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## TWO DEMOCRATS DISSENT

### Denounce a 'Crackpot View' —One Republican Tells of 'Strong Reservations'

Excerpts from the majority and minority reports, Page 21.

By C. P. TRUSSELL  
Special to The New York Times.  
WASHINGTON, Dec. 19.—A Congressional report today charged some tax-exempt foundations with "directly supporting subversion."

It alleged that these foundations had permitted their huge funds to be distributed to causes detrimental to the American system. The study emphasized that these were in the minority.

The report, by a special committee of the House of Representatives, was far from unanimous. Although the three Republican members signed it, one had "strong reservations." The two Democrats on the five-member group repudiated the report throughout, calling it a "crackpot view" by persons ill with "fear sickness."

The investigation dealt only with "public" foundations, such as those bearing the names of Ford, Rockefeller, Carnegie and other symbols of great fortunes. It did not concern religious and academic institutions and other small foundations that are media for distributing the annual charitable tax-deductible income of individuals.

#### Foreign Policy Cited

The majority report charged that some of the larger foundations "have directly supported 'subversion' in the true meaning of that term—namely, the process of undermining some of our vitally protective concepts and principles." It added:

"They have actively supported attacks upon our social and governmental system and financed the promotion of socialism and collectivist ideas."

The majority found that in the international field, foundations and related organizations had "exercised a strong effect upon our foreign policy and upon public education in things international."

"This has been accomplished," the report charged, "by vast propaganda, by supplying executives and advisers to Government and by controlling much research in this area through the power of the purse. The net result of these combined efforts has been to promote 'internationalism' in a particular sense—a forum directed toward 'world government' and a derogation of American 'nationalism.'"

The report found that a "concentration of power" had shown a "distinct tendency to favor political opinions to the Left."

The majority report praised the foundations to the extent of speaking of "many magnificent services which foundations have rendered to the people of the United States in many fields and areas, particularly in medicine, public health and science." However, it alleged "many abuses" of

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## Senators Find F.H.A. Culpable in Scandals

city's need for \$50,000,000 to \$100,000,000 more revenue than in 1954-55.

Budget Director Abraham D. Beame has estimated that the additional revenue will be needed even after allowing for 1955-56 savings resulting from economies and more efficient management.

He has warned the Board of Estimate that the city's minimum needs for 1955-56 will result in a much larger budget than the present one of \$1,639,438,325, which is the highest in

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## FOUNDATIONS CALL CHARGES UNTRUE

### Assert House Group Failed to Print Their Answers to Public Testimony

By CHARLES GRUTZNER  
The presidents of two of the largest foundations labeled false yesterday the findings of a Congressional committee whose report had attacked them.

They also called unfair the methods of the committee in hearing accusations against them and other tax-free foundations for education, research and philanthropy.

Dean Rusk of the Rockefeller Foundation and H. Rowan Galtner Jr. of the Ford Foundation charged that the House Committee on Tax-Exempt Foundations had failed to print in its report the answers they had made to testimony given against them at hearings some months ago. The committee was headed by Representative B. Carroll Reece, Republican of Tennessee.

Mrs. Helen Rogers Reid, president of the Reid Foundation, said the committee's attack on that foundation and on The New York Herald Tribune, of which she is chairman of the board, had stemmed from that paper's editorial criticism of the Reece group's "biased and one-sided methods of investigation." She called the charges false.

#### Strong Denial of Charges

Philip L. Graham, president and publisher of The Washington Post and Times-Herald, made an equally strong denial of similar charges against that paper and the Eugene and Agnes E. Meyer Foundation. The foundation was set up by Mr. Meyer, chairman of the board of The Post and Times-Herald, and his wife.

The New York Times, which also was criticized in the committee's report, said it would have no comment. The report accused The Times of vindictive attacks on the committee.

It also cited the membership of Arthur Hays Sulzberger, president and publisher of The Times, on the board of The Rockefeller Foundation, and said his presence on the board could have had an "intangible, influencing factor" on the work of his editors.

Spokesmen of several other foundations criticized in the report on various counts, including tax-dodging and fostering of socialistic ideas, also called the charges untrue and the investigation biased. Some other foundations, including the Carnegie Corporation, withheld comment pending a full reading of the 432-page

## By DOUGLAS DALES

Governor Dewey and Governor-elect Averell Harriman each laid the groundwork yesterday for holding the other responsible for the next state budget.

An increase in New York's fiscal obligations appears inevitable.

Mr. Dewey declared in a statement that all final decisions on the budget were being made by Paul H. Appleby, who will be Budget Director in the incoming Democratic Administration. Mr. Appleby has been working on the figures with budget officials of the Dewey Administration since Nov. 15.

Mr. Harriman's office at 270 Park Avenue issued a counter statement on behalf of Mr. Appleby in which it was noted that the 1955-56 budget "has been largely determined by past events, going programs and specific legislative determinations made during the Dewey Administration."

Mr. Appleby said that under Mr. Harriman's instructions he had made every effort to hold expenditures for the next fiscal year "to the lowest possible amount" and that he would recommend "very substantial reductions in the sums requested by the present department heads."

#### Balance Required by Law

The new budget must be submitted to the Legislature by Feb. 1 and adopted by April 1, when the state's fiscal year begins. A provision of the State Constitution requires that it be in balance. Governor Dewey said that his Budget Director, T. Norman Hurd, was providing technical help and cooperating fully with the new Administration but that "all recommendations of the chief budget examiners are being made directly to Dean Appleby."

The Governor said that Mr. Appleby was "conducting all the final budget-making conferences" and added that "responsibility for all decisions in connection with each part of the budget" had been placed in the incoming director's hands.

This procedure, Mr. Dewey added, "will aid greatly in facilitating the transition to the new Administration with a minimum of delay and inconvenience."

Asked whether Mr. Dewey was seeking to disclaim any responsibility for the next budget, Harry J. O'Donnell, the Governor's press secretary replied: "It is a statement of fact that speaks for itself."

A similar pronouncement was issued by Gov. Charles Poletti when Mr. Dewey was about to succeed him as Governor twelve years ago.

To keep the next budget from rising and thus head off the imposition of new or higher taxes, Mr. Harriman would have to cut back from the current level of spending by more than \$40,000,000 because of mandatory in-

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SALVAGE OPERATION: Navy

## DIVERS SPOT PARTS OF WRECKED PLANE

### One Section May Be Cabin of Italian Craft With 17 Victims —Child's Body Recovered

Navy divers located yesterday wreckage of the big Italian Airlines plane that crashed and burned at the edge of Jamaica Bay Saturday afternoon with a loss of twenty-six lives.

The wreckage found was in three pieces and was believed to include the cabin section, from which most of seventeen missing bodies are expected to be recovered.

Attempts to raise the shattered craft will be undertaken by the Navy today at 8 A. M.

The remains of the Rome-New York airliner were found a few minutes after 9 A. M. in fifty feet of water between two landing-light piers jutting out from New York International Airport at Idlewild, Queens.

The function of the piers, which are 200 feet apart, is to support the red "slope line lighting." From the air, when a pilot is lined up with the middle of the runway, the lights form an unbroken line. If he is off center, they present an interrupted line.

Beyond them, near the edge of the shore, eight green lights mark the beginning of the runway. The sides of the runway are marked by white lights. The ill-fated plane, having a wingspan of 117 feet, 4 inches, hit the left pier on the way in from over the bay.

The plane had struck the tip of one of the 2,000-foot-long piers at 2:01 P. M. Saturday as it was making its fourth attempt to land at the airport in a mixture of light rain and fog. The plane rose momentarily, then slammed down against the same pier at a point 300 feet nearer shore and burst

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## Turbulent Year on the Waterfront Brings Sharp Drop in Trade Here

### By GEORGE HORNE

New York's year of waterfront labor turbulence has borne bitter fruit in the form of a serious decline in port business.

A record longshoremen's strike in March, a brief walkout in October and an atmosphere of uncertainty at other times of the year have brought warnings from

In the specialized general cargo field the Customs District in New York reported movement in the

# FOUNDATIONS CALL CHARGES UNTRUE

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of principles of fair-mindedness, fair hearing and fair play. "It was biased from start to finish. The committee did not allow us to testify. It has not even published the written statement we submitted under oath. We can only conclude that the authors of the report regard as un-American every man, idea or institution with which they happen to disagree.

"The Ford Foundation has always operated in full public view, reporting regularly in detail to the American people. The Ford Foundation has welcomed any impartial inquiry into its purposes and work. Such an inquiry in this case, we are confident, would have confirmed the favorable judgments reached by the Cox Committee two years ago and by Representatives (Wayne L.) Hays (Democrat of Ohio) and (Gracie) Pfof (Democrat of Idaho) of the present committee. "The dissent of Representatives Hays and Pfof, the Democrats on the five-member committee, was pointed up also by Mr. Rusk. His statement for the Rockefeller Foundation follows:

"Three members of the Reece Committee, led by its chairman, Congressman Reece, have filed a report which has been largely discredited in advance by the procedures used in its investigation. Two members of the committee have appealed to the conscience of the Congress in a vigorous protest against the violations of elementary principles of fairness and justice in these procedures and in many of the conclusions to which they have led.

"Flimsy allegations have been accepted as fact without the support of trustworthy evidence. The foundations were denied the right to challenge these allegations by direct public testimony, and the sworn written replies of the foundations were apparently brushed aside. Even now, the committee has withheld the publication of these replies of the foundations, which it has had since August, although it has published adverse testimony in full.

"Considerable portions of the report are inapplicable to The Rockefeller Foundation; for example, with respect to the significance of tax exemption, the Foundation was organized more than forty years ago, before there was either income or estate tax, and it does not hold as much as 10 per cent of the outstanding stock of any corporation. Other parts of the report alleged to be directed at us are simply untrue.

"The Rockefeller Foundation's activities extending over nearly a half-century are too well known to too many people in this country and abroad for this type of attack upon its stewardship to gain credence. The Foundation reports its activities regularly to the public and to the interested agencies of Government, including the Congress, and we cannot believe that public confidence in its work will be adversely affected by such a document as the Reece report. It would be most unfortunate if this report should be misrepresented as an expression of the views of the Congress and should lead to the impression that Congress has reversed its long standing policy favoring free enterprise in philanthropy.

"In addition to many ill-considered recommendations, the Reece Committee's report includes two recommendations which The Rockefeller Foundation has strongly supported, namely, full publicity for founda-

# Three Papers Censured as Critics Of House Inquiry on Foundations

## Group Charges Link to Funds Involved—Herald Tribune and Washington Post Brand the Allegations as False

Three major newspapers were attacked yesterday in the report of the House committee that had investigated tax-exempt foundations.

The papers, all of which had editorially criticized the committee's methods, were The Washington Post and Times-Herald, The New York Herald Tribune and The New York Times.

Two of the publishers issued statements charging the House committee with untruths in the attacks. The New York Times said it would have no comment.

The committee, headed by Representative B. Carroll Reece, Republican of Tennessee, denounced each paper for its attitude toward the conduct of the investigation. Its majority report emphasized the connection of the owners or publishers of the papers with foundations criticized in its findings.

The report was critical of what it termed "the close relationship" between The Washington Post and Times-Herald and the Eugene and Agnes E. Meyer Foundation. Mr. Meyer is chairman of the board of the Post and Times-Herald, and Agnes E. Meyer is his wife.

Description Called 'Untrue' Philip L. Graham, president, publisher of The Post and Times-Herald, said the report contained "an untrue description of the Post Company's ownership." He added:

"The facts could have been obtained from news stories we have published, or by the simple device of asking us for information.

"The Meyer Foundation has no voice at all in the conduct of this newspaper. An independent board of trustees directs the foundation. They have given support to various educational and welfare activities.

"Part of their funds are represented by nonvoting shares of the Post Company. This is a reflection of Mr. Meyer's belief that the newspaper is a community public service institution. Reece concedes that this is an entirely legitimate use of foundations."

Mr. Graham said Representative Reece was "a classic, if minor, illustration of men who believe in operating Congressional committees according to personal whim and arbitrary prejudice."

"This paper," said Mr. Graham, "as its readers well know, has long stood for rules of fair procedure to prevent such abuses. Our policy was stated long before there was a Meyer Foundation and has no connection with that foundation."

Mrs. Helen Rogers Reid, chairman of the board of The New York Herald Tribune, said that the Reece group's attack on that newspaper and on the Reid Foundation, of which she is president, "stems from The Herald Tribune's editorial criticism of the committee's biased and one-sided methods of investigation."

Replying to the allegations that the creation of the foundations with promissory notes of The Herald Tribune had been a "business deal" to "subordinate whatever philanthropic work had been planned to the welfare of that newspaper and the interest of the Reid family in it," Mrs. Reid said:

"The charges against the Reid Foundation in the majority report of the Reece Committee are false.

to the foundation of notes of The Herald Tribune owned by him which had always been noninterest bearing. By his will he made a further contribution of notes and other indebtedness of The Herald Tribune owned by him. All these contributions have been ruled to be charitable contributions by the Bureau of Internal Revenue.

"The affairs of the foundation are controlled by a board on which Herald Tribune executives are a minority. The printed lists of the foundation and Herald Tribune boards in the majority report are incorrect and scrambled almost beyond recognition. Neither The Herald Tribune nor any person connected with it has benefited in any way from the foundation.

"In accordance with the wishes of Mr. Reid that this foundation should be active in the newspaper field, the principal expenditures have been for the establishment of fellowships to give newspaper men and women wider experience through study and travel abroad. Thirty men and women—twenty-nine from twenty-nine newspapers and one from The Associated Press—have already completed a year's study in Europe, Asia, Africa and South and Central America. Six additional candidates—from six newspapers—have been selected for 1955. None of the fellowships has been awarded to a member The Herald Tribune staff.

### Attack Laid to Critics

"The committee which selects the candidates for Reid Fellowships is made up of chief executives from important newspapers across the country. The foundation since its organization in 1946 has expended on gifts to newspaper fellows, \$150,000; on gifts to other well-recognized charities, \$96,280.22; on expenses—mainly secretarial and travel for interviewing candidates, \$23,058.67. These expenditures were for a charitable purpose within the meaning of our income and estate tax laws.

"Contrary to the majority report of the committee there is nothing in the set-up of the foundation or in the terms of its gifts which prevents its Board of Directors from dealing with the assets of the foundation in such manner as the board deems to be in the interest of the foundation.

"We can reach no other conclusion than that the attack on the foundation stems from The Herald Tribune's editorial criticism of the committee's biased and one-sided methods of investigation."

The House Committee's report was critical of The New York Times as having "bowed to no other newspaper in the vindictiveness of its attacks on this committee."

It said also that the membership of Arthur Hays Sulzberger, president and publisher of The Times, on the board of the Rockefeller Foundation was an "illustration" of how "a foundation can extend its power and its influence" by "selecting strategically placed trustees who welcome appointment."

"We do not mean to imply," the report said, "that Mr. Sulzberger directed his editors to slant their reporting on this committee's work, but his very presence on the Rockefeller Foundation Board could have been an indirect, intangible, influencing fac-

# FUNDS HARM U. S., HOUSE STUDY SAYS

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the tax-exemption privilege. Its most concentrated fire was at the biggest foundations, Ford, Rockefeller and Carnegie.

The report charged that such foundation were part of an "intellectual cartel" backing a socialist of "far greater menace than communism."

It did not call for immediate Congressional action, observing that foundations as a rule were created under state charters. Inferentially, it invited state action against what it held to be abuses, but directly called upon foundations themselves to "clean house."

One of the three Republicans, Angier L. Goodwin of Massachusetts, dissented sharply, raising the question of whether it was in fact a majority report. House parliamentarians expressed the view that its authority was in doubt.

The majority report, requiring approval of three of the five members of the investigating committee, was signed by the chairman, Representative B. Carroll Reece, Representative Jesse P. Wolcott of Michigan and Mr. Goodwin.

Representative Goodwin, reached by telephone at his home in Melrose, Mass., tonight said he had signed the report with a qualifying statement that he was "doing so with strong reservations and dissent from many of its findings and conclusions."

This qualifying note did not appear in the printed version. Mr. Goodwin, who had not seen the official copy tonight, said he had intended his statement to be published under his signature. If it were missing, he said, his signature should be regarded as "unauthorized."

Mr. Goodwin supported the finding that the foundations supported "subversion." He dissented, however, from the allegation that funds had promoted "Socialist" doctrine.

A supplementary statement from his home in Massachusetts arrived too late for incorporation in the official report. It said that in 1952 he had been a member of another House committee that had investigated foundations and had joined a unanimous report that, in effect, had given them a clean bill of health.

He had voted against the new investigation, he recalled, and stated that his original conclusions of 1952 had not been altered or modified by the Reece Committee proceedings.

### Procedure Called 'Barbaric'

The Democrats, Representative Wayne L. Hays of Ohio and Gracie Pfof of Idaho, said: "The tax-exempt foundations of this nation have been indicted and convicted under procedures that can only be characterized as barbaric."

Their 6,000-word minority report contended that the majority findings repeated charges made against foundations even before the hearings started, that with few exceptions only anti-foundation witnesses were called, and that the majority report was a product of the committee staff rather than the committee.

Representative Reece charged that Mr. Hays had started out as an obstructionist and had applied that role to a point where the majority had to close public hearings and permit foundations, not yet heard and questioned, to file sworn statements.

The controversy flared over such questions as whether foundation projects had been "slanted to the Left," whether empirical research was supplanting theoretical methods and whether foundation trustees were exercising fully informed judgment

report said, for "objective criticism of foundations to get into news channels without having been distorted, slanted, discredited and, at times, ridiculed."

"That research in the social sciences appeared to be under the control of foundation 'professional employes and their obedient satellites."

"That the foregoing had led to 'a great excess' of empirical rather than theoretical research. The report described empiricism as inductive reasoning from observed data. It said the method 'ignores moral precepts, principles and established or accepted norms of behavior.'

"That there had been encouraged 'the dangerous cultural lag theory to promote 'moral relativity,' to the detriment of basic moral, religious and governmental principles. The Kinsey reports on sexual behavior were termed 'unworthy of the foundation aid they had received.'

"That educators benefiting from grants had become 'agents for social change' and for 'collectivism.'

"That funds had gone, although in comparatively 'tiny' measure, to organizations alleged to have fallen under subversive control. The Institute of Pacific Relations, long the subject of Congressional investigation, was cited as a principal case of mistakes in financial assistance.

### Notes 'Curious Mosaic'

Representative Hays charged that in the minority report that "the 'factual' material in the record is a curious mosaic formed by the staff of the committee," headed by René A. Wormser, a New York attorney who was chief counsel of the Reece panel.

Representative Hays wrote: "It [the majority report] consists primarily of fragmentary quotations from a variety of published materials, larded by staff interpretations and conclusions; various charts prepared by the staff; and the testimony of nine nonstaff witnesses, two of whom were officials of the Internal Revenue Service, and one of whom was cut off midway in his statement as he began to destroy with facts all of the staff testimony."

The New York Times and The Washington Post and Times-Herald were criticized.

In a chapter on "Patronage and Control" of foundations, the report said:

"The power of money is obvious enough. The huge funds controlled by the great foundations involve patronage to banks, investment houses, law firms and others. Through their holdings of securities and purchasing power they exercise additional influence. Appointment to the board of one of the larger foundations is considered something of a public honor. Accordingly, by selecting strategically placed trustees who welcome appointment, a foundation can extend its power and its influence. The presence of Arthur Hays Sulzberger, President and Publisher of The New York Times, on the board of the Rockefeller Foundation [and of other foundations, a footnote added] is an illustration of this extension of power and influence. We do not mean to imply that Mr. Sulzberger directed his editors to slant their reporting on this committee's work, but his very presence on the Rockefeller Foundation Board could have been an indirect, intangible, influencing factor. At any rate, The Times has bowed to no other newspaper in the vindictiveness of its attacks on this committee. In its issue of Aug. 5, 1954, it gave 856 lines of laudatory space, starting with a front page article, to the statement filed by the Rockefeller Foundation. The following day, Aug. 6, 1954, appeared one of a succession of bitter editorials attacking this committee."

The main report cited the Reid Foundation as an example of the "foundations 'to retain

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