon in our final chapter. The tax laws only make it necessary for the rich to maneuver their wealth in sections to escape effective taxation. Newspapers like the Times, however, reporting that Cyrus McCormick's 1936 estate of $22,000,000 bore a tax liability of $11,680,000, that Henry H. Rogers' 1935 estate of $16,255,440 bore a tax of $11,600,000, and that James Couzens' estate
of $30,000,000 faced a tax liability of $21,000,000, fail to make clear the antecedent preservative role of multiple, low-taxed gifts and of philanthropic foundations and joint-stock family corporations.

Milton S. Hershey, the chocolate king, in 1918 endowed the Hershey Industrial School at Hershey, Pa. The stock he gave was valued at $60,000,000, the stock he kept at $1,000,000. Hershey, however, retained personal control over the tax-free endowment, the income of which was to be devoted to healthy, white, orphan children. Work went on as before at the Hershey factory, where there was so little manifestation of philanthropy that labor disputes took place. The workers, on strike, were subdued by police and vigilantes in classic fashion. Surveys made of the community, which is almost entirely dominated by the Hershey endowment, suggest that the endowment is nothing more than an instrument of power wielded by a few men. Benefactions there have been, such as agreeable housing for workers, parks, swimming pools, concerts, etc., but paralleling all this has been an autocratic control over the lives of all citizens. The educational program in the school is rigidly prescribed along manual-training lines and, according to some observers, completely unfit the "beneficiaries" to enter other fields of work. The average 1936 weekly wage in the Hershey plant was $17.30.

Charles Hayden, banker, left an estate in 1937 valued unofficially at $50,000,000. The income of this fund was given over to the establishment of a charitable foundation for boys and young men—thereby eluding estate taxes. The organization will be known as the Charles Hayden Foundation. Hayden, unmarried, had no children, it is instructive to note. It is no less instructive to reflect that this vast fund was left in the keeping of Hayden's business associates and that through it they will exercise wide industrial and social control. Had Hayden left the estate to these individuals personally it would have been subject to a seventy per cent Federal tax, minus credits for payment of the New York State tax. As the estate carried with it more than sixty industrial directorships, it was worth preserving.

The establishment of philanthropic funds has, indeed, become a fine art, and the danger seems to be that capitalism under the impetus of its tax laws will metamorphose itself entirely into a "philanthropic"
enterprise, controlling not only the economic apparatus but the very soul of humanity.*

At least a brief look at the great art collections bequeathed to "man-kind" is advisable, for the public is frequently gratified to read that some financial freebooter has left a valuable collection in the hands of public agencies.

The artistic interest of the magnates, who have not been esthetes, has been almost wholly pecuniary. Works of art, under competitive private bidding, have attained a high scarcity value; but, this apart, relationships are traceable between the purchase of objects of art abroad and various tax schedules, fluctuations in foreign exchange

*The menacing extremes to which the establishment of philanthropic foundations have gone were nowhere better illustrated than in the terms of the late Andrew W. Mellon's will, a reading of which leads one to the conclusion that there is a tacit conspiracy among the lawyers of the millionaires to keep the fortunes out of the hands of the public while seemingly devoting the fortunes to the public. Mellon died late in August, 1937, and a fortune of $200,000,000-$400,000,000 was left to the A. W. Mellon Educational and Charitable Trust, but under the trusteeship, irrevocably and perpetually, of his son Paul, his son-in-law David K. E. Bruce, his attorney, and their self-designated successors. As the Herald Tribune, August 29, 1937, remarked, the announcement "came at a time when officials of the United States Treasury . . . were anticipating a windfall in taxes from the Mellon estate. So did the tax collectors in Harrisburg, where already eager functionaries had announced that the Mellon estate was expected to yield at least $28,000,000 for the State of Pennsylvania." Prior to his death Mellon made substantial provision for his son and daughter, according to the will, but as he had only two children to whom to distribute his fortune, he would have incurred heavy gift taxes had he given it to them before he died. Mellon's will discloses that it is control rather than ownership that the rich are seeking to preserve, if they cannot have both, in their philanthropic benefactions; for Mellon's family will retain control, under the terms of his will, of the vast Mellon properties which in an ordinary transfer would have incurred a Federal tax of seventy per cent. If control can be preserved by philanthropic foundations in a period of tangled taxes, perhaps at a later date, under more benign political auspices, the controllers of the foundations can have them restored to private status. Indeed, the very existence of so many privately controlled foundations will in time provide a very weighty motive for the rich to instigate a revolution of the Right in order that private ownership of the foundation funds may be restored to their private trustees. The establishing of a philanthropic fund by Mellon reduces the word philanthropy to an absurdity in current practice, for Mellon was never philanthropically inclined and always did everything in his power to evade taxes. After his death his attorneys said he had given more than $70,000,000 to philanthropy in his lifetime, but they neglected to add that the philanthropies consisted largely of gifts to the personally profitable University of Pittsburgh, Mellon Institute, and Carnegie Institute of Technology—all more or less subsidiaries of the Mellon industrial empire.
rates, and tariffs. As to the first, it must be remembered that the tax system is extremely complicated. In addition to Federal income, estate, and gift taxes, there are also state income and estate taxes and local personal-property and real-estate taxes. Art works, furthermore, lend themselves readily to pecuniary manipulation because the values set upon them are usually arbitrary, and are seldom subject to pricing in the open market. As the private bookkeeping that covers the purchase and sale of art is very slack, not subject to investigation by Federal Trade Commissions and Interstate Commerce Commissions, almost any juggling is possible; foreign art dealers, for example, often permit American buyers to exaggerate reported purchase prices, if an exaggerated value best fits into the tax scheme, or to minimize reported prices, if a minimum figure is desired.

If the art is to be held as personal property a low valuation is desirable. If it is to be housed in a private museum, as part of a real-estate project, a low valuation is also often desirable. However, if it is to be used to reduce income tax liability, an overvaluation is preferable. For example, if $75,000,000 of money, representing profits on business abroad, perhaps, that may be subject to repatriation transfer taxes or even to income taxes, is put into a collection that is subsequently valued at $25,000,000, a total of $50,000,000 is hidden. The art works, of course, enter the country tariff-free. If the collection is housed in a quasi-public museum, local real-estate tax exemption may be claimed for a sizable piece of property being held in comprising the Gulf Oil Company, the Aluminum Company, the Koppers Coke Company, etc.

There is no new law needed to cope with these pseudo-philanthropic foundations, although, in order to spin out the issue, some legislative agent of the big fortunes will soon be seen to arise and suggest that special laws be framed to cope with philanthropies; such futile shutting of the barn door will drag the issue out for ten or twenty years, in which interval much may happen. There is already enough law on the books to hold such “bequests” of 1937 as were made by Baker, Mellon and Hayden essentially unphilanthropic devices for insuring continued industrial control in few hands; a great deal of discretionary power rests with the legally constituted tax officials in judging the philanthropic character of these so-called charitable funds. And only a refusal by the tax officials to recognize the philanthropic character of these funds will prevent the big fortunes from preserving themselves and working their selfish will upon the commonwealth. The Mellon “bequest” merely proves anew that the philanthropic funds are tax-dodging schemes, as the wily Rockefeller discovered long ago.
anticipation of a rise in land values that may, in time, offset the entire
cost of the art collection.

The foreign art-works market is, according to private accounts,
crossed with a system of rebates, drawbacks, and confidential
concessions that serve to obscure precise costs and values, and in this
shadowy atmosphere pecuniary maneuvers that are practically undetec
table can take place. Undervalued art, while concealing assets, also
enables the owner to transfer wealth virtually tax-free to friends and
to relatives if the transfer is carried out in piecemeal fashion. Concise
illustrations are lacking because of the secrecy enshrouding this field.
Moreover, foolproof hypothetical illustrations in relation to the tax
structure at any given time are not possible without a knowledge of
the specific inner tax problems of a given family.

In the multiple tax structure of the United States different locali
ties have different ways of taxing art works. Although the Federal
law is uniform, state laws are not, nor are municipal real estate and
personal-property laws.

Again, the fluctuation of European exchange rates has enabled
Americans to acquire works of art, very often, for next to nothing.
If these works were resold or retransferred in the United States with
the admission of the huge profit involved, the profit would be taxable.
Seldom are huge profits admitted, however, although we know the
American money lords are mainly interested in profits, as their visible
careers show. Citing a hypothetical case, we may say that an Ameri
can millionaire has Art Agent A go into a certain country, whose cur
rency is temporarily badly depreciated, to buy various works of art.
These, let us assume, cost $100,000 of American money. Art Agent A
then "resells" to Art Agent B (also an employee of the art-minded
millionaire), who resells to Art Company C (privately retained),
which resells to Art Company D (also privately retained) located
in Paris. At each resale the price is advanced, but as the millionaire
behind the scenes is always reselling to himself through dummies the
cost of the art to him is still only $100,000. Art Company D then may
place the works of art up for auction, where they are bid in at top
prices by Art Agent E, working in the open for the American mil
lionaire. The auction price paid, let us say, is $5,000,000, and this is
reported in the newspapers.
The collection is repatriated, tariff-free, and in due course, requiring cash, the millionaire sells it for $4,000,000. Here he has a capital loss of $1,000,000, which he may deduct from his income-tax return. As his hidden purchase price was $100,000 and his resale price was $4,000,000, he has actually made a profit of $3,900,000, subject only to cost of handling, and fees and commissions to the agents, and he has escaped taxes on $1,000,000 of income for which deduction has been claimed.

Many millionaires, especially in the nineteenth century, unquestionably paid top prices for art works. Others, more recently, have not been so foolish. Lacking a public record, one cannot separate the sheep from the goats, but before conceding the esthetic motive in the gathering of art works by money-minded men each case would have to be rigidly scrutinized on its individual merits.

That there is pecuniary motivation behind the big art collections is, however, attested by the public record. The elder Morgan, chairman of the Metropolitan Museum board, turned his collection over to it; the public believed that he had “given” the collection away. But when he died it became obvious that he had merely “lent” the collection, and his son sold it for about $25,000,000 cash. The Metropolitan Museum, art center of the nation, has been used by the Morgan firm, as we have seen, in newspaper deals in which J. P. Morgan and Company did not want directly to be concerned. Munsey left his estate and newspapers to the museum, having garnered the estate in the stock market under Morgan auspices; the museum sold The Sun to a Morgan group and the Telegram to Scripps-Howard. Munsey himself had sold the Herald to the Reid-Mills family. In the latter case the museum inherited a note in part payment, with more than $1,000,000 of it still outstanding, undevoted to art. Whether the museum was paid off entirely in the Sun sale is not clear from the record.

The Metropolitan Museum, beloved of art connoisseurs, is, therefore, a device for holding newspaper properties. It is controlled by its trustees, whose names we have scanned. The New York Sun, incidentally, carries more advertising of art dealers than any other newspaper, although the average newspaper reader does not as a rule contemplate purchases of objects of art.
The Morgan family, still pursuing its credo of art for money's sake, built a big library adjoining its town house on Madison Avenue. After inaugurating a policy of allowing a few public visitors admission by card to look at costly illuminated manuscripts and other literary works, J. P. Morgan claimed real-estate tax exemption from the city. As the assessed tax liability of the land exceeded $500,000 annually, giving effect to the library improvement, this was an item worth considering. The land is in the heart of Manhattan, surrounded by big skyscrapers, and its value has increased yearly. The Morgan Library, however, was not open except to closely supervised and limited public inspection. And in the evening (when the public is not admitted), it reverted to its status as a private Morgan palace.

Henry Clay Frick, also interested in taxes, made his Fifth Avenue town house into a private art museum which was later thrown open to the public. Taxes on these private city demesnes can, in time, exceed their value. However, if taxes are held down in a period of high rates, perhaps, after a political overturn by which taxes are reduced, the properties may be restored to their strictly private status, for legal title is retained by the heirs and assigns.

In 1936 Andrew W. Mellon announced the outright gift of his $50,000,000 art collection to the government. Under the 1935 Revenue Act this collection in the Mellon estate would have been liable for taxes of $32,362,000, payable in cash. Mellon, therefore, paid $32,362,000 into his estate by giving up this art.

However, if the collection cost Mellon $50,000,000, as it apparently did, must it not be regarded nevertheless as a bona fide gift? One cannot say that the collection represents a gift in any sacrificial or praiseworthy sense until one has had the opportunity to estimate its pecuniary role in the inner history of the Mellon fortune. Granting the cost of $50,000,000, the collection may have represented a great pecuniary convenience to Mellon at a time when he possessed much surplus cash, or possessed the cash abroad and was unable to repatriate it by reason of currency or other restrictions. Cash alone is often a nuisance to a multimillionaire; when deposited in large amounts in banks it seldom draws interest. Safe investment vehicles may be sufficiently scarce to make it impossible to invest $50,000,000 at a particular time with any feeling of security. Immortal works of art, how-
ever, which can be insured against theft, fire, or other forms of destruction, do represent relative stability of value.

Could not a multimillionaire achieve equal security, however, by keeping his funds in the form of noninterest-bearing cash? Cash, however, often depreciates in value, and the depreciation is evidenced by a rise in prices. United States funds after the war, for example, were quoted at eighty per cent of par on the Stock Exchange. In 1918 the gold-exchange rate of the dollar in Madrid was below 30 cents. In 1933 its gold value was reduced by 40.4 per cent.

A multimillionaire takes all these factors into consideration, and seeks to diversify the forms in which his wealth is held. Works of art provide a special form for holding wealth and for giving extra diversification. Wealth is diversified not only through a multiplicity of stocks, bonds, and cash, but through real estate, art works, jewels, life-insurance policies, etc. After the national possibilities of diversification have been exhausted, there is the international field of many national currencies and securities, as well as of foreign real estate. Once all these have been utilized there remain the tax-exempt philanthropic foundations.

A huge collection of art, like a big insurance policy, is a form of insurance for the fortune against a depreciation in currency and against many other types of financial fluctuation. Works of art are actually an international currency much like gold. Governments, in time of emergency, have confiscated private works of art, as well as gold and holdings of foreign securities and currencies.

The Mellon family, therefore, has derived steady pecuniary benefit from its great art collection. Assuming that it has been held substantially in its present size for twenty years, the cost of $50,000,000 figures down to $2,500,000 annually. This is relatively cheap insurance for a huge fortune. Faced at the present time by an estate-tax rate that makes this particular form of insurance potentially costly, the Mellon family merely wafts the art collection away.

Until estate taxes made it expensive, Mellon's art collection, for example, assured him that he would always have from $25,000,000 to $50,000,000 no matter what happened to United States money. No matter what regulatory measures were taken against his
If he could not realize upon the paintings in America, Europe would have repurchased them at a substantial price.

To the outsider these considerations may seem farfetched. They seem farfetched only to those who have not come in contact with wealthy people, whose minds are in a perpetual turmoil about alternative employments for their wealth which will (a) yield the highest return, (b) avoid a maximum of taxes, (c) assure a maximum of diversification, and (d) guarantee the greatest possible permanence. The wills themselves attest that this preoccupation with the internal distribution of the fortunes extends beyond the portals of death. Like Carnegie, most of the multimillionaires want their hoards held intact through eternity.

The uninformed often complain that men of wealth are only interested in "dead" art, are seldom interested in modern art, and rarely are interested at all in subsidizing living artists. The fact should be plain, however, that the wealthy men, concerned only with exercising and retaining their own power, are not really interested even in "dead" art. They are drawn to it only because of its status as a highly developed international pecuniary medium.

Illustrative of the indifference of the rich as a class to the realm of art is the fact that the Federal government in recent years has had to support some fifty thousand artists on the relief roll; that the artists of America, some of whom already belong to an immortal company, have no audience save in a few large cities among esthetic-minded foreign born. Had it not been for Federal intervention after the crisis, the theater, too, would have passed out of existence as a field of artistic expression. The wealthy, for whom the drama means only a succession of "first nights," evinced no interest in the dying stage, nor in the plight of thousands of destitute actors and actresses. The Federal Theater has sponsored virtually the only vital and original productions of the past few seasons.

Music has fared no better at the hands of wealthy "patrons." As with opera, dependence upon rich sponsors had, until the government took a hand, kept music in its higher forms well out of the reach of the populace. Federal Music Project concerts, with admissions scaled down to twenty-five and thirty-five cents, and not limited only to the biggest cities, did more to stimulate public at-
tendance at musical performances than had fifty years of privately patronized orchestras.

There is, in conclusion, much piecemeal charity carried on, but most of it can successfully be called into question as tinged with pecuniary self-interest. For many years, to give a glaring example, New York’s wealthy families posed as patrons of the Metropolitan Opera. When the opera ran upon evil days during the depression of 1929–33, it was brought out that it leased its quarters from the Metropolitan Opera and Realty Corporation, a profitable enterprise controlled by the box holders. Computation showed that the “contribution” of these “patrons” over a period of years actually amounted to slightly more than $8 a box seat per performance, or only slightly more than the price to the public of a main-floor seat. Not only was the tangible value of these patron-monopolized boxes far higher than the money paid for them by the “patrons” over whom the newspapers periodically gushed, but the value of the boxes to social climbers was enormous.* Fabulous prices have been privately offered for an opera box—with no sellers in sight. Had the box seats been thrown open periodically to general bidding the opera would have received a return far in excess of the $8 per chair paid by the “patrons.” When Rockefeller, Jr., offered the opera more adequate housing in Rockefeller Center, where the tier boxes were to be supplanted by revenue-producing balcony seats, his offer was refused by the “patrons” who enjoyed such munificent personal returns from the old opera house. And when the Metropolitan Opera faced financial crisis in the depression of 1929–33 it was saved by public subscription.

Philanthropies and benefactions, so-called, are carried on by certain wealthy families in an apparently sporadic, unsystematic fashion because their personal pecuniary requirements are different from those of a family like that of the Rockefellers. All the families get their names into the newspapers at least once a year by some contri-

*Miss Georgine Iselin during the season 1920–21 sub-let her box for forty-seven performances, for which she received $9,525. Her assessment of $4,000 left her a profit of $5,025; the average price she received was $33.77 a chair. She got $550 for opening night and $3,025 for 11 subsequent Mondays; $300 for the Prince of Wales “gala” (one performance); $2,200 for an additional eleven Monday nights; and $3,450 for twenty-three Friday nights.
bution, however small, to one of the general charitable or church funds. Most of them have some pet hospital, school, park, or playground which they use to gain good repute and, in prosperous years, to reduce tax liability. Each of these benefactions should, however, be carefully studied on an individual basis before its philanthropic character is conceded; the author has scrutinized many and has found, almost invariably, that the family could preserve for itself more tax money by engaging in the philanthropy than by not engaging in it.

Have not the Fords and Du Ponts been great philanthropists, as newspapers have suggested? Let us see.

The Du Ponts have financed the construction of most of the elementary schools in Delaware; they have built most of the paved Delaware highways; they have constructed the principal hospitals of the small state. They and their relatives by marriage are, however, the only persons of any considerable pecuniary well-being in the state, and they would have paid for all this, anyhow, through taxes. Rather than pass the money through the political sieve, the Du Ponts decided to spend it themselves for public improvements, thereby assuring minimum costs and, very probably, giving their own companies a profit in the supplying of materials. Thus, having built roads, schools, hospitals, and other buildings for a presumably sovereign state—which might better be named the duchy of Du Pont—the Du Ponts have earned distinction as philanthropists. Small towns near which particular branches of the Du Pont dynasty maintain residences have also been "given" hospitals, which the Du Ponts and their guests, of course, may also use.

Henry Ford has put money into hospitals at Detroit and at Dearborn Michigan, largely devoted to caring for injured workers who turn out profits for Ford. This writer does not regard this as philanthropy, but merely as business. The Hearsts, Guggenheims, Dodges, and others also maintain hospitals in the mining centers to care for men injured in the mines. This, too, is not philanthropy.

Ford has earned distinction as a "philanthropist" mainly by an attempted physical reconstruction of the American past at Greenfield Village, Michigan. Inns, spinning wheels, harpoons, candlesticks, schools, and the like have been transported and made into a museum, the value of which is highly doubtful. Eccentric though Ford's ex-
pensive schemes are, however, they seem to win the acclaim of many people—and a design is thereby achieved. Ford has been unusually successful in turning white into black in the public consciousness. He is, for example, considered an exponent of high wages because, in order to create a surplus of labor in Detroit, he once proclaimed the doctrine of $5-a-day pay. Few people realize that a large proportion of Ford workers are laid off much of the time and that the Ford pay scales are not computed on a yearly basis.

It is true that there has been some disinterestedness shown by the rich in contributions to art, music, and the sciences, but the clearly disinterested contributions have been so trivial as not to merit mention. The critical reader, unversed in the ways of philanthropy, may exclaim: "What possible personal value could one ascribe to the creation of the magnificent Field Museum of Natural History in Chicago, erected by the Field family?" The building of this splendid monument on the Lake Michigan water front not only reduced tax liability in a period of relatively high income taxes and brought public acclaim for the Fields, but, along with other nearby improvements, it enhanced the value of the downtown Chicago real-estate holdings of the Field family. The will of Marshall Field I stipulated that a portion of income was always to be reinvested in improved Chicago real estate. Old Field, like old Astor, was real estate mad, and even joined in giving to the University of Chicago land that abutted on a greater amount of land whose ownership he retained. The peculiar provisions of the Field will have nearly driven its executors and trustees frantic to find suitable outlets for the estate's surplus income, and the heirs have, without avail, tried to upset the testament. Like the mill in the fable that ground out salt in the sea, the Field estate continues to grind out buildings, buildings, buildings—and the only hope of respite lies in the fact that all the structures will in time make each other mutually unprofitable.

In conclusion, the paradox is this: the rich grow richer and more powerful by the practice of philanthropy—as it is loosely defined.