EXTENSIONS OF REMARKS

A CRISIS OF SPIRIT

HON. JOHN B. ANDERSON

OF ILLINOIS

IN THE HOUSE OF REPRESENTATIVES

Tuesday, October 14, 1969

Mr. ANDERSON of Illinois. Mr. Speaker, Rockford College, which is in my hometown of Rockford, Ill., is fortunate to have as its president, Dr. John A. Howard. Dr. Howard, who is both an innovative administrator and an outstanding intellect, was recently appointed by President Nixon to a task force on higher education goals. He also served under President Eisenhower as executive vice chairman of the Committee on Government Contracts.

Last month Dr. Howard addressed the students of Rockford College on the crises of our times and our own apparent inability to squarely face these challenges in the traditional American way. Dr. Howard traces this inability to a growing and "pervasive cynicism that has infected every aspect of our own culture." He asserts that the reason for this is that patriotism has become passé; and he defines patriotism not as an emotional allegiance to a flag or piece of geography, but as a real desire to serve one's country and fellow man, based on "a common vision of the good life." He notes that our country was founded on principles which asserted the rights and dignity of man and man's inclination to aspire and climb to new heights. He observes that the creeping "new pessimism" is destroying that spirit of aspiration that has made our country great. It is evident that the real challenge facing America is in overcoming this crisis of the spirit and restoring the faith of the American people in their institutions and basic principles.

Mr. Speaker, excerpts from Dr. Howard's excellent speech appeared in the October 9 Christian Science Monitor, and I include those excerpts at this point in the RECORD, and commend them to the attention of my colleagues. The article follows:

IS PATRIOTISM PASSÉ?

(NOTE.—Patriotism is a vision of what every man can be, says Dr. John A. Howard, president of Rockford College in Rockford, Ill. But he fears that cynicism is clouding this vision in the United States today. Last month he outlined to Rockford students his understanding of the relationship between human dignity and patriotism. Following are excerpts from his remarks.)

A man without aspirations is not a whole man. A society without a shared and cherished vision of what might be is a desolate society, one lacking in vitality and cohesiveness.

In the Godkin Lectures at Harvard University last March, John W. Gardner asserted, "A high level of morale is essential if a society is to succeed in the arduous tasks of renewal." A high level of morale is exactly what we do not have in the United States.

Some time back, an African student attending Rockford College spoke to a group on our campus. In the question period which followed, he was asked about his long-range plans. He replied that he wanted to get the best possible education so he could return to serve his people and his country. He said this with vigor and pride and conviction. A glance around the room showed admiration and approval on the part of everyone who heard this testimonial of commitment.

Compare, if you will, the probable reaction that the academic community would give to an American student who asserted that his great life's hope was one of patriotism, that he wanted to devote himself to serving his country and his people. I suspect that a large portion of intellectual America would be at very least, embarrassed by such an outburst of patriotic sentiment, if not actually frightened by the fervor of such "unenlightened insularity." Love of country, that is our country, is now passé, or gauche, or intolerable in much of academia.

IS THERE A DIFFERENCE?

What is this? A double standards? Why is patriotism a glory when it operates in a developing nation which may be plagued with gross inequities and bloody struggles for power, and patriotism in an advanced nation a source of indifference, scorn or alarm?

First, I believe this is not an independent phenomenon, but rather one facet of a pervasive cynicism that has infected every aspect of our own culture. James B. Reston writes of the "new pessimism." He quotes Dr. Arthur F. Burns, a top adviser to President Nixon, as saying, "What worries me more than all these financial questions—I think a great sickness has gripped our society. I think a great many citizens have lost faith in our institutions."

In an essay in the Saturday Review several months ago, Archibald MacLeish writes of the loss of belief in man and his dignity.

The arts have deadened the soul, or rather they reflect a deadened soul, says Mr. MacLeish.

In times gone by, there were those who thought that great art should ennoble or exalt. Now, many prize that art which "tells it like it is," not like it could be. We are raising whole nations of young people whose steady musical diet has been the complaints and the protest and the focus on physical gratification of rock music and never even exposed to the exhilaration of Beethoven, or the tranquility of Mendelssohn, or the sheer joy of Mozart.

But philosophy, too, has contributed to what Mr. MacLeish sees as the flatness of life, the loss of a dimension in the world. Thomas Molnar's recent book entitled "Sartre: Ideologue of Our Time" provides a keenly perceptive analysis of this most influential philosophical writer. Mr. Molner points to the basic Sartrian concept of "a morally neutral world where good and evil have been absorbed and made irrelevant."

Philosophy used to aspire to provide understanding so that man could climb toward the heights. Some large portion of current philosophers, having rejected the concepts of good and evil, of heights and depths, simply assert the flatness of life and analyze man's permanent state of nausea or despair, or else have abandoned the concern for man altogether and have wandered off into semantics.

With no hopes, no dreams, no vision of what could be, man becomes petty and quarrelsome and ruthless.

I think we have some choice in this matter. Man can free himself from this bondage if he chooses to. Our preoccupations are those which we permit to prevail.

As I have indicated, my central concern in this talk is the subject of patriotism. It is a challenge for a speaker to knock on this door in the house of intellect, for the mere word, patriotism, is sufficient to cause many scholars to slam the bolt and fix the latch chain. (And such a reaction is, itself, a sorry commentary on the family that dwells in the home of the open mind.)

Patriotism is not just blind love for a piece of property. Nor is it simply a mutual defense pact that remains in force only as long as there is an external threat. Patriotism, true patriotism, is an eternal and legitimate love affair with a set of principles, with a common vision of the good life.

Listen to the words of Mary Antin from her book "The Promised Land":

So at last I was going to America! Really, really going at last! The boundaries burst. The arch of heaven soared.

And later in the same book:

Spirit of all childhood! Forgive me for so lightly betraying a child's dream-secrets. I that smile so scoffingly today at the unsophisticated child that was myself, have I found any nobler thing in life than my own longing to be noble? Would I not rather be consumed by ambitions than live in stupid acceptance of my neighbor's opinion of me?

Immortal aspirations were what attracted the floods of immigrants to this land, for they saw this land as a place where by public commitment, each person was assumed to have worth and granted equal rights under the law, and where differences of faith and opinion were welcomed.

Having grown up with these concepts as the conditions of our living, we cannot comprehend, we cannot register upon how revolutionary they were when first proclaimed, nor do we realize how they contrast with what exists in the police-state nations, nor how they differ from contemporary democracies that carry still the deep-rooted psychological mind-set of their monarchical heritage.

The existence of a House of Lords and a House of Commons maintains the message that the common man, even risen to the highest position, remains a commoner. Through much of continental Europe, the peasant, whatever his talents and accomplishments, remains a peasant in his own eyes and in the mind of the people.

The centuries-deep acceptance of class and station continues to mock the concept of true dignity for each man. By contrast, in our country, with our inheritance of assumptions, the phrase "second-class citizen" very rightly stirs indignation, for with us, it is a contradiction in terms.

The most obvious and pervasive disillusionment with our country stems from the war in Vietnam. Here again, I suppose it is only fools who rush in, or even pussyfoot into this subject, since many academic folk have made up their minds on this matter and are far more interested in telling the other fellow than in listening to any other thoughts about this issue. Still, there are some aspects of this grief-bearing chapter that need further probing.

REASONS LACK PERSUASION

Has it occurred to you that there are scarcely four presidents in our history who were more dissimilar in their cultural, vocational, emotional, intellectual, and political attributes than Presidents Eisenhower, Kennedy, Johnson, and Nixon? And yet each of them when faced with the responsibilities of the presidency, and when made aware of the full range of information available to that office, has held to the course of supporting the South Vietnamese in their defense against the Viet Cong and the North Vietnamese.

On the other hand, there can be no question that all four administrations have grievously failed in a very important obligation. Although our presidents have seen fit to maintain our participation in this conflict, they have not conveyed to our people persuasive reasons to do so.

The vacuum created by this absence of public and persuasive justification has been filled by conjectures and claims and counterconjectures and counterclaims which have intensified to the point of hysteria, to the point that reason gives way before shrill nonthought.

The novel, "Catch-22," offers an illustration of what I consider shrill, polemical nonthought. This book has had a great vogue and has been one of the most powerful influences in persuading youth that war must be rejected above all. The protagonist of the book, an American airman named Youssarian serving in World War II, equates his commanding officer with the enemy, because, he says, they both want to get him killed. Since U.S. officers must send their troops on dangerous missions, Youssarian considers his superior officer as an effective enemy.

This is distorting history and misreading motives with a vengeance. The sad facts are that while conscientious leaders of France and England were trying every conceivable means to negotiate a reasonable peace with Hitler, his blitzkriegs were capturing the peoples of Czechoslovakia, Austria, and other lands. Finally, it was recognized that it was impossible to negotiate with Adolf Hitler. The only options were to fight or surrender.

And a great many people fought in that war in the belief that they were engaged in trying to prevent a fate worse than death. As the stories have been pieced together about such places as Belsen, Buchenwald, and Dachau, it is clear that to be the captives of a power that could conceive and operate such inhuman compounds was, indeed, a fate worse than death.

Next, some brief observations on the blacks and the whites. The black-power movement, as its name implies, is founded in a philosophy that perceives the central factor in human relationships to be that of who controls whom, of how much force—political force, economic force, armed force, force by fear—can be exerted by one man or one group upon another. This attitude, it seems to me, is analogous to the philosophical foundations of the governments which ours was established to counteract.

All governments of the past operated in circumstances where the people were permanently split between the privileged governors and the less privileged governed. And their political systems were drawn to exercise power to maintain this situation.

Power was the glue that kept the society together. Some had it, and nothing short of the assemblage of a greater counterpower could change that circumstance. The wars of succession down through the ages provide rueful and ever recurrent proof that governments which are organized upon the assumption that some are to have more power than others will always be subject to internal strife and bloodshed.

In the almost two centuries of the history of our nation, the only massive instance of citizens killing citizens was, of course, occasioned by this same question: Shall one group of people, with governmental cooperation, be maintained in a position superior to another group of people? This was the issue of the Civil War and it also is what has been at issue on all of the civil-rights questions ever since.

BOLD DECLARATION

The American Revolution was a bold and incredibly perceptive declaration of the nature and the rights of man and it launched an experimental government painstakingly designed to minimize the principal threats to those rights. One of the foremost threats was perceived to be the instinctive thrust of men to obtain and exercise power over other people. An elaborate mechanism was therefore established to disperse the powers of government. The separation of executive, legislative and judicial branches was instituted precisely for this reason.

Now I want to propose just one more large category of concept and activity which, I believe, is contributing to an attitude of hostility toward the American dream. It is the spreading preoccupation, particulary among the youth, with one's own comfort, one's own physical gratification, one's right to do whatever he pleases as long as he doesn't significantly harm someone else.

The government inaugurated in 1789 was commited to maximizing the dignity of all citizens. However, in attending to all aspects of maximizing human dignity, the whole structure of the government was posited upon the requirement that the citizens, every citizen, would have to make some very great sacrifices.

Against this necessity for sacrifice, the current insistence upon exercising one's own whims with a disregard for the sensitivities of others, the quickening readiness to pronounce one's own particular objectives as uniquely moral and therefore beyond the purview of publicly established limits—all of these attitudes and actors stand in hostility to what this country is all about, and contribute to the disenchantment with America.

We must, I think, recognize that there are two basic ways of conceiving of human life. In one view man is merely an animal of superior gifts and intelligence with no meaning to his existence beyond his own enjoyment, and his only obligation is to get everything he can for himself and let the chips fall where they may.

Given that view of life, there is no hope for peace anywhere, since each person is a predator preying upon everyone else with whatever wiles, strategems or force he can bring to bear. If one perceives man in this fashion, it will follow that groups will band together observing common limits when it works to their own advantage to do so, but all outsiders are fair game for any cruelties, deceptions or pilfering which can be devised.

The other view of man perceives a dignity—that is, a basic worthiness—in each person and perceives a transcendence in life that gives value to the sacrifices one makes that will benefit others, either now or in the future. Only in this view of life does the term, ideal, take on any meaning.

Of course, each man has his own vested interests, and each group its own vested interests, as does each nation and each philosophy. There will be the pushing and shoving and insults and crime, because man is human. But man also has a sublime spark which stirs the sacrifices of one for another, which gives rise to compassion and considerateness and friendship and rejoicing in another's good fortune.

HOPE IN HUMAN DIGNITY

To the extent that such consideration can take precedence over the most damaging aggressions of self-interest, man can inch forward in the centuries-long journey toward peace and brotherhood. There will not be any instant answers. International and national and personal cruelties cannot be banished at once by any means.

It seems to me that the long-range hope is to enlist all of mankind in pledging allegiance to human dignity and in devising the ground rules which will enable and encourage each man to express himself and seek his own goals [within the context of] the common good.

And that objective is exactly what the great American experiment is all about. It was and is a commitment, such as no other people has ever made, to devise a means of living together which would most greatly enhance the worth and most greatly involve the participation of each citizen. It was and is a reaching out for the stars.

For those who conceive man as having a soul, a dimension superior to and beyond his own gratification, truly the sky is the limit in the relevance and satisfactions of seeking to find how men can live together in greater justice and harmony and of trying to devote one's life to that end.

AMERICAN MEANING

Dr. John A. Howard, President of Rockford College:

"The meaning of patriotism in our heritage, I believe, is more a commitment to a way of viewing man and living together than it is allegiance to a piece of geography or to a certain group of people. This thought is borne out by the recent inclusion of Hawaii and Alaska into the nation, into the patrie. This extension of our country was accomplished with a general and instantaneous acceptance of our new compatriots as first-class citizens."

TAX REFORM AND THE FOUNDATIONS

HON. VANCE HARTKE

OF INDIANA

IN THE SENATE OF THE UNITED STATES

Tuesday, October 14, 1969

Mr. HARTKE. Mr. President, two distinguished Hoosiers testified recently before the Committee on Finance on tax reform and foundations. They are Mr. J. Irwin Miller, chairman of the board, Cummins Engine Co., Columbus, Ind., and Dr. Herman B Wells, chancellor, Indiana University.

For the benefit of Senators who have not had an opportunity to read their testimony, I ask unanimous consent that it be printed in the RECORD.

There being no objection, the matter was ordered to be printed in the RECORD, as follows:

THE ROLE OF FOUNDATIONS IN AMERICAN LIFE

(By J. Irwin Miller and Herman B. Wells)

STATEMENT BY J. IRWIN MILLER

Mr. Chairman and members of the Committee, in the time allotted to me this morning, I would like to sketch a background against which other witnesses will fill in specific detail. As I believe the agenda will indicate, a number of foundations and beneficiaries of foundations have coordinated their presentation so that all the major issues can be discussed and repetition avoided.

There will be six panels which in turn will cover (1) the role of foundations in American life, (2) the effect of the legislation (especially the proposed tax) on foundation beneficiaries, (3) the effect of the tax as seen by foundations, (4) the effect of the program limitations (including grants to individuals), (5) the effects of distribution requirements (including problems raised) by definition of qualifying distributions, and (6) the restrictive effects on the development of philanthropy and the operation of foundations (including the effects of expenditure responsibility and heavy burdens on trustees).

Whereas these presentations have been coordinated and consolidated, as was requested by the Committee in its August 12th press release, it should be noted that each witness will be testifying for himself and for the institution to which he is attached.

I speak this morning as an individual. But I am neither a disinterested nor an uninterested witness. To identify myself, I am a businessman who lives in Columbus, Indiana. Cummins Engine Company, which I serve as Chairman of the Board, created a foundation some fifteen years ago. Both directly and through the foundation, the Company normally contributes the full 5 per cent of its pre-tax profits. I currently serve as President of its foundation. I also serve as an officer and director of a foundation created by my family, and I am a trustee of the Ford Foundation.

In respect to my personal life, my wife and I have for some years been in the process of qualifying for the unlimited charitable deduction. Further, we have raised our five children to believe that a responsible sense of concern for the well-being of society in which they live requires that they each contribute to philanthropy the full 30 per cent of their income each year. Finally, it should be noted that I serve as a trustee of a number of institutions which are often recipients of foundation grants.

I state all this to show my bias in this matter. Having done so, I now hope you will hear my opinions. In expressing them, I must note the enormous complexity of the Foundation Sections of the Bill and my own inexpertise in legal complexities.

A. Foundation facts and accomplishments

Let me speak first to the American tradition of private giving and the important place it holds in our national way of life.

Our country today is unique in that our government, more than any other in the world, actively encourages citizens and corporations to concern themselves with the social problems of the nation and to accept personal responsibility for constructive change. This encouragement comes in good part by way of the charitable deduction allowance, and the laws supporting the establishment and operation of foundations.

In the face of great current pessimism, I believe that America will solve its pressing problems of race, poverty, education, urban congestion, and the like. A primary reason for such belief is that there exists a broader and deeper concern about these problems among the individual men and women of this nation, old and young, than can be found in any other country today.

If, as individuals, we should shrug our shoulders, decide there is nothing we can do, that it is all someone else's fault, that "they" ought to do something about it; if we cop out as responsible individuals by blaming government for not acting, and damn government when it acts and requires more taxes to pay for the acts, then we will surely go down the drain.

On the other hand, if each one of us decides he ought to do what he can in his own situation, in his own community, and is willing to change his old attitudes, to give time and money wherever he can see it will make a small difference for the better, then we Americans will very likely provide to the world a demonstration of national achievement which will be without parallel in history.

The government, by example, now has the opportunity to encourage such an active acceptance of responsibility for the welfare of all others by each citizen.

American foundations are an important part of this tradition. They have made invaluable contributions to American society, and they are capable of still more. They, however, are not the pivot of American society, nor are they omnipotent or without blemish. There is a lack of adequate knowledge and understanding about their place in American society.

Let me briefly sketch the dimensions of that place. Each year, some $16 billion in private wealth is given for philanthropic purposes. The greatest philanthropist still is the man in the street. Individual givers account for nearly 80 per cent of the total (even exclusive of bequests). The private foundations provide only about 8 per cent of total philanthropy. Last year foundations gave $1.5 billion, or about 7½ per cent of their total assets of some $20 billion.

There are about 22,000 foundations. Most of them are little more than incorporated channels for giving by individuals and in assets and influence they account for quite a small proportion of the field; more than 12,000 foundations, for example, make grants totaling less than $10,000 a year.

The potency and significance of private foundations resides in the few hundred sufficient skills and resources to support efforts toward the solution of problems important to American society. They also account for most of the funds in the field. More than two-thirds of all foundation assets are held by some 200 of the general purpose foundations. By and large these are the leaders and standard setters in the field.

"Tax free" and "tax exempt" are modifiers that have so commonly come to be used in front of the term foundation that there is a tendency to overlook their essential philanthropic nature. The Treasury Department, which ought to have as keen a sense of the relation between institutions and taxation as anyone, a few years ago portrayed the role of private philanthropy and the part played by foundations in these terms:

Private philanthropy plays a special and vital role in our society. Beyond providing for areas into which government cannot or should not advance (such as religion), private philanthropic organizations can be uniquely qualified to initiate thought and action, experiment with new and untried ventures, dissent from prevailing attitudes, and act quickly and flexibly.

Private foundations have an important part of this work. Available even to those of relatively restricted means, they enable individuals or small groups to establish new charitable endeavors and to express their own bents, concerns, and experience. In doing so, they enrich the pluralism of our social order. Equally important, because their funds are frequently free of commitment to specific operating programs, they can shift the focus of their interest and their financial support from one charitable area to another. They can, hence, constitute a powerful instrument for evolution, growth, and improvement in the shape and direction of charity.

While the proposals under discussion today are addressed to private foundations, their impact would be felt throughout the entire fabric of the voluntary sector of American life.

One of the philanthropic statesmen of this century, Abraham Flexner, said the level of a given civilization can perhaps be measured "by the extent of private initiative, private responsibility, private organization in all the fields open to human culture." Certainly the accomplishments of our society cannot be measured accurately, or as positively, without taking into account these achievements reached in whole or in part through foundation support.

Robert Calkins, former President of Brookings, summarized foundation achievements as follows:

Foundations have pioneered and assisted pioneers, scientists, scholars, and innovators; they have helped to create and strengthen colleges, universities, research laboratories, research institutions, scientific and scholarly organizations, welfare and religious institutions; they have often anticipated social and international problems and mobilized knowledge for dealing with them. In doing these things, they have freed large parts of the world from the curse of diseases, such as malaria and yellow fever; have advanced the art of medical care and the treatment of illness; have provided knowledge for the control of population and the expansion of food supplies; have aided the development of emerging nations; have encouraged educational opportunities for minority groups, and the establishment of area and language studies to afford a better understanding of other cultures. They have demonstrated the value of liberal support for basic research and encouraged large public support; have contributed importantly to our growing knowledge of physical and living nature, and of social organization; have made possible the development of new scientific instruments for studying the atom, the cell, the star, and the nature of life itself; have contributed toward a better understanding of social behavior and informed social policy; have helped to clarify the goal of humanistic scholarship, aided the arts, and broadened the cultural interests and enjoyments of millions of people. They have also supported the development of thousands of scientists, scholars, creative writers, artists, and professional personnel, as well as leaders for business, government, and education. They have encouraged informed approaches to domestic problems, promoted international understanding, and assisted in the search for peace. They have contributed to the international community of scholarship and learning, and built bridges of communication and mutual respect.

But the particular issues at hand cannot be resolved by a recital of the glories of foundations. I do not favor, nor do I think the American public favors, a granting of perpetual approval to institutions simply on the basis of past laurels. No matter how unsettling it may be to men and organizations convinced that they are doing the right thing in the public interest, it is healthy that the public periodically examines its institutions to judge whether they are still serving their avowed purposes, to determine whether anything has gone sour even with our most cherished practices.

For many institutions this is such a moment. There is not only a taxpayers revolt in the air but also, I believe, fundamental skepticism about many aspects of our public and private life. Men and women are asking not only where we are going but also who is in charge. They are concerned it seems to me, about whether all the agencies in American life that are dedicated to public purpose—governmental and non-governmental—are really working in the public interest. They are calling for some sort of accounting and insisting on greater accountability.

The proposals related to private foundations seem to me to raise fundamental questions about the role of the private sector in affairs of public concern: Is it to be diminished or encouraged? Do the American people still believe that private philanthropy is important to the attainment of our needs and desires as a people? Or have our community needs and national problems grown so in scale and complexity that private efforts are basically too puny? Would the funds devoted to them best be diverted to government use?

B. The responsibility of Congress and the public to examine foundations

There are several reasons these concerns have coalesced around private foundations. The purposes and ways of foundations are only vaguely understood. Also, while foundations are the most peculiarly American manifestation of the philanthropic impulse, they do not operate as simply as traditional charity; taking the long view, and working with professional skill, they have grown more sophisticated and specialized in their approach to problems and therefore they are less easy to understand. Further, they represent relatively large concentrations of wealth, and bigness in any form stirs suspicion in the American consciousness. Foundations have also concerned themselves with some of the problems that are deeply troubling our society, and almost anything one does in these fields is apt to stir passions. Finally, certain abuses in the field have become apparent, and questions have been raised about the judgment of foundations in certain activities.

These hearings constitute an examination of the obligations of foundations under their contract with American society. Parenthetically, it should be noted that this is the first opportunity foundations have had to testify on a number of the major provisions of this Bill. At bottom, foundations operate under a public trust agreement. Through exemption statutes, American society encourages the application of private wealth to public purpose. Society must be assured both that the privilege is not abused and that the responsibility to deliver a social dividend is met.

In the matter of private foundations, the record seems abundantly clear that the responsibility has been discharged. In terms of advances in education, community life, health, and artistic and cultural resources, the foundations have returned to society many times over what society has granted in the form of exemption from taxation. There is no doubt a point of diminishing return in this sort of *quid pro quo*. That point would certainly be at hand, for example, if foundation assets were growing at, say, double or triple the growth of the Federal budget or the Gross National Product. In fact, although the growth in the absolute numbers of foundations has been striking, the growth in foundation assets is not exceptional as compared to other sectors. The Treasury's studies confirm this.

It is equally important that the income produced by foundation assets flow continuously to charitable, educational, and scientific purposes. For the most part this is so, and passage of certain features of H.R. 13270, coupled with more systematic enforcement of existing regulations, would provide the public a guarantee of a continuing flow.

C. The inconsistency of the proposed tax with the purpose of tax-exemption

Concerning the proposed tax on foundation income, I will be quite brief, not only because succeeding witnesses will treat it in detail but also because it strikes me as the most clear-cut of the several difficult decisions before you with respect to private foundations.

I regard a tax on private foundations as patently inconsistent with the reason society sanctions foundations at all. Whatever foundations earn from their principal is—by tradition, charter, and law—intended for distribution for philanthropic purposes, for the public well-being. To reduce these publicly dedicated funds by any percentage is to diminish the value to society by just that amount. The judgment Congress and the public must make is whether all things considered, foundations are likely to continue making valued contributions to American life. If the answer is yes, then why reduce the contribution? If the answer is no, then more fundamental measures than a limited tax are in order. The inference I am forced to draw is that the proposal to tax foundation income is actually punishment for presumed wrong-doing by foundations—a reaction that is both unjustified and unwise.

D. The value of proposed measures to curb fiscal abuses

In contrast to the proposed tax, the Bill's measures to curb and prevent fiscal abuses are necessary to the public interest and vital to the preservation of private philanthropy.

The public official who abuses his position casts shame not only on himself but on all that public service stands for. Misbehavior in private organizations and institutions clothed with a public interest is quite as sordid. Society loathes the charity racket, and abuses in institutional philanthropy must also be rooted out. The Treasury has noted, "the preponderant number of private foundations perform their functions without tax abuse," but it has been clear for several years that some abuses exist, and even the few are too many. They include the use of foundations exclusively as tax shelters, the unreasonable accumulation of foundation income instead of regular distribution for philanthropic purposes, the use of foundations for self-dealing and other forms of personal or business advantage, and the concealment of foundation activities. Some of these abuses could be curbed by better enforcement of existing regulations. Others require additional legislation, and several of the proposals before you are effectively drafted to that purpose.

Speaking for myself and for the foundations with which I am associated, I say that both the new measures to curb such abuses and stricter surveillance and enforcement of existing regulations are long overdue. Many other leading foundations share this feeling, and have been on the record to that effect. Better enforcement and passage of the abuse-related provisions in the bill will probably have the effect of sorting out from the existing thousands of foundations those that are dedicated to philanthropic purposes and those that serve themselves rather than society. They will discourage future establishment of foundations whose donors enjoy tax advantages without a return in kind to society. At the same time, they will not hobble existing or prospective new foundations that conform to the high ideals of the philanthropic tradition.

E. The proposed limitations on programs are unwise

But other parts of H.R. 13270 appear to be aimed not at fiscal abuses but at foundation activities. The nation's foundations each year make hundreds of thousands of grants. Not even the most passionate admirers of foundations suppose that some of these actions were not mistakes—for any number of reasons, ranging from the technical to the judgmental. What is remarkable to me is that so few errors occur, given the wide range of fields in which foundations are active—from the arts to community health, from manpower training to population problems. Nonetheless, neither the noble purpose nor good works of the vast majority of foundatons exempt them from criticism and censure for errors when they occur. My own experience is that foundation trustees and officers are attentive to such criticism. They do not hide behind claims to virtue or infallibility.

Society deserves reasonable protection against the misfeasance of institutions it has given warrant to operate in the public interest. It is the responsibility of Congress to see to the fulfillment of that warranty. But some of the new proposals, ostensibly designed as air-tight guarantees of sound judgment by foundations, are so drawn that they give no added protection over existing law, and indeed only do injury to the public interest.

One set of proposals, for example, would fence off private foundations from activity in areas of public policy. Existing regulations declare lobbying and partisan political activity out of bounds, and, while it is not always easy to draw the line between what is legitimate and what is not in these matters, there are remarkably few instances of foundations skating even close to the edge of the limits now established.

The barriers that the new proposals would erect could well impair, not improve, the judgment and effectiveness of private foundations. One on which I can speak with some intimate experience is the effect on foundation boards of trustees. The penalties proposed for violation of several of the proposed limitations—limitations that are necessarily imprecise—fall not only on a foundation as an institution but also heavily on individual foundation managers, including trustees. This could drive trustees and foundation officials into such an excess of caution that even innocent and benign activities that touch on public policy in such fields as education and conservation would be deprived of foundation support.

The proposals may stem in part from a presumed new aggressiveness of foundations to assist work in controversial fields and to venture into matters subject to pending or future legislation. Throughout most of their history, foundations have at one point or another supported work considered controversial by some segment of the population.

Foundations can inaugurate a teacher pension system, develop new curricula and teaching techniques, increase educational salaries and be applauded for all of these, but then should they support a controversial educational program such as decentralization, the reaction is likely to be, "What are they doing sticking their noses into educational policy?" The irony of this situation needs to be recognized, for if we are to legislate away all possibilities for bad or controversial judgments, at the same time we will be legislating away all but the most bland kinds of foundation effort.

If foundations were the sole source of aid to the production of information, ideas, activity and opinion on matters of public concern, there would be legitimate reason to consider an exhaustive set of rules governing such activity. But that is not the case. The work supported by foundations on public issues is just one input into a vast marketplace, along with the voices—some tax-exempt, some not—of individuals, business enterprises, unions, churches, political parties, trade associations and other organizations, to say nothing of the press. To bar foundations from supporting such work would be to limit the diversity of activity that has strengthened our society.

I do not think the government is well advised to begin making other than the broadest categorical decisions as to what is "good" and what is "bad." Experiment and trial need to be encouraged, and one "success" most usually outweighs a dozen failures.

These issues will be discussed in detail by later witnesses. Suffice it to say now that the legislative net which has been cast out to catch those judgments alleged to be bad, controversial or imperious will drag in with it far more good than bad fish.

F. Limitations as a signal to discourage private philanthropy

Apart from these and other specific consequences, some of us feel that the proposed legislation, in general is, quite plainly, a signal that future foundations are not welcome. These proposals should be scrutinized, therefore, in the light of whether society would gain or lose from the establishment of new foundations, some of which might in time make extraordinary contributions to American life, just as some foundations formed in the last few decades have superbly carried forward the tradition of the pioneering foundations of the late nineteenth and early twentieth centuries.

One may even ask, do some of these proposals signal the intent of Congress to discourage private philanthropy in general, particularly in matters that are also governmental concerns? On the face of it, such a supposition sounds alarmist, but it is not far-fetched if one regards the private foundation as an outstanding example of the American genius for organization applied to the age-old philanthropic impulse. Those who regard foundations as a symbol of private initiative fear that the erosion of their flexible capability might mark the first step in a trend toward general containment and withering of private initiative as a whole. And that would be an exorbitant price to pay for the abuses that have blemished the good name of the private foundation and for the offense even some of the most respected foundations may have given at one time or another.

G. Foundations are accountable under existing conditions

If those parts of the foundation-related proposals are so detrimental to the benefits society would enjoy from the continuation of foundation philanthropy, then how is the public to be assured that the power that foundations represent is not one day applied to mischievious ends, to political purpose, and in general against the public interest? To repeat, past performance is reassuring, but not enough. Nor are good intentions. The public clearly demands that major institutions affecting the public well-being be accountable to society, and foundations are no exceptions.

But governmental regulations is not the sole path to accountability, and a thick web of governmental guidelines and restrictions can impair the very flexibility and freedom of action that enable foundations and other voluntary and private philanthropic agencies to respond to changed conditions and needs.

The basic ingredients of a balanced system of accountability, it seems to me, are already at hand. For the government's part, laws to prevent abuses are already on the books. That they have not been sufficiently enforced is a defect that some of us are proposing be remedied by a foundation registration fee earmarked for full and continuing implementation; it would also apply to the necessary new abuse-related provisions. Out side the government, channels of accountability exist, despite the myth that foundations are untouchable. Let me cite a few of the major ones:

The majority of the leading foundations that account for the preponderant resources in the field recognize large public responsibilities, and many go well beyond the legislative requirements of reporting and public disclosure of their activities.

Furthermore, they have broad-based boards of trustees—men and women of unquestioned dedication to public service and enviable records of judgment and accomplishment. The presence on the boards of foundations of such trustees constitutes a powerful assurance that foundations will act responsibly and will be accountable in the broadest sense to American society.

Foundations are also open to review by the press.

Their performance also undergoes continuing "market evaluation" by academic and community institutions that cooperate with them. These beneficiaries are more objective than one might assume. Since foundation funds are rarely the major support for their ongoing needs, they are colleagues of the foundations rather than patrons and wards. Their collaboration is testimony to the worth of foundation programs for, in accepting their funds, they commit to them their own reputations and some of their own resources.

Finally, Congress does have and has exercised, since 1915, the right to inquiry into activities of foundations.

Altogether, the full exercise of the governmental and marketplace channels will insure that private foundations are accountable to the public for their behavior and performance to an extent fully equal to any other part of the private sector.

H. The responsibility of individual citizens

Despite my preoccupation with the dangers in some of the proposals before you, I want to state my firm conviction that the scrutiny under which the Congress and the Treasury have placed foundations has been salutary.

This has been a sobering and significant chapter in the history of private foundations. It is a vivid illustration of the principle that even institutions of great value to society must constantly review their responsibilities and examine their distant borders to insure that corrosive incursions are not under way.

I close by urging that you adopt those parts of the Bill that are directed toward crippling and preventing abuses, such as self-dealing or inadequate returns to charity, which undermine the public's trust in private foundations, and that you eliminate those measures, such as the tax and the program limitations, which would vitiate the capacity of the foundations to continue their productive service to the American people. This is a plea not for private privilege or for the preservation of any single institution, but rather for the reaffirmation of the responsibility which each individual American citizen ought to feel and bear for the continuing welfare of his country, the responsibility to give and to act voluntarily, and not only in response to the compulsion of laws.

SUMMARY OF STATEMENT OF J. IRWIN MILLER

A. The role of foundations as seen by a foundation leader

1. Foundation facts and accomplishments:

(a) Facts

1. Foundations constitute 8 per cent of total philanthropy.

2. Annual foundation giving is $1.5 billion, or 7½ per cent of the total assets of foundations.

3. There are 22,000 foundations, of which only a few hundred are the standard setters.

(b) Accomplishments

1. Pioneering roles, for example support by foundations for Dr. Jonas Salk and Dr. Robert Goddard.

2. Strengthening education and educational research.

3. Anticipating social and international problems.

4. Supporting development of writers, artists, and scholars.

5. Health, scientific and population research and programs.

2. Responsibility of Congress and public to examine foundations

(a) Foundations operate under public trust.

(b) Foundations inevitably are found to raise questions, doubt and controversy.

(c) Periodic examination of foundations by Congress and the public are both good and essential.

3. Proposed tax on foundations is inconsistent with purpose of tax exemption.

4. Proposed measures to curb fiscal abuses are good, and are supported by most foundations.

5. Proposed limitations on programs are unwise in that they attempt to eliminate "bad judgments" and in doing so allow for only the most bland kinds of activities by foundations.

6. The tax and program limitations act as a signal to discourage private philanthropy.

7. Foundations are in fact accountable to the public under existing conditions.

(a) Existing law (if fully enforced);

(b) Public disclosure and the press;

(c) Broad-based boards of trustees;

(d) "Market evaluation" by foundation recipients; and

(e) Congressional inquiry.

8. Each individual American citizen ought to feel and bear the responsibility to give and to act voluntarily on behalf of the continuing welfare of his country—and not only in response to the compulsion of laws.

STATEMENT OF HERMAN B. WELLS

I appreciate the opportunity to appear before this committee. I appear here in the hope that the recounting of my experience with foundations will be useful to the members of the committee as they consider the provisions of H.R. 13270 relating to private foundations.

I speak for no one but myself. Nevertheless, I believe that my views are held generally by presidents of American colleges and universities and members of collegiate faculties.

As former President and now Chancellor of Indiana University, as a current member of the Boards of Earlham College, Howard University, and Indiana Institute of Technology, of the Malpas Scholarship Board of DePauw University and of the Board of Visitors of Tulane University, I wish to express my profound concern about the proposed tax on the investment income of foundations, because I believe that a substantial adverse impact on higher education would result from it.

As you are undoubtedly aware, in the last few decades higher education has had to respond to the need for educating as many qualified youth as possible, for sharing the talents of its academic personnel, and for facilitating investigation and experimentation. Yet, in making this response, colleges and universities have inevitably become involved in its consequences. Scholarships and fellowships, new facilities and equipment, larger academic staffs, and special provisions for research, all have to be secured. Inflation and campus growth have magnified the problem.

We educators are grateful to Congress for the role it has played in providing colleges and universities with the means to respond. But, in candor, I must attribute much of the early and continuing support to the indispensable role of the private foundations. These foundations have performed a remarkable service of aid with scholarships and fellowships, grants to scholars, implementation of innovative programs, faculty salary supplements, facility and equipment subsidies, underwriting of conferences, incentive grants for private giving, encouragement of comprehensive evaluations and investigations—the list is much too long to detail. Parenthetically, I would point out that this role has in some measure relieved taxpayers of the need to support activities that would otherwise have required tax funds to conduct.

I have included in an appendix to this statement several representative illustrations of projects with which I am especially familiar that could not have been realized without the support of private foundations. The results have had an effect far beyond the campus and the state involved and will have an influence long past the present time.

A. The proposed tax as critical to foundation recipients

When new knowledge, improved methods, and extended opportunities for our youth are at stake, there are no ascertainable limits to need. Therefore, I find the threat of a reduction by taxation of the funding available to higher education very disturbing. I would be concerned even if assured that the taxable percentage would never be increased—an unlikely contingency. For the deflection of any income, relatively small though it may be, from its anticipated use at higher education's frontiers in this time of discovery and widening possibilities would be an ill-afforded move. Moreover, the germinal small grant has time and again proved so effective that it would be misleading to suppose that a small reduction of funds is of negligible concern to educators. The approximately $65 million which would be realized by the proposed tax in the first year are not critical to the Federal government nor to foundations. They are critical to foundation recipients.

Indeed, the proposition that an organization wholly devoted to opening new paths and encouraging experimentation for the ultimate benefit of society has an obligation to support the government in *its* services bears a nagging resemblance to robbing Peter to pay Paul. Ironically, a portion of the funds that might have been available for grants would of necessity be swallowed up by the mechanics involved in taxation.

There is a real crisis in the financing of higher education, as you are undoubtedly aware. It will not be lessened by diminishing the ability of foundations to contribute to educational income. A tax on the foundations will inevitably have this effect and, in fact, will increase the pressure on government to provide additional financing.

The motivation for such legislation seems to be, at least in part, a desire to eliminate abuse of privileges heretofore granted foundations. If a few students cheat on examinations, you would neither expect nor desire us to levy a fine on all students. Rather than dealing with the problem, an action of this sort quite clearly punishes the innocent without providing a distinguishable deterrent for the guilty. Legislation like the Prohibition Amendment which raises a barrier against a problem instead of treating the problem merely induced new forms of abuse. From my observation it seems to me that most foundations have an excellent record and that their staffs have been conscientious in their commitment to the public interest.

An abuse that has been often mentioned is the use of foundations as shelters from taxation. It has been my experience that most rich philanthropists are very ethical in making their gifts, careful always to seek no improper tax advantage. A single dramatic example will make the point.

Indiana University has a magnificent rare book collection which serves not only the immediate University community but scholars from coast to coast and throughout the world. Its core is the personal collection of the late J. K. Lilly and its development has been supported by generous annual grants from the Lilly Endowment.

When Mr. J. K. Lilly made the original gift of his collection, he instructed the appraiser to make a very conservative valuation to avoid even a suspicion of inflated value for tax advantage. The material in Appendix A proves conclusively that the books were transferred at less than half of what they would have netted at auction. It is interesting also to note that in his collection there was a copy of the first printing of the Declaration of Independence which was given to us with a value listed at $15,000. The only copy that has come on the market since then brought $405,000.

Although some reform may in fact be necessary, it can do more harm than good if it inadvertently results in deterring or hobbling the American institution of the foundations, which has contributed immeasurably to the enhancement of life in America.

B. The provision against "influence"

There is another aspect of the proposed legislation which concerns my colleagues and me greatly. It is the absolute prohibition against a private foundation engaging in any activities intended to influence any governmental legislation. I believe it likely that the prohibition was introduced as the result of two or three projects which raised questions of improper influence and that it is aimed at preventing a repetition of such grants. But the wording has sweeping implications. Any study, any document, any project bearing upon a public issue which has a foundation subsidy could conceivably be called into question and very likely would be if its subject were controversial or its conclusions unpopular. A foundation-supported conference at Indiana University, or elsewhere, on a question of public policy could be deterred from gaining the benefits of a knowledgeable public official's views, lest his participation be interpreted as an attempt of the conference organizers to influence him in a legislative decision. The Education Commission of the States, which receives a portion of its support from foundations and which has governors and state legislators among its membership, would surely hesitate henceforth to pursue one of its main objectives, the preparation of studies on education for use by state legislatures. The Carnegie Commission on Higher Education with its staff of experts and exceptional opportunity to assemble and report data never before available would most assuredly not be engaged in this mammoth undertaking without an intent of influencing decisions of governmental bodies.

The crux of the problem is in the interpretation of "influence." As long as data made available to public officials through the activities supported by foundations are generally acceptable, no question is apt to arise. But let the facts be contra-indicative of a viewpoint supported by any group or let them weigh against one side in a controversial issue, what is to prevent that group or side from invoking the provision against "influence"? It is equally important to society that cancer be cured and that poverty be eliminated. However, because the first is non-controversial and the second controversial, they would not be treated alike as research subjects seeking funding.

I sincerely believed that this prohibition will not only penalize all foundations for a very few projects to which objection has been taken but will in fact discriminate against foundation recipients, particularly in education, in their freedom to act and report on matters of public interest. Worse, it subjects them to the not insubstantial danger that a project in the course of its execution may become liable to penalty through some turn of events or opinion.

I hope that foundations will always be free to back new, nonconforming ideas, even though an idea may seem at the moment heretical. History teaches us that today's heresy may be tomorrow's truth. The earth proved to be round and the moon accessible from earth. Man-made barriers to discovery have deterred but never downed forever the progress of a well-reasoned idea. In the end, as the wise saying goes, truth will out—and we have learned little if, in this late twentieth century, we still insist on depriving ourselves of the benefits which a later and more acceptant generation will reap from the ideas evolved in our time.

I have heard that there is some concern outside of the academic community with regard to the influence which foundations might have exerted on institutions. This is rather puzzling in view of the small portion of funding that they have supplied to the whole of any institutional budget. The multi-source funding of colleges and universities has, in practice, afforded them freedom of action, thought and experimentation.

It has been of vital importance to scholars to have a source of funding for pioneer ventures and for research that may be controversial. Let me cite a case or two in point that should give pause. When Dr. Robert H. Goddard began his research into rocketry three decades or more ago, it was the Daniel and Florence Guggenheim Foundation which was his sole backer. We have all been made aware recently of the dramatic importance of that initial research.

The freedom which foundations have to move in advance of popular opinion, to encourage a wide range of initiative, and to respond rapidly and flexibly to ideas (or, remain "relevant," in the students' term) is precisely the virtue of private philanthropy and *that* freedom must be protected.

It has been no small function of foundation support to encourage the unusual man. In the humanities, a significant example is readily found in the Guggenheim grants, directed by an Indiana University graduate. Many of our leading Indiana University scholars have had an opportunity to accelerate their development as a result of Guggenheim grants. The recognition and promotion of unusual men and ideas have been one of America's greatest assets.

Although I don't agree with the late Herbert Hoover that bureaucracy is devoid of any progressive thought, I believe as he did in free enterprise in our economy, in the organizations of our society and in the commerce of our ideas. As he said, "Ours is a voluntary society. The fabric of American life is woven around our tens of thousands of voluntary associations. That is, around our churches, our professional societies, our women's organizations, our businesses, our labor and farmers' associations—and not least our charitable institutions. That is the very nature of American life. The inspirations of progress spring from these voluntary agencies, not from bureaucracy. If these voluntary activities were to be absorbed by government bureaus, this civilization would be over. Something neither free nor noble would take its place."

American higher education—indeed, America—owes a great debt to private foundations and to the philanthropists who created them.

C. The beneficial effect of foundation grants to academic institutions

As an officer or trustee of educational institutions which have been the recipients of foundation aid, I cannot overemphasize the value it has been to them to receive the enabling grants, whether large enough to elevate the quality of the institutions or merely the little, extra amount that meant the difference between launching a project and abandoning it when almost in reach. Moreover, there is no question but what foundations have played a major role in stimulating private giving to colleges and universities. The challenge grant, which is a creative concept originated and used by foundations, has not only given the many institutions that have received such grants a new lease on life but has added a significant dividend in the form of instilling an understanding of higher education's needs among an appreciable portion of the private sector. In my experience, individuals and family foundations find pride and satisfaction in being identified with furthering educational and cultural progress. It is in the national interest as much as in every institution's interest that the incentives to voluntary support of higher education not be lessened, directly or indirectly. For many small, private colleges and universities, any dampening of the growth of philanthropic support would be critical. Because of their size they have difficulty in gaining the visibility or in meeting the qualifications necessary to attract government grants. The role of the private foundations in their support has therefore been especially vital, as is illustrated in the report of Earlham College, attached to this Statement as Appendix E.

In the last five years, my own institution has received annually an average in excess of $2.5 million in foundation grants. A variety of foundations, small and large—local, regional, and national—and numbering nearly one hundred in any single year, have made these grants. This support has had a determining role in attracting other private donations, in accelerating the training of research scholars, in encouraging students to seek advanced training who otherwise would have been unable to, and in enabling the University to be adequately equipped to accept many Federal grants for projects furthering national interests and for training students in professional fields thought to be insufficiently manned for national requirements.

To illustrate the range, generating influence, and educational significance of this funding, I shall cite a few examples from my own institution. Lilly Endowment, Inc., an Indianapolis foundation, donated $281,000 for a program to improve the teaching of American history in Indiana high schools through refresher courses for teachers. The Lilly Endowment also made a grant of $98,500 to our relatively new Program in the Study of Religion, making it possible among other things for us to appoint a scholar in the field of Old Testament and to hold a summer institute on the teaching of the Bible as literature in the public secondary schools. The same Endowment furnished $78,000 for fellowship support of persons whose interest lies in adult education in religious institutions. Further, the Lilly Endowment has provided substantial funds for the University to develop a program—and construct a building to house it—in the archaeology and anthropology of Hoosier and midwestern prehistory.

The Kress Foundation with a grant of $50,000 initially spurred the development of a graduate program in the history of art, which then attracted a $300,000 contribution from the Carnegie Foundation to provide fellowships, instructors, resource books, and supplies. The Carnegie Foundation also funded in the amount of $230,000 a project for improving foreign language study in Indiana high schools. Bright junior-class students are selected to spend a summer in France or Germany, after which they become pacesetters in their language classes during their senior year. Funds are raised locally to finance students who cannot afford to pay or are furnished by such sources as the Indianapolis Foundation and the Cummins Foundation. This is a clear example of a beneficial program that would probably not have been possible without foundation aid.

A Rockfeller Foundation grant enabled us to begin our current program in genetics. This support made possible the assembling of a distinguished team of research scholars and teachers which has produced that the University has become a major center for the training of Ph.D.'s in the field, many of whom have won distinction and one of whom has recently won a Nobel Prize. The assembling and its initial support were fundamental in helping us to attract and utilize money from many sources, including the Atomic Energy Commmission, the National Institute of Health, and the National Science Foundation.

The Rockefeller Foundation has continued to support for many years the work of this genetics group. Dr. Hermann Muller, one of its members and a Nobel Laureate, did epoch-making investigations in a number of directions, not the least being the establishment of a finer scientific basis for our current understanding of the hazards of radioactive fallout and other forms of radioactivity. Dr. Tracy Sonneborn has opened up an entirely new field in genetics in showing the importance of the nonchromosomal material, that is, elements other than genes, in the determination of heredity. The work of the Indiana team has far-flung significance, not only for plant and animal improvement, including corn and other grains, but also the betterment of human health.

At the other end of the spectrum, the Rockefeller Foundation has helped subsidize a strong Latin American music program in the I.U. School of Music.

The pioneering research of Dr. Leslie Freeman in the degeneration and regeneration of the central nervous system, with findings vital to the treatment of paraplegia resulting from war or other injury, received the steady support of the John A. Hartford Foundation to the accumulated extent of $700,000. The Regenstrief Foundation of Indianapolis has contributed $272,176 to research in health care.

In another area, the Kellogg Foundation has contributed $344,840 to provide for the distribution of programs from the film library at Indiana University to educational television stations.

The University programs funded by the Ford Foundation have been many and diverse. I shall cite only a few examples. Through a $742,000 grant, the School of Education developed a teacher education program combining theory, methods, simulation, practice in the use of closed circuit television and sequentially-ordered laboratory experiences with children, all culminating in a semester of paid "interteaching" and a master's degrees. A project for encouragement of Non-Western studies in Indiana colleges, explained briefly in Appendix B, was instituted with the help of a $200,000 grant. The I. U. School of Business was enabled by a grant of $150,000 to assist Texas Southern University in developing the curriculum and strengthening the faculty of its School of Business to the extent that it became the first in a predominately-Negro university to be accredited by the American Association of Collegiate Schools of Business.

Also funded by Ford, the Indiana Language Program for improving the teaching of languages in high schools (described in Appendix B) has been a remarkably successful project, justifying the $1 million in grants which have made it possible. A timely research program, designed to develop and test a practical system of low-cost tutoring as a supplement to classroom instruction, produced results through the aid of a $368,-920 grant which have received immediate application in the Indianapolis school system.

The grants which have been most far-reaching in their effectiveness, increasing greatly your strength, capabilities and quality in international areas, were those made by the Ford Foundation in 1961 and 1965 in support of research in the problems of international and human resources development, and of the University's graduate programs in international business and in the following foreign areas: Russia and East Europe, Western Europe, the Far East, the Near East, Africa and Latin America (See Appendix C). Totaling in all some $5.3 million, the largest portion of these grants has been devoted to the support of doctoral candidates, whose training will inevitably benefit numbers of others. Faculty research is a second, important purpose served by the grants. Also, salaries of certain new faculty members have been paid from the grants in whole or in part for periods of one to three years. A small percentage has been spent on library acquisitions. Mainly by these means Indiana University has been enabled to capitalize on potential developed initially on its own but requiring the major impetus of private funding for its realization and resultant distinction.

I have had an opportunity to observe another beneficial and multiplier effect of foundation grants in my position as Chairman of the Indiana Advisory Commission on Academic Facilities. This Commission, as the members of Congress will know, administers and makes recommendations for the projects eligible for Federal assistance in funding under the Higher Education Facilities Act of 1963 as amended. A condition precedent to any type of Federal assistance is a current capability of the institution to defray a minimum of 25 per cent of the cost. This 25 per cent has had to be raised from a variety of sources: alumni, friends, local corporations, and foundations. The local financing of a large majority of these projects depended in part on foundation funds, and in one instance, the Fort Wayne Art Institute and School of Fine Arts, all of the matching money was received directly from a foundation grant. In the case of Anderson College, grants from private foundations totaling $1.48 million were added to a federal facilities grant of $1,076,251 and funds from other sources to provide a sorely-needed general classroom and administration building costing in excess of $3 million.

Sixteen private and five state-supported institutions in Indiana have participated in and benefited from the program. To date it has resulted in construction of 65 new or, in a few instances, rehabilitated structures worth $125 million with a Federal subsidy of a little over $40 million. It is estimated that these facilities will help to accommodate over 45,000 additional students. It is a demonstrable fact that the program would have been substantially less successful had it not been for the assistance of foundations. I feel sure that in each of the committee members' states the story is much like Indiana's.

I wish to emphasize that the support from private foundations to Indiana colleges and universities is pervasive and widespread. In addition to the examples I have cited, the Lilly Endowment aids fourteen Indiana private colleges with substantial annual unrestricted grants. Mr. Herman Krannert of Indianapolis and the Inland Container Corporation Foundation have given major grants for needed buildings to both private and public institutions and for vital cardiac research. In fact, the examples I could recite are legion.

I have used these illustrations from the experience of Indiana University, but other institutions with which I am familiar have similar records of aid, supplied by private foundations, which has enlarged their capabilities, enhanced their quality and elevated their horizons. At Tulane University, for instance, where I serve on the Board of Visitors, early grants from the General Education Board were basic to the development of the institutions, I have been told. In the last five years, during which I have had an opportunity to observe the benefits of contributions made by foundations to Tulane, it has received $16 million from them, including grants for medical research, faculty salaries, educational programs at both the undergraduate and graduate level, addition of faculty to the School of Medicine, support of younger faculty members, development of the natural and physical sciences, and—most importantly—as a stimulation to fund-raising which produced more than three times the amount of the challenge grant. (See Appendix D.)

Similar challenge grants from the Ford Foundation have aided four private institutions in Indiana and the Indianapolis Symphony Orchestra, closely associated with a fifth private institution, to raise urgently-needed funds. Earlham College received a $1.6 million grant and raised $5,500,981. (See Appendix E for a summary of foundation support to this important Indiana Quaker college.) To a grant of $2 million, Wabash College was able to add $5,037,302. The University of Notre Dame raised $24,880,573 in response to a challenge grant of $12 million. And DePauw University supporters have just completed a drive, meeting the challenge of a $2 million grant with a total of $7,124,665 raised.

In the last three years DePauw has received grants totaling $1.6 million from 28 foundations to be used in matching a $2.396 million government facilities grant in the program to which I have already referred for the construction of a science center. Since laboratory facilities and library acquisitions are often difficult for small private universities to fund, this new center is crucial for the development of DePauw's science programs.

DePauw received aid, too, in starting two now-thriving programs; a summer graduate program in American Studies for high school teachers, initially funded by the Coe Foundation, and an African Studies program, begun through a Ford Foundation grant.

The Ford Foundation also helped with a program undertaken by DePauw to improve the humanities background of its faculty members. Through the $50,000 grant from Ford the program can now be advanced to a stage at which DePauw will be better able to handle it alone.

In these diverse ways, three different types of educational institutions—a small and a large private university and a state university—have been enabled by foundation grants to improve their ability to serve scholarship and society.

All over the world, America's system of higher education is esteemed as the best ever developed in any land. Despite all of its insufficiencies, it is the envy of the world. Our system has several well-nigh unique features that have shaped its character and contributed to its world position. They are its emphasis on applied research and public service, first stimulated by the Morrill Act establishing the land-grant colleges, the dual system of public and private support and control and the large number of institutions, making possible advanced educational opportunity for a significant portion of our American society.

Important as these are, I believe that the most important reason for this universal respect resides in what colleges and universities have been enabled to do as a result of the support of private foundations: the imaginative, creative, boundary-stretching, even revolutionary undertakings which have not only produced enormous immediate and potential benefits but have enlarged the possibilities for higher education in the future.

The face of America has been forever improved by the unique creation of philanthropic foundations that have assisted educational institutions to serve society in ways never aspired to in any other nation. Such a record deserves encouragement.

Surely a way can be found to remedy those imperfections which may have led to the proposed legislation without lessening the capability of private foundations to assist higher education in adding to that record in the future and without discouraging the patronage to be gained from the establishment of new foundations.

I earnestly hope, and urge the committee's concern, that this Bill in its final form will be free of provisions with reference to private foundations which would have a stultifying effect upon the scientific, intellectual, social, and economic progress of our country.

Americans have ever been a dynamic and daring people. Dynamism has been our outstanding characteristic, the wellspring of the America we know that has been a pace-setter for the world. Foundation grants have helped keep us dynamic and moving forward. It is not pioneering, experimentation, and hospitality to new ideas that we have to fear but an excess of caution which could invert the face of America and ultimately relegate her to the indistinction of a static society.

SUMMARY OF STATEMENT OF HERMAN B. WELLS

Detrimental effect of the proposed tax

Foundations early and continuously helped higher education with funds for scholarships (as more students without the ability to pay aspired to advanced education), with funds for facilities and equipment (*e.g.,* the expensive precision instruments of science), with grants for research (in this creative period, each new idea and each discovery opened possibilities to scholars who then sought sponsorship of their investigations), and with support of a great variety of projects, designed to advance scholarship and society's interests. Often foundations came to the rescue when no other support was available, before government undertook support. In many instances (for example, scholarships), colleges and universities would have had to seek government appropriations—thus adding to the burden on the taxpayer—had not foundations supplied the support. The results of the programs, projects and research made possible by foundations have had beneficial repercussions far beyond the campus and region and will extend long past the present time.

The contribution of foundations

Taxation of the foundations, which can have no other effect than to reduce the funds available to higher education, is a critical matter because *each* dollar—the last often more than the first—is important in launching a project, matching a grant, funding scholarships, etc. Furthermore, the size of the reduction is no measure of the potential removed by such an action. At a time of crisis in financing higher education, even the direction of such a move is disheartening. The amount that the tax would yield the Federal Government is relatively minuscule but its detrimental effect on higher education would be major. In addition, once the principle of taxing the foundations is established, there is a strong likelihood that the percentage of reduction will be increased in succeeding years.

A question arises why foundations, which already serve society, should be taxed so that government can serve society. Inevitably, the mechanics of the transfer will involve a cost which need not have been imposed between the funds and their use in the service of society.

Punishment of the abuses of a few foundations should not be visited on the many. Legislation like the Prohibition Amendment which raises a barrier against a problem instead of treating the problem merely induces new forms of abuse. From my observation it seems to me that most foundations have an excellent record and that their staffs have been conscientious in their commitment to the public interest.

The prohibition against a private foundation engaging in any activities intended to influence governmental legislation has crucial implications for higher education. Much of the scholarship undertaken in such fields as business, education and the social sciences is prompted by a desire to reduce imperfections. That is, both the fact-finding and action resulting are contemplated. Otherwise the research would be an exercise in futility. The most disturbing aspect of the prohibition is the control it threatens over the unpopular idea, the investigation of controversial issues and the concept which is ahead of the times. It is equally important to society that cancer be cured and that poverty be eliminated. However, because the first is non-controversial, they would not be treated alike as research subjects seeking funding.

Foundations are an expression of free enterprise. In their support of higher education they encourage free enterprise in ideas. They provide opportunity to the unusual man and idea. They give vital aid to the small private institution which lacks qualifications or visibility to attract government support. They have stimulated private giving to colleges and universities through such means as challenge grants. They represent an important expression of the volunteer sector. It is patent that our present store of knowledge and many of the gains which have improved our quality of life would have been unrealizable without the encouragement and support of foundations.

Institutions with which I am connected receive support from many foundations, large and small, state, regional and national. (A range of examples from different types of institutions, showing the variety of ways in which foundations have assisted higher education to perform its service to society more effectively, follows in the Appendices.)

America's system of higher education is envied by many institutions abroad because of its multiple sources of support which ensure independence of thought and action and freedom from undue influence from any source. The American foundation is one of the instrumentalities by which our independence and freedom are maintained.

APPENDIX A: APPRAISAL OF THE J. K. LILLY COLLECTION

How modest the appraisal of the J. K. Lilly collection for tax purposes was is documented by actual records of recent auction sales. Duplicates from his collection were sold by I.U. at auction at the Parke-Bernet galleries in New York City on November 8, 1962. Here is the record of five items:

	Cost	Appraisal	Selling price
No. 18, Chaucer	$17,500	$20,000	$47,500
No. 28, Copernicus	2,000	3,500	11,000
No. 34, Dalton	250	350	1,850
No. 44, Eliot Bible	4,500	7,500	10,500
No. 102, Newton	750	1,000	5,500

These items, which cost Lilly $25,000, were appraised at $32,350 and were actually sold for $76,350.

The recent Thomas Streeter sale of rare Americana contained fourteen items of which the Lilly collection has comparable copies. An analysis of these, comparing J. K. Lilly's costs, appraised for tax purposes, and prices the Streeter copies brought, was made by the Lilly librarian for the *American Book Collector* and published in its October, 1968, issue.

The fourteen items cost Lilly $24,275—the tax appraisal was $35,125. The comparable copies sold at auction in 1968 for $174,500.

The most drastic advance in prices was of the first printing of the Declaration of Independence of which only sixteen copies are recorded. Lilly's copy cost him $12,500 and was appraised for tax purposes at $15,000. A copy sold at auction in May for $404,000.

Twenty items from the Lilly collection, therefore, which cost him, during his thirty years of active collecting, $61,775, were appraised for tax purposes at $71,475 and comparable copies actually sold at public auction for $654,850.

It might further be mentioned that since its dedication in 1960 the Lilly Library has attracted as gitfs, each year, material of more than double the value of the budget allocated to it from library funds. Appraisals of such material are made by competent outside appraisers and none has ever been questioned by tax authorities.

If the original gift were to be reappraised in the light of today's market, it would be well over $10,000,000. Additional purchases made possible by grants from the Lilly Endowment and other gifts attracted by the collection have brought the total value of the Lilly Library's present holdings to approximately $25-$30 million.

APPENDIX B: STATEWIDE IMPACT IN INDIANA OF CERTAIN FOUNDATION ASSISTANCE TO INDIANA UNIVERSITY

Foundation help to institutions of higher education is crucial and unique in many ways. Our experience at Indiana University has demonstrated this in two important respects that are sometimes overlooked in assessing the value of foundation philanthropy to American education and society. For us, foundation assistance has provided, among other things, flexibility and a "multiplier effect" that are not possible with general funds from the state budget nor usually with federal grants. Indiana University has been able to develop and implement some original and exciting ideas that have influenced most of secondary and higher education throughout the state of Indiana. Two examples will illustrate this point.

First is *The Non-Western Studies Project, 1959–67:* As a result of the interest of several Indiana University faculty members and of the administrations and faculty of several Indiana private colleges, a program was developed to encourage more study of the non-Western world in undergraduate education throughout the state. An earlier survey had shown that the overwhelming majority of graduates of Indiana universities and colleges finished their education with no understanding of, or even acquaintance with, the history, cultures, and problems of the bulk of the world's population living in Asia, Africa, and Latin America. In view of the interconnected world of the last quarter of the twentieth century in which these young men and women would live, in their careers, as citizens, as individuals, this seemed a grievous omission in their education experience.

Over eight years, with very modest assistance from the Ford Foundation (under $200,000), the Non-Western Studies Project was able to enlist the cooperation and participation of three-fourths of Indiana's colleges and universities in order significantly to broaden both the curriculum and extracurricular activities available to most undergraduates. Using the extensive resources of Indiana University in international studies and drawing on the enthusiasm and dedication of administrators and faculty in many colleges, the Project provided over 50 faculty fellowships for training in non-Western studies here and abroad, and for redesigning courses to include non-Western materials; it also sponsored or helped arrange over a dozen faculty and student workshops, institutes, and seminars; and it assisted institutions in acquiring library and visual materials on the non-Western world.

It is difficult, of course, to measure the full impact of such a cooperative effort, but it is clear that today many Indiana undergraduates have a wider and more internationally-oriented education, one which should prepare them better for tomorrow's world.

The second example is *The Indiana Language Program, 1962–70*. In the general post-Sputnik atmosphere there was national concern about American deficiencies in the study of foreign languages. Nowhere was this felt more keenly than in Indiana, where despite the University's international renown in linguistics and in language and area studies, the elementary and secondary schools of the state were providing very limited and often totally inadequate instruction in foreign languages. Determined to close this gap and in hopes of providing a model of what could be done in one state, Indiana University developed a comprehensive program to improve the teaching of foreign languages throughout the state. Drawing on the University's extensive resources in this field and on its earlier initiative in appointing a full-time School Coordinator for Foreign Languages, the Indiana Language Program, with the assistance of just over one million dollars from the Ford Foundation, has sponsored intensive institutes for teachers, the retraining of Cuban refugees as Spanish teachers, a scholarship incentive program for young people interested in careers in foreign languages (including such difficult but crucial languages as Arabic, Chinese, and Japanese), study abroad opportunities for Indiana foreign language teachers, publications useful to students and teachers, and encouragement and guidance on language programs in the schools, including those in elementary schools.

Again, it is difficult to judge the long-run impact of such a program. It has, however, drawn nation-wide attention, study, and emulation, and there is no question that this cooperative effort has radically changed the situation in the state. Whereas in 1962 there were 73 secondary schools which offered no instruction in modern foreign languages, today there are only one or two. Enrollments of secondary school students have grown between 1960 and today some seven-fold in French, nine-fold in German, four-fold in Spanish, and fifteen-fold in Russian. Students entering the University are now so well-prepared that the introductory language courses at Indiana University have had to be drastically up-graded, and hundreds of new and able teachers well-versed in the latest techniques of language instruction have been trained. Moreover, the Indiana Language Program has been able to place a number of its activities on a nearly self-supporting basis which will permit the University and cooperating schools to continue them past the expiration of the Ford grant in 1970.

In summarizing these two examples I would like to stress two points. First, the foundation assistance involved, while very small compared to the effects obtained and to the share contributed by Indiana University and the participating colleges and schools in the state, was crucial both in permitting the University to use its resources with maximum impact and in extending the benefits of these programs throughout the state of Indiana, thereby influencing the education of countless Indiana citizens most of whom had no direct contact with the University. Second, the modest sums required, which were not available from other sources, allowed the initiation of activities which are to be carried on and developed, thus continuing the process of improving education at all levels in the state.

It is apparent, I think, that in these cases the help of the Ford Foundation, building on local concern and initiative and supplementing existing institutional resources and personnel, was not only in the interests of education in Indiana but in the national interest as well.

APPENDIX C: LATIN-AMERICAN STUDIES

The $600,000 invested over a five-year period (1966–71) in Latin American Studies at Indiana University under the Ford Foundation International II Grant provides dramatic evidence of how foundation support can double and triple university potential in a particular area at a crucial moment of development.

The university initially provided certain basic investments. Special allocations built a major collection of books and manuscripts dealing with Latin America in the Lilly Rare Books Library. Recruitment of several promising faculty members also sparked interest within particular departments. It was foundation funds, however, which created the catalyst to launch the program in five major areas.

(1) Nearly one-third of the Ford grant matched by extensive funds from the university and library budget went into an impressive building program in library acquisitions.

(2) Ford funds supplemented department allocations for new faculty positions and research grants. In general, Ford funds paid the first two years' salary after which the department assumed the financial commitment. The number of faculty teaching subjects related to Latin America rose from 8, representing five departments, in 1963, to 40, representing fifteen departments, by 1969.

(3) More ample fellowships made possible from Ford funds in addition to the vastly expanded academic program enabled departments to attract topflight students with Latin American interests from all over the country into M.A. and Ph.D. programs. The number of students in such graduate studies rose from 25 in 1963 to 190 in 1969. In addition, for the first time, Indiana University was able to send promising Ph.D. candidates to the field in the summer of their second year of graduate work to map out dissertation topics. This extremely successful program resulted in considerable savings in time and money when actual dissertation research began and prepared students to compete advantageously at the national level for doctoral fellowships.

(4) Public lectures, art exhibits and music performances largely backed by Ford funds stimulated new student and community interest in Latin America. Particularly significant was the impact of Indiana University's unique Latin American Music Center, first established in 1962.

(5) Finally Ford funds enabled Indiana University to explore and open new and exciting programs for student and faculty exchanges with a variety of Latin American institutions. Among the initiatives which bore fruit were the training of economics faculty at the Andrés Bello University at Caracas, Venezuela; the student exchange programs with San Marcos and the Catholic Universities in Lima, Peru, and the National University of Rio Grande de Sul in Porto Alegre, Brazil; the exchanges with the medical faculty of Guanabara University in Rio de Janeiro; the archeological explorations established with the University of Los Andes in Colombia; the radio and television assistance program to El Salvador; and an educational assistance program in Chile.

Indiana University now produces an average of ten Ph.D.'s and forty M.A.'s each year with specialization in disciplines related to Latin America, in contrast with less than one-tenth that figure six years ago. The University now holds a front rank in terms of library resources and faculty specialists, in contrast to its virtually unknown position in 1962. In sum, the investment of Ford Foundation funds has resulted in launching a major international studies program, has encouraged Indiana University to make long-range commitments, and has established a new role for the university in this vital world area of study and cooperation.

APPENDIX D: FOUNDATION SUPPORT OF TULANE UNIVERSITY

Gifts and grants from foundations have shaped the destiny of Tulane University as much as any other single influence—the specific shape of the institution in terms of individual programs embarked upon and maintained over the years, as well as the general character of the institution. Foundation involvement with Tulane dates back to pre-World War II days when the General Education Board helped support a small and struggling institution in a variety of ways.

Between 1919 and 1939, the General Education Board made available the sum of approximately $4 million as endowment, which constituted a substantial portion of the endowment of the institution at that time. The income from the investment of these funds was devoted not only to the general support of the University but also to the support of the School of Medicine.

Other foundations which have played a significant role in Tulane's development over the years include the Ford Foundation, the Rockefeller Foundation, the Commonwealth Fund, the Sloan Fund, and many smaller but extremely important foundations. For example, the Schlieder Foundation, a locally oriented foundation, has made available to the University over the past 19 years approximately $1,700,000 for medical and other research. Likewise, the Stern Family Fund has supported Tulane generously over the years.

Certain specific grants assumed transcending importance at various stages of the development of Tulane University. For example, the General Education Board made available matching grants in 1946 and in 1951, totalling nearly $3 million, on condition that the University match those sums. This stimulated early fund-raising campaigns which otherwise may not have been embarked upon. All were successful.

The Ford Foundation endowment grants to the general support of the University and to the School of Medicine in 1957, totalling $6.2 million, made as a part of a distribution to most private institutions in the nation, gave a substantial impetus to the University at that time. The income from the investment of these funds was to be used to improve faculty salaries for ten years, at the end of which time the principal was free to be used for any institutional purpose. Tulane elected to use the principal of these funds in the further development of its educational programs.

Probably the most significant grant in the history of the institution was the Ford Challenge Grant offered in 1964. By terms of the grant, the Ford Foundation agreed to contribute $6 million if the University would raise $12 million from private sources. Stimulated by this offer, the University set a total fund-raising goal of $24.4 million and actually raised nearly $28 million. It can be said truthfully that the stimulation of the $6 million offered by the Ford Foundation produced an additional $22 million for current operating purposes, for physical facilities, and for endowment. This program supported the endeavors of the institution to increase faculty salaries from approximately a "D" average in the AAUP grading scales to a "B" average, assisted in the provision of an urgently needed Library and also a Science Building, and provided other stimuli to the forward movement of the institution.

Shortly after World War II, several Carnegie Corporation grants, followed by a General Education Board grant of $1 million, enabled the institution to greatly accelerate the development of its graduate program. The production of Ph. D.'s has increased from a few in 1946 to 119 this year. This has been of inestimable significance not only to this immediate region but to the whole nation as well.

A Ford grant of $500,000 enabled the University to develop a Latin American Studies Program, which has contributed greatly to the educational advancement of our neighbors to the south.

The Commonwealth Fund has provided grants to the School of Medicine which have been of tremendous significance in the development of that institution. A grant made in the 1950's of $750,000 on a matching basis permitted the institution to add $1.5 million to its spending level, primarily for faculty and faculty salaries. In recent years two large planning grants from the same foundation have assisted the faculty of the School of Medicine in planning goals and objectives of the School and its future development.

Also of great assistance to the School of Medicine have been two grants from the Mellon Foundation, each in the amount of $250,000, devoted to the support of salaries of younger faculty members. The Sloan Foundation has made two grants in the amount of $250,000 for the support of science at the University. This has assisted the institution in matching larger grants from the National Science Foundation and has provided an important stimulation to the development of the natural and physical sciences.

Finally, the Rockefeller Foundation has made two grants to the institution, each in the amount of $250,000, for the support of underprivileged students. These grants have assisted Tulane in making available its educational opportunities to approximately 100 students a year, who otherwise would not have been able to afford to enroll in this institution.

In the past five years, foundation sources have provided gifts and grants of approximately $16 million.

APPENDIX E: FOUNDATION SUPPORT AT EARLHAM COLLEGE

Over the last twenty years American higher education has undergone some of the most strenuous demands in the history of the country as we have had to wrestle with large increases in enrollment, costly improvements to keep abreast of developments in the sciences, the provision of educational opportunities for the economically less advantaged segments of our society, an endless spiral of inflation, and the increasingly evident need for drastic improvement in various aspects of teaching. Earlham College, like other institutions, has had to raise large sums of money every year—beyond its normal income from student tuition and endowment return—to continue day-to-day operations. We have also had to raise large sums for capital development plus special program development support outside the normal operating budget. With all of these needs we have been given invaluable assistance by a number of general purpose, company-sponsored and family foundations. Let me give some specific illustrations:

Plant expansion

In the building of approximately eight million dollars worth of new buildings during the past twenty years Earlham College received substantial funds from Lilly Endowment of Indianapolis, the National Automatic Tool Foundation of Richmond, Indiana, the Carnation Company Foundation of Los Angeles, the Kresge Foundation of Detroit, Michigan, the Baxter Foundation of Indianapolis, and the Ford Foundation of New York.

One of the most important aspects of these foundation gifts is that they provided the "challenge" funds which enabled us to launch general fund-raising drives among our alumni and the general public. Without the stimulus of the major foundation gifts there is real doubt if we would have been able to succeed in these important expansion and campus improvement projects.

Improvement of library collections and service

As at all other institutions, Earlham must continue to work to upgrade various of its normal programs. In this connection we have had important assistance for the improvement of our library through special grants from the Given Foundation of Pittsburgh, Pennsylvania, W. K. Kellogg Foundation of Battle Creek, Michigan, Lilly Endowment of Indianapolis and the Ford Foundation of New York.

A good library is a central and tremendously important resource for any educational institution. There never seems to be enough money in the general budget to take care of the ever growing needs of libraries. Foundation support has for Earlham been of great significance in the building of the excellent library service we now have.

Science program maintenance and development

Work in the natural sciences is among the most costly aspects of the various programs of any general educational institution. The Defense Department and various other government agencies pour enormous amounts of money in the support of sciences at the large universities. The smaller undergraduate institutions—which produce a disproportionately large percentage of the undergraduates who go on in advanced study to become scientists—have considerable difficulty in attracting sufficient funds to acquire the physical facilities, equipment and staff needed to maintain a high level in research and teaching in the sciences. Though Earlham is now beginning to receive significant help from the National Science Foundation, during most of the period since the end of World War II we have been in very large measure dependent upon private foundation grants for the strengthening and enlargment of our science programs.

We are now well advanced in the planning stage of a $3,600,000 addition to our science facilities for which we have received a grant of $1,206,000 in federal funds approved by the Indiana Commission on Educational Facilities.

The new building will provide laboratory space for Chemistry and Biology. In order to make the most efficient use of building funds made available to us we are doing intensive research on mechanical facility location and access, partition location and re-location, furniture design and teaching methods.

This essential research, in which science faculty members, architects and engineers are participating, is sufficiently advanced to assure us that it will produce significant construction cost savings and a high degree of building flexibility, thus providing greater insurance against obsolescence as science knowledge multiplies.

This important investment in educational improvement and obsolescence insurance was financed by grants from the Esso Education Foundation of New York and the Alcoa Foundation of Pittsburgh, together with valuable technical assistance from the Educational Facilities Laboratory, a subsidiary of the Ford Foundation.

We expect the research to be of such significance that one or more of the findings will be incorporated in the construction of science laboratories for colleges and secondary schools throughout the country, a fact which may produce meaningful savings for both the public and private sectors of education.

And because the general purpose foundations particularly are attracted by projects which have a multiplier effect, we are optimistic about major foundation support for our science building program.

Specific additional assistance with financing science projects has come to Earlham from the Kettering Foundation of Dayton, Ohio, Lubrizol Foundation of Cleveland, Research Corporation (a foundation) of New York, the Shell Companies Foundation, the Smith, Kline and French Foundation of Philadelphia.

Special projects in the national interest

From time to time the Federal Government establishes very clear educational objectives to serve the vital interests of the country. In some cases the serving of these special national interests are assisted by federal grants and contracts. Rarely, however, is such government funding complete. Moreover, most of these tax monies will have traditionally been allocated to large universities. Most of the smaller undergraduate institutions like Earlham have to secure much of their funding for such projects from private sources. Foundations have played an essential role for Earlham in the funding of two types of programs for which the United States government has given urgent encouragement.

a. *Education of the Disadvantaged.* In order to carry its share of the load in dealing with the education needs of lower income families Earlham has had invaluable assistance from the Rockefeller Foundation of New York and the Cummins Engine Company Foundation and the foundations associated with it, of Columbus, Indiana.

b. *International Education, Particularly Dealing with So-Called Non-Western World.* Earlham has been able to develop a very extensive program of international education—including study abroad programs in a number of countries and a special program in Asian studies, including the teaching of Japanese language—through grants received from the Ford Foundation of New York, Lilly Endowment of Indianapolis, and the Watumull Foundation of Honolulu.

c. *Urban and Rural Development Programs.* Assistance with special programs in the fields of sociology, political science, and economics have been given by the Schwarzhaupt Foundation and the Seasongood Good Government Foundation of Cincinnati.

General Educational Improvement. Innovation and experimentation in education—like research and development in industry—are essential if colleges and universities are to avoid stagnation and death. Earlham College has during the last twenty years been able to strengthen its educational contribution enormously through vigorous new developments in new methods of teaching in English, chemistry, psychology, physics, biology, mathematics and several other fields. Substantial assistance, without which most of the projects could not have been attempted, have been provided to Earlham by such foundations as Carnegie Foundation of New York, the Danforth Foundation, the Esso Education Foundation, Lilly Endowment.

Normal Current Operating Expenses. Without very substantial private contributions our independent colleges and universities would disappear from the American education scene, and a very much greater burden would thereby fall upon the state and federal governments to provide substitute educational services through the public institutions. Here the role of private foundations has been of enormous importance to Earlham College and continues to be year after year. Among the foundations which have been conspicuously significant for Earlham in meeting these ongoing needs are such foundations as the following: Conway Scholarship Foundation, the Doan Foundation, Lilly Endowment, the Charles E. Merrill Trust, Standard Oil Company Foundation of Indiana, The McGregor Fund, and literally scores of other less well known foundations attached to a variety of business concerns and families.

During our fiscal year ending June 30, 1969, foundations provided 27.3 per cent of our gift income applicable to the current operating budget.

In the preceding ten years foundations provided $850,000, which we utilized for budget balancing purposes, 26.2 per cent of our unrestricted gift income for the period.

The contributions of foundations, particularly general purpose foundations, to our overall gift income, that is both designated and undesignated, add up to an even more impressive figure.

During the ten years ending June 30, 1968, Earlham received foundation grants of $5,710,667, equivalent of 31.2 per cent of total gift income for the period.

Thus it is apparent that any measure which will inhibit the giving of foundations or will divert any significant portion of foundation income will have a direct impact on the financial health of private educational institutions.

I want to emphasize that the leadership role of foundations in providing diverse types of support for Earlham College has been absolutely indispensable in our survival and in our continued growth and improvement. Most important has been the "challenge" and catalytic effect which foundation gifts have provided in stimulating other gifts from other types of private donors. We would earnestly hope that every encouragement would be given to the expansion of the legitimate role of foundations in helping to finance American higher education.

AIR POLLUTION CONTROL

HON. TIM LEE CARTER

OF KENTUCKY

IN THE HOUSE OF REPRESENTATIVES

Tuesday, October 14, 1969

Mr. CARTER. Mr. Speaker, I am including in the RECORD today a proposal for air pollution control developed by the University of Louisville Institute of Industrial Research, of which Dr. I. W. Tucker is the director. This report was first published on November 14, 1967.

I regret that the Federal Air Pollution Control Board only this year had published a report similar in nature to that of the University of Louisville. It seems there has been too much vacillation on the part of the Federal Government.

Polluted air in our cities and, in fact, throughout our country causes human, animal, and plant disease. There is no question but that pollutants from the exhausts of automobiles, particularly the hydrocarbons and nitrous oxides, cause bronchitis, emphysema, and lung cancer. It is necessary that these pollutants be controlled as well as those being emitted by smoke stacks of industrial plants.

I wish to commend Dr. Tucker and the Institute of Industrial Research of the University of Louisville for their report.

The material follows:

PROPOSAL FOR AIR POLLUTION CONTROL

INTRODUCTION

This proposal is to assist and participate with the Louisville-Jefferson County Air Pollution Control Board in expanding and supplementing its present monitor and control program. In addition, the University of Louisville Institute of Industrial Research's role with Louisville-Jefferson County is to be the basis of including in its effort the adjacent areas consisting of all or parts of Clark and Floyd Counties, and possibly others.

Whereas solid and water pollutants are fixed or confined geographically, the air is not subject to significant confinement or regular flow pattern except to a variable extent by topography and climate. Geographical boundaries are, therefore, of no significance in studying the material balance and flow pattern of air pollutants. Ideally, we can find some physically defined area which, by reference to topography, pollution sources, and population, provides a discrete unit for evaluating the various contributors to air contamination, and their impact on the exposure of the population to their effects.

In the preparation of the proposal which follows, reference is made to Louisville-Jefferson County and surrounding areas. This is taken as roughly that defined by the hills and knobs west of New Albany and extending thence to the northeast. On the Kentucky side of the Ohio River, south of New Albany, and running somewhat to the South and East, there is a less well-defined series of hills. Together, these elevated sections are roughly a hemicircle defining the western boundary of what we chose to call the Falls City Air Shed. Since there is no correspondingly well-defined physical boundary to the east, it will require some additional study to arrive at a decision regarding the eastern extremity of the Shed.

For purposes of seeking support for the overall proposal, it is tentatively assumed that Louisville-Jefferson County will assist in that portion of the effort specific within its boundaries and that adjacent political areas may do likewise. Broad spectrum support for the effort without regard for internal political boundaries would be highly desirable and would probably be effective in attracting enthusiastic government support.

BACKGROUND OF THE PROPOSAL

Air pollution in the Louisville-Jefferson County and surrounding areas, to the best of our current knowledge, has reached a level where further corrective action is at least highly desirable, if not imperative. To bring this pollution under control is a sizeable task for the community, as well as industry. With the continued growth of the area, however, there is no alternative to imposing conditions and restrictions, based upon appropriate data, that will significantly reduce the effluent being discharged into our community air mass.

In the Louisville-Jefferson County area, there are hundreds of contributors to air pollution, many of an intermittent or variable nature. The precise contribution of each of these to the variety of individual pollutants and their geographic and time distribution, while impossible to determine with any precision, can nevertheless be effectively represented on a statistical basis. Isolated sampling at limited locations, although useful for defining localized problems, are insufficient for making the broad-gage determination of the overall corrective action needed, and a wider representation of the average area situation is needed upon which to base a comprehensive and equitable corrective program.

The determination of specific control action to be taken must be based primarily on estimates of individual facility (or groups of facilities) emission, but this, to be equitable must be tempered with numerous other factors. Just as it would be unfair to limit the trash from a multi-family apartment to the same amount permitted a single dwelling, so also a large industrial installation can never be expected to reduce its pollutants to the level of much smaller operations. It has to be recognized, also, that each pollution source is subject to dilution and dispersion, and that this varies with the type of pollutant exhaust system as well as atmospheric conditions. Even a minor contributor to total pollution will, under certain conditions and in its immediate vicinity, result in pollution levels regarded as excessive for an urban settlement. In the same manner, a large industrial facility should be afforded the consideration of a normal atmospheric condition which provides a degree of dispersion and dilution of its effluent which should be taken into account in assessing the extent of its contribution to the total area air pollution problem.

While the air pollution level of every occupied section of our area is of concern, allowance must be made for these sections directly adjacent to large industry which almost always will be more polluted than the main (90%) residential areas. While it will be an ultimate aim to have the whole area meet minimum standards, it would be unrealistic to expect to solve the whole problem at once. Sure and steady progress through concentration on the overall area problem should be the sustained objective, proceeding to the correction of isolated situations, only when acutely critical or not otherwise resolved by broad gage action.

To properly represent the air pollution level of Louisville-Jefferson County or the area covered by the Metropolitan Council of Government and provide the basis of demanding corrective action, truly representative sampling and analysis of pollutants is essential. The present dispute over whether Louisville air is, or is not, among the 20 having the highest level of pollution can only be resolved by "representative" sampling and analysis. The real basis of the controversy seems to be that each claim is based upon "isolated" sampling using different techniques and definitions.

Isolated sampling, whether from the point of time or location, is inadequate for imposing more general effluent restrictions. In every situation, furthermore, allowance must be made for a unique set of conditions at any instant combining to give an unusually high (or low) pollution level. Since the health impact of air pollution no doubt is a time and concentration of exposure effect, it is really the time average of the pollution level which is of greatest concern. Short exposures of an "excess" of a pollutant, will, it may be assumed, be no worse than lesser amounts for longer times. "Excess" in this context is intended to be something less than what we would in general terms call an acutely dangerous high level of pollutants. It is not unrealistic, therefore, to reply on average data statistically weighted for time, location, and the amount of pollution.

Corrective regulations and action should be planned in accordance with an equitable set of standards that takes account both technical and economic feasibility. Every individual in the metropolitan complex should be expected and required, if necessary, to cooperate in fair proportion to his ability to contribute to improved air quality.

While it is obviously impossible to operate a large commercial installation at the same low levels of total emission as a similar smaller operation, each should nevertheless fairly be expected to do his proportionate share. Aside from all other considerations, however, the primary criteria for corrective regulations and action must be the possibility of realizing measurable reduction of pollution when and where necessary or desired. This might be the imposition of regulations and controls on the operation of single plants or single industries, or any combination of plants, large or small, or even residences.

OBJECTIVES OF THE PROGRAM PROPOSED

This proposal is to develop data on air pollution necessary and useful for enforcing present regulations and developing possible additional restrictions on pollutant emission in the area.

The further improvement of air quality over Louisville-Jefferson County as well as the larger area represented by the Metropolitan Council of Governments (Falls City Air Shed) is highly desirable and, in the opinion of some, essential. While opinions on the seriousness of existing pollution levels and the resulting health or other hazards may differ, a sound program of pollution abatement is widely accepted as a worthwhile objective. Beyond the control of air quality to minimum standards, it should also be the aim to eliminate any contribution to pollution where reasonable and feasible.

The aim of pollution control in the area for which data is to be collected is to be twofold:

(1) Reduction of the average level of pollution on a daily, weekly, monthly, and annual basis.

(2) Elimination of acute short-term pollution situations where all or a significant portion of our population is subject to a recognized excess of pollutants.

The two objectives are allowed for in the technical proposal, providing for geographically representative sampling and data collection on a continuous basis. The reduction of the average pollution will, to some extent, reduce, but not eliminate the possibility of an acute situation developing. To further provide for the elimination of temporary excess pollution level, it is planned to develop data and data processing methods that will anticipate such possibilities and indicate corrective action necessary to prevent the pollution excess from developing.

It will be the further aim of this project to determine the minimum amount of monitoring essential for air quality control on a continuing basis. At the conclusion of the project, an efficient low-cost monitor schedule should be available for continued surveillance.

Monitoring is planned for multiple locations that will effectively represent, concurrently, air pollution levels to which the mass of the area population is subjected. Additional monitoring will be carried out at appropriate locations to effectively determine the condition of the air flowing into the Falls City area before the local introduction of pollutants. While it is expected that the major pollution problem is of local origin, it is considered important to make this determination and recognize our inability at present to cope with pollution of remote origin. With this measurement of wholly local emissions, the question of our individual contributors can be viewed in proper perspective.

Considerable data has been, and continues to be, collected which will be useful in assigning responsibility for local pollution sources. Until this information is examined in detail, there is no way of knowing what additional data on emission is needed. There is no doubt that some further sampling and analysis of these pollution sources is necessary and is allowed for in the proposal.

With the data developed through the program outlined, a sustained effort can be made for specific reduction of effluent by all contributors individually and collectively. There is little doubt that industry cooperation will be the fullest where the immediate prospect of imposed restrictions is the alternative. Where corrective measures are not technically and economically feasible, reasonable assurances should be given that diligent effort is being made to develop acceptable alternates. Where exception is made, this should provide for a periodic review of the situation.

TECHNICAL PROGRAM

One fixed installation is to be provided at the University of Louisville Institute of Industrial Research building. This will be fully equipped for the determination of particulate matter, sulfur dioxide, hydrocarbons, ozone, and oxides of nitrogen. Equipment will be obtained for determining particulate matter and sulfur dioxide at four other temporary or mobile locations. This will provide for simultaneous monitoring at all locations within the SHED area or any portion of it.

While these two pollutants would be emphasized, provision is made for elective determination of any of the other pollutants at any of the temporary stations.

Data as collected from fixed and mobile stations to be of greatest value will be accumulated in a form providing convenient access and allow for the inclusion of weather, time, industrial activity, and other related information. For this purpose, a computerized system is to be used (developed if necessary) so that all data can be tabulated in whatever form desired. This computerized monitoring data also will be prepared in a manner that will be compatible with the development and storage of information on particulate and gaseous pollution emission sources. By this means, individual or multiple plant source restrictive action can be programmed in relation to monitor information.

Emission data will be developed with the view of positive identification of the major contributors to the pollution level at each monitor station. The purpose of this will be to document the need for control action under current criteria and also to indicate the need for developing additional and more restrictive criteria. Aside from merely holding pollution below some established tolerance, it will be our aim to project the means of holding contamination to the lowest possible level.

Whereas at present the precise health significance of sub-acute levels of pollutants may be nebulous, it can be expected that through medical research, knowledge of this subject will be expanded considerably in the near future. Data to be developed in this study will be available for the guidance of local health personnel interested in the pattern of respiratory ailments in relation to geographic pollution patterns.

THE ECONOMICS OF EXCELLENCE

HON. JACOB K. JAVITS

OF NEW YORK

IN THE SENATE OF THE UNITED STATES

Tuesday, October 14, 1969

Mr. JAVITS. Mr. President, I have long been concerned about a burgeoning health crisis—evidenced by skyrocketing health costs and exacerbated by marked shortages of doctors and other health personnel, and in many cases by seriously inadequate, obsolete, and outmoded health facilities—which threatens to deny adequate care to growing numbers of Americans.

A thoughtful analysis of the economics involved in rendering quality health care and the role of the teaching hospital in providing excellence in health care is set forth by Dr. David Pomrinse, vice president of the Mount Sinai Medical Center and director of the Mount Sinai Hospital in New York, a large teaching hospital in a university-affiliated medical center, in his testimony entitled "The Economics of Excellence" before the Joint Legislative—LENT—Committee, New York, hearings on medicaid, public health, and related problems of health and hospital insurance.

I commend the reading of Dr. Pomrinse's approach to some of the questions of economics involved in hospital administration to Senators and ask unanimous consent that his testimony be printed in the RECORD.

There being no objection, the testimony was ordered to be printed in the RECORD, as follows:

THE ECONOMICS OF EXCELLENCE

(By S. David Pomrinse, M.D.)

I am Dr. David Pomrinse. I am a Vice President of the Mount Sinai Medical Center and Director of the Mount Sinai Hospital in New York. Mount Sinai is a large teaching hospital in a University affiliated Medical Center. It is concerning the effects on this type of hospital of current proposals for implementing Chapter 957, Laws of 1969, New York State, that I address this Committee.

Teaching hospitals, even more than any other, are traditionally committed to excellence: excellence in patient care, in medical education and in research. The reason for this commitment is easily understood. They have always been the fountainhead of the best and the newest and the safest in medical care and treatment. If the new doctors of today, and the still newer ones of tomorrow are to learn the best ways to keep the nation healthy, this learning must take place in our teaching hospitals. And it does. Throughout the long history of medicine, the teaching hospital—or its equivalent—has always led the way to excellence in the care of the sick, in the training of new doctors, and in the enrichment of medical knowledge.

Concerning the latter, I would like to point out that the art and science of medicine have been developing steadily for many centuries since the days of Hippocrates and Galen. If, at any stage during that long unfolding, Society had proscribed the exploration of new medical territories by the hospitals and physicians of the day, then that stage is precisely where medical progress would have stopped. If these hospitals and these early doctors had not constantly sought newer and better methods of health care, then, naturally, we would treat patients today as they did decades and centuries ago. We would still resign ourselves to mothers dying of childbed fever, babies dying from the trauma of birth itself, and people of all ages dying, needlessly, from eliminable infection.

For more than a century, The Mount Sinai Hospital has enjoyed a reputation for excellence in each of these areas; the care of patients who come to us; the medical education of thousands of young interns and residents who will be tomorrow's doctors; and the constant search for ever better ways to do what we do.

There is a price that must be paid for this excellence. There is an immutable law at work. If Mount Sinai, and other great voluntary hospitals like it continue to excel in these fields, they will continue to attract young doctors and old doctors of great skill and dedication who, in their turn, will make their contribution to medicine—and the nation will benefit. Conversely, if we adopt lesser standards—whether by a decrease in our own commitment to excellence, or by a drying-up of the funds that make this kind of medicine possible in our industrial society—then the trend will, irresistibly, reverse itself. Superior men and women will go elsewhere or will have nowhere to go. Mediocrity of skills and talents and dedication will beget mediocrity of care and treatment, and these great hospitals will end up as little more than gargantuan first-aid stations—and the health of the nation will suffer. I do not exaggerate. As elsewhere in life, it is impossible to stand still in medicine. We will either continue our steady advance or we will slide backward. We know which we want to do. It will have to be a decision by the people—through their legislature—that will force us to reverse our historic course.

And now, it seems, we are at the brink of such a reversal. . . .

Hospitals have been asked to reduce their costs. We have been called inefficient. The idea seems to be in the air that good medicine—the kind that does the best it knows how to do to prevent illness, to cure what it cannot prevent, and to save a life that is in danger—that this kind of medicine can be discounted and can be bought with fewer and fewer dollars.

The decision to cut back on reimbursements to our hospitals in the hope of getting, or forcing, hospitals to reduce their expenses, is a decision that, of course, lies within the power of the people to make, I want to use my remaining time to spell out for this Committee, and for all the people, exactly what such a decision entails. For them, for their children, and for tomorrow's generations.

It has been charged that Hospitals are inefficient and, worse, that we are inefficient with public monies. This charge of inefficiency is levelled at us, obviously, by well-meaning people who look at prevailing industrial practices in this country and then look at hospitals, and who seem to see incomprehensible differences. Differences that should be eliminated so that hospital administration can be "brought into line" with that of successful, profit-making industry. Let's examine this charge.

First, we admit, freely, and proudly, that—by "industrial" standards—we are inefficient. Blessedly and wonderfully inefficient. It is obviously inefficient utilization of space, manpower and facilities to keep our large Emergency Division open 24 hours a day, 7 days a week. Sometimes hours go by when we don't have a real true emergency in the place. If you would have us cease and desist this inefficient practice, you must tell us.

It is inefficient to pay employees for sleeping in their own beds at home. Even if they are highly skilled professionals who are on 24-hour call to be in the operating room on moments' notice to save the life of somebody's parent or child.

We have an emergency, life saving procedure at Mount Sinai. We call it Team 700. It is jammed with inefficiencies. These teams are composed of doctors, nurses and technicians. When the Team 700 alarm sounds, it means there is a case of cardiac arrest somewhere in the hospital complex. Each member drops what he or she is doing and races to the sick man and begins the work of defeating death. Unless the Team assembles and actually begins doing its highly skilled job within three minutes, irreversible brain damage ensues, and possibly, loss of life. To help these teams, Mount Sinai has depots of essential special life-saving equipment and supplies stashed in corridors and alcoves throughout the hospital. This is wasteful duplication. Except if the cardiac arrest happens to your son or father. Then it is not wasteful but is truly blessed efficiency.

Mount Sinai has the only operative Hyperbaric Chamber used for patient care in Greater New York. The Chamber is a 40-foot-long, thickwalled operating room where patients can be placed under several atmospheric pressures thereby greatly increasing the amount of life-giving oxygen they can absorb. It cost three-fourths of a million dollars to install and more than $600,000 a year to run.

You may have read about our Chamber . . . helicopter landings in Central Park, dramatic savings of life and limb, etc. Perhaps it, too, is inefficient. It has not been closed down since it was installed five years ago. In those 1,800 days and nights, we have had only 450 major operations and some 400 treatments for certain medical conditions that benefit from high-pressure oxygenation.

Recently, in a neighboring hospital, a 42-year-old woman, suffering from gangrene, faced either amputation of her leg or certain death. Her physician recognized the gangrene as a special type that cannot exist in a high oxygen environment. He called and asked our cooperation in an attempt to save the woman's leg. She was placed in our Chamber for 72 hours. The spread of infection was first halted, then reversed. She made a fine recovery. And kept both her legs.

What makes Mount Sinai Mount Sinai? The New York Times last week correctly reported that there is a critical shortage of places in the city where drug addicts can go to be rehabilitated as productive members of society. They listed Mount Sinai as having, earlier this year, voluntarily begun a Methodone Maintenance Program. No state or city agency ordered us to engage in this project. No state or city agency is financing it. We started with one patient and have grown to 70 patients in just six months. It costs the hospital approximately $1,000 per patient per year. Seventy patients, seventy thousand dollars. This program is wholly supported by private monies even though there is general agreement that this type of human reclamation should receive governmental funds.

The improbably-named L-dopa program provides drug therapy and treatment for people suffering from Parkinson's disease. To the 200 patients in our L-dopa program, it represents the difference between truly hopeless invalidism—at immeasureable cost to themselves, their families and to society—and a life that permits of joy and productivity. This treatment, one of the countless gifts of the burgeoning new sub-science of chemotherapy, costs Mount Sinai about $2,000 for a patient's first year, and about $1,500 a year afterward.

Last year, Mount Sinai opened its Ames Coronary Intensive Care Unit. It is among the best of its kind available anywhere in the world. It saves lives. Where three died before, two die now. The Ames ICU has been directly responsible for saving one-third of the lives that always, until this past year, had been lost. Figures for its first year of operation show that it cost $165 a patient-day. We had 1,968 patient days. Total cost was $325,000. Very costly, you may say, and I would agree. Too costly? This is where we—and the families of those saved—may disagree. If you, the elected representatives of the people, decide that such a facility is a luxury for the people of this city and state, then you must tell us so and we will close its doors to all but the wealthy.

We do a lot of open heart surgery at Mount Sinai. The average cost per procedure is $3,200.

We have a busy renal dialysis program where human beings with kidneys that would kill them within weeks come in to have their daily blood laundered. They come in 2 or 3 times a week. As long as they continue to come, they live. They live as fathers and as daughters and as friends and as employers and employees. When they stop—or when we stop because we have run out of money—they die. The cost? About $100 a visit, or $10,000 to $15,000 a year per patient.

I have listed many areas of care and treatment at Mount Sinai. I have left out many others. Each of these areas—or all of them—can be cut back or cut out. Eliminated. If the state is going to reduce financial reimbursement to hospitals, the state must also tell us—specifically—which of these services to eliminate. The state must realize that such "cost cutting" will result, inexorably, in lower quality health care and it must tell us—and the public—in which areas of health we are to offer lower quality care . . . . which patients we are to allow to die.

I have called Mount Sinai a teaching hospital. Some of our detractors, and some legislation governing reimbursement to hospitals, have claimed that this function is not related to patient care and that, accordingly, public monies must not be used to reimburse these costs to hospitals. At Sinai, we are now training 300 young residents and interns who will be your doctors and your childrens' doctors tomorrow. I have several thoughts concerning these dedicated young men and women, that I would like to leave with you:

(1) They are expensive. In less than ten years, they have come from almost no income at all during their learning years to just under $10,000 a year. We have 300 such doctors.

(2) Because of their presence in the hospital, the quality of patient care is superior. And stays superior. Every recommended drug, every procedure, every treatment, is questioned and explained and questioned and explained until all present are satisfied that it is the very best move for the patient. Our teaching patients, accordingly, receive the finest medical care currently possible. And, because of them, the quality of care throughout the Hospital remains superior.

(3) These members of our House Staff are learning the practice of medicine. For well over one hundred years we, at Mount Sinai, have been determined that they shall learn "good" medicine. If we are forced to embark on a program of cutbacks and lowered medical standards, they will be learning what we choose to call "bad" medicine—meaning anything less than the very best we know how to do for the patient.

I would like to return now to the charge that hospitals are run inefficiently. Earlier, I temporarily accepted the label of inefficiency to dramatize the point that hospitals cannot be judged by normal business standards.

Let me hammer home that one point. A hospital is perhaps the only business in the world where the customer is automatically given the finest product available. He is not given a choice between the best, the second-best, and admittedly inferior merchandise, depending upon the state of his pocketbook. He is given the best. Period. When you buy jewelry, the jeweler can offer you a synthetic gem, a natural gem with only a few flaws, or—for many thousands of dollars—a flawless beauty. When you visit your dentist, even he can offer you a choice: porcelain cap, amalgam, or gold inlay. But when your child comes to Mount Sinai with a shattered limb, we do not say "Well, for x dollars we can give her a drug to ease her pain; for a bit more money we can rig up a simple splint and hope that the leg may rebuild and heal itself perfectly; or, for a much higher price, we will practice the kind of surgery that is indicated."

When a patient is admitted to Mount Sinai, no matter what the cause, he is given a battery of screening tests. When these tests show high blood pressure, he is launched on another series of 16 tests designed to pinpoint the cause. These tests are effective, but they cost more than $700. Would the state have us do less?

Similarly, when we spot high calcium imbalance, good medical practice indicates doing procedures costing about $250.

If the state wants us to hold back and to do less than we know how to do; if it wants these items to remain merely items on a selective menu; then it must tell us and it must tell the people of this state that it has told us.

I should point out that, under present law, there are many areas where a hospital that does less for a patient than it knows it should do is liable to prosecution for criminal negligence. And, as far as Mount Sinai is concerned, we would have it no other way.

The charge that hospitals are administered inefficiently and uneconomically is out of order and completely false. We appear to be inefficient in certain areas because there is no way to judge what is efficient and what is inefficient when human lives and limbs are at stake. Which of us can cite the dollar value of eyesight? or a pair of sound legs? Or extra years of life put back into a faulty heart or kidney? Or the slow but steady return to normalcy of a mentally disturbed loved one?

However, there is one area of our operations where we can be compared with commercial standards and practice. And judged. That area includes all the ways in which a great hospital is like a great hotel. Bed and board and laundry, et cetera. We have performed the strictest kind of cost analysis on our performance in this area and we are very proud to say that, at Mount Sinai, the average cost per patient/day for all hotel-type services, is $11.98. An additional $7.90 pays for three excellent meals each day, with a choice of up to four entrees. I remind you that each meal is served in the patient's room and more than half of them follow medically approved diets. All this for $19.38! For purposes of comparison, charges for room only at the New Yorker Hotel in this city range from $18 to $27 a day; at the Statler-Hilton, from $18 to $24; and, at the Waldorf, from $26 to $38. These hotel charges average out at $27.17 a day. Without meals. Without Room Service. Conservatively, we would have to add at least $15 a day for these services for a total of more than $40 a day. I repeat—the complete cost at Mount Sinai per patient/day for hotel-type services—including all meals—is $19.38.

I submit that, if inefficiency were characteristic of current hospital administrative practice, surely this same inefficiency would manifest itself in this area of the Hospital. Particularly in Food Service, where we employ 320 people and serve 8,000 meals a day. At an average daily cost of $7.90 for all three meals. But these figures show us to be impressively efficient! Conversely, if we can prove (as we can) that we are enviably efficient in the hotel side of hospital administration, is it not reasonable to assume that the same management will be equally efficient in our practice of medicine and the delivery of health care?

I submit that it is not, and never was, a question of efficiency or inefficiency. Instead, it is a question of how much and how excellent health care the society wants, and how much it is willing to pay for. No matter what system we follow, Society—and that means all the members of society—end up paying for the health care they want and receive. Whether it be private practice, or group practice or socialized medicine or compulsory national health insurance or Medicare or Medicaid—in the final analysis, the citizens pay the freight for the health care that we deliver to them.

To sum up: if state reimbursements to hospitals are reduced; if they are merely maintained at present levels; if, in fact, they are fixed at any level lower than hospital costs plus a reasonable factor for improvements and new programs, then this hospital and all hospitals will have to begin closing doors in the faces of suffering citizens.

Shall we, for example, deny Medicaid patients the breath of life itself in our Hyperbaric Chamber?

Shall we bar from our L-dopa program Medicaid patients victimized by Parkinson's disease?

Shall Medicaid patients be denied the prolongation of life made possible by our renal dialysis program or by the Ames Coronary Intensive Care Unit?

If our income is curtailed, first will come the abandonment of the tradition of excellence; then a program cancelled; then a clinic closed; then a pavilion; then a hospital. The state must tell us which services it wants us to discontinue, or it must make it possible, financially, for us to continue offering them.

If hospitals like Mount Sinai close their doors to Medicaid patients, these sick people will have no recourse but to try to receive treatment at the already overburdened and understaffed City hospitals.

The economics of excellent health care are simple: it is not cheap; it is not static; it is just essential.

HOUSING INDUSTRY IN A CRITICAL SITUATION

HON. RAY BLANTON

OF TENNESSEE

IN THE HOUSE OF REPRESENTATIVES

Tuesday, October 14, 1969

Mr. BLANTON. Mr. Speaker, the shortage of available mortgage funds and other forms of long term credit has brought the housing industry to the critical situation where housing starts may drop below 1 million units this year.

This decline has had a substantial impact on those industries which supply the housing field—notably ceramic tile.

Mr. Speaker, since the vast majority of ceramic tile production goes into new housing, this old established industry, consisting mostly of small independent manufacturers, has been seriously affected by this problem, which has resulted from current anti-inflation measures, such as, restrictive monetary policy. However, its vulnerability to Government induced contractions in the money market stems not only on its complete reliance on new construction, but also from the nature of its completion from abroad, which accounts for over one-third of the market.

The Japanese and now the British have engaged in predatory practices which if engaged in by our domestic manufacturers would be illegal under U.S. statutes. Most destructive of these practices is violation of our antidumping statutes. Dumping consists of sales in the United States at prices with the goal of rapid expansion of the importers share of our market. Historically, dumping drives many domestic plants out of business—followed by an increase in the price of the foreign product.

The lower price to the consumer is thus merely a device to eliminate competitors. In the long run, U.S. consumers pay the higher price and U.S. firms are destroyed.

Foreign importers stand to gain further as a result of housing market contraction, due to a shift in the nature of the type housing being built. Last year, for the first time in history, apartment units represented more than 50 percent of residential construction, and it is in apartment construction that foreign tile finds its most receptive market.

In order to aid in preserving the American tile and similar industries during this critical period, I am joining my colleagues in support of a concurrent resolution which urges adoption of policies to offset the adverse effects of these monetary restrictions on the housing market. This resolution expresses the sense of the Congress that the executive branch should take steps under the Trade Expansion Act or under its general authority to negotiate voluntary quota arrangements with foreign countries to effect such reductions in imports as are necessary until a time when restrictions are lifted and free market conditions are restored. At that time, America will need strong and viable industries to cope with the unprecedented housing boom that is projected for the years ahead.

Mr. Speaker, I am inserting in the RECORD at this point, an article in the Washington Post, September 24, 1969, which illustrates the seriousness of the problem in the housing industry, which has hurt the suppliers of material as well:

[From the Washington Post, Sept. 24, 1969]

ROMNEY FEARS 50 PERCENT HOUSING CUT

(By Eve Edstrom)

Housing construction could be cut in two by the end of the year, falling below one million units, Housing and Urban Development Secretary George W. Romney declared yesterday.

Romney blamed the housing crisis on the high cost of borrowed money and soaring wage rates in the building trades.

The last time the annual rate of housing starts fell below one million was in 1966 when a similar money crunch existed.

In July of this year, annual housing starts were projected at 1.3 million, down from January's 1.9 million. They could fall below one million by year's end, Romney said in response to a question at a news conference.

In listing the adverse factors affecting the housing field, Romney emphasized that the price of borrowed money has gone up by 3 percent since January, thus boosting average monthly housing payments by 30 per cent.

And in discussing the inflationary aspects of new wage contracts, he read a telegram seeking his advice on braking building trade demands in Kansas City. These demands, it was said, would amount to a 130 per cent increase in wages and fringe benefits over a three-year period.

Several proposals to retard construction costs and to alleviate the credit crunch are under consideration by the Nixon administration, Romney said. The proposals should be approved, he said, but he declined to discuss what they are.

The President's deferral of federal construction, Romney said, could increase the money available for housing and could slow down construction costs.

Romney noted that wage and price controls "don't accomplish much relief" because they amount to a "temporary action" which doesn't deal with causes.

Romney introduced Eugene A. Gulledge, president of the National Association of Homebuilders, who has been nominated to be head of the Federal Housing Administration. He has advocated government credit controls to insure an adequate supply of money for housing.

Romney announced that HUD has had an "overwhelming" response from industry to its "Operation Breakthrough" program which is designed to provide more and less costly housing.

More than 560 organizations have submitted proposals. Ten to 20 of the best proposals will be selected for construction of prototypes of housing systems, he said.