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CHARITY FOR ALL:

B. Carroll Reece and
the Tax-Exempt Foundations

Steven A. Samson
Anti-Communist Crusade
December 14, 1980

Conspiracy theories, like soap operas and gossip about celebrities, appeal to a universal craving people have for inside knowledge and for insight into the calamities that beset their lives and fortunes. And if history can be viewed as a conspiracy, as a record left by the victors, then it is natural for the also-rans to seek how it comes to be written, and who finances it. A psycho-historian is likely to offer such an explanation to account for the anti-Communist crusade of the 1950s. And why not? It is evident, for instance, that the most prominent roles in the congressional internal security investigations of that period were played by Republicans and conservative Democrats. Typically they were midwestern, isolationist Republicans who opposed the New Deal and held deep reservations about the Truman and Eisenhower administrations' bi-partisan foreign policy. Supposing that this concern for internal security was directly correlated to the declining fortunes of congressional Republicans during the years of an imperial presidency, it is important to test the best cases to see whether they tend to confirm or falsify the hypothesis. One such midwestern, isolationist Republican was Brazilla Carroll Reece, a congressman from Tennessee's First District and one-time Republican National Chairman.

Reece, according to Current Biography (1946), was born and raised in the Great Smoky Mountains of Tennessee. He attended high school and college in that area, and was the class valedictorian at both schools, as well as a student body leader and

athlete. After graduating from college in 1914 at the age of 25, Reece was appointed principal of a high school. The following year, he left for New York, earned a master's degree in economics and finance, and studied law on the side. Following graduation in 1916, he taught economics at N. Y. U. He enlisted as a private in the infantry in May of 1917, was commissioned as a lieutenant late that summer, and subsequently received several battlefield decorations. When he returned from Europe in 1919, he became the director of the School of Commerce at N. Y. U. The following year, he returned to Tennessee and won election to the House of Representatives, where he remained except for two brief intervals until he died in 1961. Reece was admitted to the Tennessee bar after his election and later turned to banking.

By the late 1930s, Congressman Reece was the acknowledged Republican leader in the Democratic South. With the support of the Taft wing of the party, he won election as Republican National Chairman in 1946 and presided over the Republican victory at the polls that November.

His service in Congress was distinguished more for his partisan activities than for parliamentary leadership. He sponsored little major legislation and spoke rarely on the floor of the House. He served first on the Military Affairs Committee and later on the Interstate-Foreign Commerce Committee. He was especially concerned with legislation affecting the money markets, which may account for his later interest in tax-exempt foundations. He also participated in an investigation of monopolies in the late 1930s.

He opposed most New Deal legislation, voted against bills supported by organized labor, and opposed the draft and Lend-Lease. His credentials as a conservative, isolationist were impeccable. He was consistently criticized by members of the liberal wing of the party as an Old Guard reactionary. He seems to be the prototype of the liberals' idea of what an "anti-Communist crusader" is supposed to be.

Before examining Congressman Reece's role in the internal security investigations of the early 1950s, it is important to place the controversy about tax-exempt foundations into a historical context. Although Reece made many anti-Communist statements at earlier and later dates, it is specifically his committee's investigation of tax-exempt foundations that became the centerpiece of his contribution to the anti-Communist movement. The charges he made in calling for an investigation were nothing new. They are part of a troubled strand of American history that persists to the present day.

Americans have had an abiding dislike for and suspicion of class privilege from earliest colonial times. Even after independence was finally won, the rhetoric of conspiracy remained. Federalists were perceived as monarchists at heart; Republicans as Jacobins. Controversies centered around freemasonry in the 1790s and again in the 1820s. Early medical societies and academic institutions were seen as bastions of privilege. Corporation laws were resisted and labor unions forbidden. With the rise of the reform movement in the early 1800s philanthropy played a prominent role in fostering social change. The generosity of wealthy philanthropists, however, was not

always taken at face value. Historian Carroll Quigley of Georgetown University commented on the multipartisan political involvements of the Morgan Bank, noting that the precedent for such diversity of activity was set by its founder, George Peabody, who created the first modern tax-exempt foundation in 1867:

To this same seminal figure may be attributed the use of tax-exempt foundations for controlling these activities, as may be observed in many parts of America to this day, in the use of Peabody foundations to support Peabody libraries and museums.¹

Morgan, like Peabody, was intimately tied financially with English banking interests: a fact that helped support fears expressed by progressives and isolationists that American banking interests were being dominated by an international financial cartel. Other financiers and philanthropists also provoked suspicion on both sides of the Atlantic. In England, a series of royal and parliamentary commissions investigated charities between 1818 and 1850.² Foundations set up by Rockefeller and Carnegie took the lead in encouraging reform in institutions of higher education, calling for stricter admissions and graduation standards,³ pensions for professors,⁴ and the development of various professions, including engineering,⁵ medicine, and the social sciences.⁵ In 1913, Congress established the Industrial Relations Commission to examine John D. Rockefeller's diverse industrial and charitable concerns.⁶

Since 1950, tax-exempt foundations have been the subject of three successive investigations. All three took place in specially created House committees. The first and most short-lived investigation took place in the Select Committee to Investigate

Foundations and Other Organizations, which was chaired by Eugene E. Cox, a conservative Democrat from Georgia and a former judge. Its express purpose was to study possible infiltration of certain foundations by Communists, but six weeks of hearings produced an inconclusive report. Meantime, Chairman Cox had died, and Congressman Reece, who had missed most of the sessions because of an illness in the family, appended a note to the final report expressing dissatisfaction that "the select committee ... had insufficient time for the magnitude of its task."⁷

When a new Republican majority was seated in 1953, Congressman Reece asked that a new investigation be launched and that it have the largely undigested material gathered by the Cox Committee made available. Once again, the purpose of the investigation was to uncover Communist subversion in relation to tax-exempt foundations. The Cox Committee report had suggested that another investigation be made of the extent to which foundations were used as a device for tax avoidance and tax evasion, but it was not until 1962, when Wright Patman's Select Committee on Small Business issued the first in a series⁸ of reports on foundations, that this suggestion was taken up.

Instead, Reece focused on the charge of subversion:

Some of these activities and some of these institutions support efforts to overthrow our Government and to undermine our American way of life.

These activities urgently require investigation. Here lies the story of how communism and socialism are financed in the United States, where they get their money. It is the story of who pays the bill.

There is evidence to show that there is a diabolical conspiracy back of all this. Its aim is the furtherance of socialism in the United States.

The method by which this is done seems fantastic to reasonable men, for these Communists and Socialists seize control of fortunes left behind by Capitalists when they die, and turn these fortunes around to finance the destruction of Capitalism.⁹

Congressman Reece outdid himself during this extremely long and detailed speech on the floor. He summarized disclosures by the Cox Committee, attacked the Ford Foundation and its Fund for the Republic, raised the taxation issue, and criticized various institutions, including the University of Chicago Round Table, the Public Affairs Committee, the National Education Association, and Robert Maynard Hutchins, who was singled out for advocating an investigation of congressional investigating committees by the Fund for the Republic.¹⁰ He appended several articles relating to liberal education at Vassar.

A vigorous floor debate followed the Reece proposal. Among the opponents of another such venture were Wayne Hays, who had also been a member of the Cox Committee, Eugene McCarthy, and Jacob Javits. Hays believed that HUAC or the Ways and Means Committee would be a more appropriate forum for such an investigation. The resolution passed by 209-163, however, and did not split along party lines.¹¹

The investigation that followed generated considerable controversy, much disdain from the press, and far more heat than light on the issues that were raised. Yet there is some debate whether this was due to the ineptitude of Reece and his staff, the uncooperativeness of Hays, who was the leading Democrat on the five-member committee, or pressure from the Eisenhower Administration on behalf of the foundations. The evidence at hand is inconclusive, like the final report.

Sumner H. Slichter, writing in The Atlantic Monthly, blamed the Republicans on the committee for not bridling one particularly hostile staff member, Norman Dodd, who wrote a report that claimed that the Rockefeller and Carnegie foundations were conspiring to subvert American education and change the policies and social philosophy of the government.¹² Helen Hill Miller sounded a somewhat similar theme when she claimed that Reece's extended remarks had been written for him by the "professional patriots" of the Chicago Tribune.¹³ Bernard DeVoto dismissed the report as paranoid, and wrote that the minority members and possibly the majority members of the committee were not consulted in its preparation. In fact, two majority members were represented during the hearings by proxy.¹⁴

For whatever reason, the hearings were unceremoniously brought to an end in July, 1954, after being interrupted by a couple of delays following the testimony of Pendleton Herring, the first witness representing the foundations. His 90 pages of testimony had been preceded by 790 pages of testimony from various hostile witnesses, including Norman Dodd, Thomas McNeice, and Aaron Sargent.

Charge and countercharge were traded by members of the committee during the hearings and even in the final report. Congressman Reece, in a supplemental statement, claimed that the Dodd Report had been prepared by unanimous consent. He took issue with Congressman Hays' criticisms:

...The ranking minority member repeatedly asserted that the majority had arrived at prejudged decisions. Newspapers

reported him as having said that this was an "Alice-in-Wonderland" investigation in which a decision had been made in advance of the trial of a case. The majority submits that in taking this attitude the ranking minority member intended to discredit and harass the investigation, and to impugn the good faith of the majority and of the staff.¹⁵

Reece singled out some particularly offensive remarks Hays had made during the hearings and protested Hays' tendency to badger the witnesses.

Congressman Hays, along with Democrat Gracie Pfof of Idaho, wrote a minority report which called the entire proceedings into question:

The theme of prejudgment which so singularly characterized the entire course of this committee's activities was, like the theme of doom in a tragic opera, revealed in its prelude.¹⁶

Hays noted the attention given to interlocking directorates, an issue that had been raised during the Walsh Committee hearings of 1913-1915. He challenged the credentials and veracity of several witnesses and members of the staff. He criticized the committee's overreliance on staff investigations and the delay of public hearings until May 10. Among his specific criticisms were claims that the hearings were partisan in tone. He considered Sargent's excursions into the history of Fabian socialism irrelevant, and his charges farfetched:

Some insight into Mr. Sargent's political and economic thinking was revealed when he stated that the United States income tax was part of a plot by Fabian Socialists operating from England to pave the way for socialism in this country; ...that subversive teaching in our schools is a tax-exempt foundation product and that it has resulted in the greatest betrayal in American history....¹⁷

Rene Wormser, general counsel to the committee, later wrote a book on foundations and was very critical of Hays' role, which was uncooperative from the start:

Mr. Hays knew what he was doing when he coerced the release of Dr. Ettinger and Mr. DeHuszar from our staff. He was in frequent consultation with representatives of some of the more important foundations and their allies.

Mr. DeHuszar had already shown his capacity on the staff of the Cox Committee, to which he had contributed a mass of critical material which was not used. In his work for the Reece Committee he had begun to assemble significant data on particularly unpleasant examples of the practices of major foundations. When he was released, this research came to an end.

In the case of Dr. Ettinger the loss to the inquiry was tragic. Many of our most valuable lines of inquiry were devised or initiated by him.

Mr. Hays's expressed reason for demanding Dr. Ettinger's release was that he was a Socialist. This is rather amusing, since Dr. Ettinger's work consisted in substantial part of unearthing examples of foundation support of socialism.¹⁸

Norman Dodd blamed a smear campaign by the press and
19
by Congressman Hays for the abrupt termination of the hearings.
Gary Allen, who talked with Norman Dodd about the investigation,
later wrote:

When Mr. Dodd began delving into the role of international high finance in the world revolutionary movement, the investigation was killed on orders from the Eisenhower-occupied White House.²⁰

Carroll Quigley, who is cited by many conspiracy theorists as a major inside source of information on the "international Anglophile network," later placed the proceedings in a very different light than either its supporters or detractors had at the time, and acknowledged that there was a basis for some of the committee's conclusions. Quigley's treatment of the controversy is unsettling and appears to flow out of some interior dialogue, as if both to attack and appease the "radical Right:"

The chief aims of this elaborate, semisecret organization were largely commendable....

It was this group of people, whose wealth and influence so exceeded their experience and understanding, who provided much of the framework of influence which the Communist sympathizers and fellow travelers took over in the United States in the 1930's. It must be recognized that the power that these energetic Left-wingers exercised was never their own power or Communist power but was ultimately the power of the international financial coterie, and, once the anger and suspicions of the American people were aroused, as they were by 1950, it was a fairly simple matter to get rid of the Red sympathizers. Before this could be done, however, a congressional committee, following backward to their source the threads which led from admitted Communists like Whittaker Chambers through Alger Hiss, and the Carnegie Endowment to Thomas Lamont and the Morgan Bank, fell into the whole complicated network of the interlocking tax-exempt foundations.²¹

Quigley went on to indicate that the investigation was quietly dropped before it went too far. Quigley's matter-of-fact report of this information or gossip is disturbing because it is so difficult to pin down his purpose for including such uncanceled, hearsay material in a book that purports to be a history of the world from 1895-1965. Several right-wing and left-wing commentators see his book as a confirmation of their theories about the political establishment. Carl Oglesby cites Quigley in favor of his view that "conspiracy is the normal continuation of normal politics by normal means."

The arguments for a conspiracy theory are indeed often dismissed on the grounds that no one conspiracy could possibly control everything. But that is not what this theory sets out to show. Quigley is not saying that modern history is the invention of an esoteric cabal designing events omnipotently to suit its ends. The implicit claim, on the contrary, is that a multitude of conspiracies contend in the night.²²

At the other end of the political spectrum from Oglesby, W. Cleon Skousen drew somewhat different conclusions, seeing this interlocking power structure of international finance as a monolith:

This mammoth concentration of economic power is in direct

opposition to the traditional American precept that, unless it has been specifically stated otherwise, all power of every sort must remain DISPERSED among the people.²³

Skousen believes that decisive legal action is required to eliminate the conspiracy's financial power base, including dismantling the Fed and pulling out of the United Nations. Skousen is careful to condemn the spurious and misleading Protocols; he does not equate "International Bankers" with Hitler's "Jewish conspiracy."²⁴

Twenty-six years after the Reece Committee investigation, what is a somewhat historically detached observer to make of the controversy that surrounds the proceedings and the charges that were made? How can he begin to sort out fact from fancy, patriotism from paranoia? On the surface, both sides--if there are only two--bring considerable evidence in their support. There were undoubtably abuses and errors on both sides that obscured the real issues. But were the supposed issues the "real" issues? Ferdinand Lundberg, certainly no friend of the "superrich," called the hearings and the final report "a confetti of nonsense."²⁵ Dan Smoot was one of the early advocates of the conspiracy theory, but even he had a somewhat prosaic explanation for all the subterfuge engaged in by foundations:

In short, many of the great philanthropies which buy fame and respectability for wealthy individuals, or corporations, are tax-avoidance schemes which, every year, add billions to the billions of private capital which is thus sterilized.²⁶

Later radical critics have raised issues similar to those which concerned the Reece Committee, but emphasizing links between foundations and the C. I. A., and attempts to buy off civil rights and anti-poverty organizations.²⁷ The investigations opened a Pandora's box of questions and doubts about the uses of power in

high places. Such conspiratorial thinking may be aptly²⁸ classified under the label "pornography of power." Political cults, such as Scientology and the U. S. Labor Party, have joined the John Birch Society and the Freeman Institute in unearthing the mysteries of powers and principalities, ascribing to them almost demonic prowess and foresight. Inevitably, the verifiable merges almost imperceptibly with the arcane in the popular literature of the day.²⁹ It is difficult to rationally analyze a subject around which such a smokescreen of (deliberate?) deception has been cast.

While the conspiracy element confuses the issue, it is still possible to place the investigation into a useful critical context. Whether the hearings were a comedy of errors or a tragedy of design, the main actors in the drama seemed to present their worst disposition. Each character appears to have had an axe to grind. For Reece and Hays, it may have simply been party loyalty, but it is difficult to judge from the record. The personal attacks were indefensible. People esteem few things more than personal reputation and defend nothing so passionately as the privacy of their conscience. The shame of the investigation of the McCarthy period is that the injunction against bearing false witness was ignored through conjecture, association, and prejudice. Truth was held in such little esteem by inquisitors and witnesses alike that any future investigation is likely to provoke instant dissension and fear. It does not contribute to the dignity of any public inquiry to observe that "the fact that it quacks like³⁰ a duck" means that "the waterfowl is a duck." Fortunately or unfortunately, the anatomical features of ideas are not as readily

classified as those of waterfowl. Nothing is more likely to defeat a reasonable consideration of the issues in any public inquiry than to violate the accepted rules of decorum by arguing ad hominem. Sides are drawn up and become unmovable. Like so many great debates in our history, the Reece investigation was brought up short because it was sabotaged by personal or professional vendettas.

Some students of the period have concluded that the congressional investigations were never meant to accomplish more than embarrassing the Democrats or the Administration. Instead, the investigators themselves were put on trial by the press and the public. New Deal innovations were definitely a target of the Reece Committee investigation. Communist subversion was placed into a larger picture of international high finance and political manipulation. It may be conceded that the investigation was a classic instance of the clash between rural and urban perceptions, religious and secular values, and small business and corporate traditions. The committee split along party lines. One Republican sided with the other two for the purpose of producing the final report, then disowned some of its conclusions. Tensions between congressional and executive prerogatives are hinted at by various commentators after the investigation concluded. But after conceding all this, and more, to the classic portrait of the anti-Communist crusader, one question remains: had Reece and his staff blundered onto an "international Anglophile network," as Quigley suggests? The evidence, at least, is intriguing. It is Ian Fleming, Arthur Conan Doyle, R. Austin Freeman, Agatha Christie, and Gilbert Keith Chesterton: all rolled into one intricate plot.

FOOTNOTES

1

Carroll Quigley, The World Since 1939: A History (New York, 1968), p. 285. This was originally part II of Tragedy and Hope, published in 1966.

2

John Lankford, Congress and the Foundations in the Twentieth Century (River Falls, 1964), p. 103.

3

David N. Smith, Who Rules the Universities?: An Essay in Class Analysis (New York, 1974), pp. 96, 100-102, 104-106; Merle Curti and Roderick Nash, Philanthropy in the Shaping of American Higher Education (New Brunswick, 1965), pp. 220-227.

4

Theron F. Schlabach, Pensions for Professors (Madison, 1963). The book is a detailed study of the Carnegie Foundation's relations with American state universities from 1905 to c. 1919.

5

See, for example, David F. Noble, America by Design: Science, Technology, and the Rise of Corporate Capitalism (Oxford, 1979), p. 126; E. Richard Brown, Rockefeller Medicine Men: Medicine and Capitalism in America (Berkeley, 1979), pp. 135-191; Peter Collier and David Horowitz, The Rockefellers: An American Dynasty (New York, 1977), pp. 100-101; Special Committee to Investigate Tax Exempt Foundations and Other Organizations, Tax-Exempt Foundations: Hearings Before the Special Committee to Investigate Tax-Exempt Foundations and Comparable Organizations, House of Representatives, Eighty-Third Congress, Second Session on H. Res. 217 (Washington, 1954), pp. 45-51.

6

Lankford, Congress, pp. 9-32. It was also known as the Walsh Commission.

7

Select Committee to Investigate Foundations, Final Report (Washington, 1953), p. 14.

8

Lankford, Congress, pp. 92-104. Other studies were made by the Treasury Department and by the Commission on Foundations and Private Philanthropy. A recent, multivolume study has been published by the Treasury Department. See: Commission on Private Philanthropy and Public Needs, Research Papers, vol. IV: Taxes (Washington, 1977).

9

Congressional Record, 83rd Cong., 1st sess., July 27, 1953, pp. 10015-10016.

10

Ibid., pp. 10015-10025; March 12, 1953, A1271-1276.

11

Ibid., pp. 10025-10031.

12

Sumner H. Slichter, "Undermining the Foundations," The Atlantic Monthly (September, 1954), pp. 50-54.

13

Helen Hill Miller, "Investigating the Foundations," Reporter (November 24, 1953), pp. 37-40.

14

Bernard DeVoto, "Guilt by Distinction," Harper's (April, 1955), pp. 14-19. DeVoto concluded by labeling the report itself "subversive."

15

Reece Committee, Tax-Exempt Foundations: Report (Washington, 1954), p. 223.

16

Ibid., p. 421.

17

Ibid., p. 426.

18

Rene A. Wormser, Foundations: Their Power and Influence (New York, 1958), pp. 345-346. Wormser noted Hays' contacts with the White House, his methods of handling witnesses, and his concealing of the Kinsey files.

19

Norman Dodd, "Tax Exempt Foundations and Communist China," in Archibald E. Roberts, Emerging Struggle for State Sovereignty (Ft. Collins, 1979), p. 124.

20

Gary Allen, None Dare Call It Conspiracy (Rossmore, 1971), p. 19.

21

Quigley, World, pp. 294-295.

22

Carl Oglesby, The Yankee and Cowboy War: Conspiracies from Dallas to Watergate and Beyond (New York, 1977), p. 25.

23

W. Cleon Skousen, The Naked Capitalist: A Review and Commentary on Dr. Carroll Quigley's Book: "Tragedy and Hope-- A History of the World In Our Time" (Salt Lake City, 1970), p. 118.

24

Ibid., p. 8.

25

Ferdinand Lundberg, The Rich and the Super-rich: A Study in the Power of Money Today (New York, 1969), p. 503.

27

See, for example, David Horowitz with David Kolodney, "The Foundations: Charity Begins at Home," in The Poverty Establishment, ed. by Pamela Roby (Englewood Cliffs, 1974), pp. 43-59. For a good collection of critical essays, see Thomas C. Reeves, ed., Foundations Under Fire (Ithaca, 1970).

26

Dan Smoot, The Invisible Government (Belmont, 1962),

28

The term was coined by a Canadian philosopher. See Lionel Rubinoff, The Pornography of Power (New York, 1969).

29

This writer has an extensive collection of material. Examples include Carol White, The New Dark Ages Conspiracy: Britain's Plot to Destroy Civilization (New York, 1980); Elizabeth Dilling, The Roosevelt Red Record and Its Background (Chicago, 1936);

Bruce Roberts, "The Gemstone File: JFK's Killers Revealed," Hustler (February, 1980?); Jacques Vallee, Messengers of Deception: UFO Contacts and Cults (New York, 1980). The latter attributes UFO contacts to terrestrial, politically-motivated sources. This is his "stratagem" theory.

30

B. Carroll Reece, "Your Private War on Communism," The American Mercury (March, 1959), p. 67. Although this remark about how to tell whether someone is a Communist or not was made after the investigations, its inanity typifies the quality of many of the so-called "rules of evidence" that were used.