

**TAX-EXEMPT FOUNDATIONS AND THEIR INFLUENCE WITHIN
SOCIETY**

by

Ryan James Kapchinsky

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ABSTRACT

The purpose of this paper is to outline the history and character of the prominent tax-exempt foundations in the United States, with a particular emphasis on their use by the Rockefeller family to expand both their economic power, and their political influence within society. Furthermore, the paper outlines the motivations for providing philanthropy, the benefits of having tax-exempt foundations, as well as their involvement within education and the funding of the media. This paper also examines the multiple connections between the foundations and certain policy-making institutions. The conclusion of this paper is that certain large tax-exempt foundations such as the Rockefeller Foundation, the Ford Foundation, and the Bertelsmann Foundation exercise significant political influence within society. Their vast ownership of multiple financial institutions, natural resource companies, media outlets, newspapers, and broadcasting companies has given them immense economic power. Moreover, the multifaceted roles played by the foundation trustees, who are often directors and chairmen of various private policy-making institutions has enabled the trustees of these foundations to exercise a great degree of political influence on the development of policy initiatives that are often implemented by the federal government.

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Chapter 1: Introduction

1.1 Overview of the topic

This paper examines the history and character of the large American tax-exempt foundations and their influence upon society. In examining the role of the foundations, the paper focuses mainly on the activities and far-reaching influence of the Rockefeller Foundation, the Ford Foundation, the Carnegie Corp, and their interconnected relationship with companies and various prominent policy-making institutions. The paper examines the benefits to founders of creating a foundation, and the foundations' connections to big-business and corporations, as well as the private political interests that foundations serve.

The paper documents that certain large foundations have exercised a profound influence upon the formation of government policy, by funding and directing institutions that provide policy advice to the government. Moreover, this paper highlights that the foundations have had a profound influence in directing the development of society, particularly in areas such as education, the media, and public broadcasting. Large tax-exempt foundations such as the Ford Foundation and the Rockefeller Foundation have become powerful political agents mainly through their ownership and affiliation with numerous international businesses. These foundations have embodied and represented the interests of businesses, and together they exercise considerable influence upon the formation and implementation of various U.S. government policies.

1.2 Brief survey of academic literature that has examined this topic

Over the last thirty years, there has been some notable academic research scrutinizing the activities of tax-exempt foundations. Sociologist William Domhoff was one of the first to

provide an extensive critical analysis of the foundations. Some of his most important studies were *Who Rules America?* (1967) and *The Higher Circles* (1970). These books revealed that certain wealthy elites had created tax-exempt organizations and have used them as agencies to achieve political goals. Domhoff, together with Charles Schwartz, presented a report to a Committee of the U.S. House of Representatives in 1974 in regards to the potential economic monopoly that the Rockefeller family and their foundations had within the United States. They showed that both the Rockefeller family and Rockefeller Associates were trustees that controlled multiple foundations, and that these foundations owned numerous businesses.

Another important contribution on the role of foundations was made by Carroll Quigley in his book *Tragedy and Hope* (1966). This book outlined that certain foundations, and Anglo-Saxon elites deemed ‘capitalists,’ were savvy opportunists that not only supported oppressive right-wing regimes, but also funded a variety of pro-Marxist and leftwing political regimes in exchange for some type of economic gain and access to resources. In his book *The Evolution of Civilizations* (1961), Quigley provides an extensive theory on the rise and fall of civilizations. Quigley believed that the course of a civilization follows a grand seven-stage model of existence: (Mixture, Gestation, Expansion, Age of Conflict, Universal Empire, Decay and Invasion). He maintained that the presence of corruption and greed, and the emphasis materialism placed on the pursuit of self-interest have become unresolved problems within Western civilization. Quigley was greatly concerned that if these negative selfish human tendencies shaped the functioning of various social, political, and economic institutions, combined with powerful technological advances, they could tip our civilization towards collapse.

The political role of the foundations and their connections to private policy-making organizations have also been researched by political scientist Thomas Dye. One of Dye’s first

papers examining this topic was “Oligarchic Tendencies in National Policy-Making: The role of the Private Policy-Planning Organizations,” published in *The Journal of Politics* (1978). Dye observes that the trustees of certain foundations, and the members of private policy-making organizations, have often acted as an unelected ruling oligarchy that determines most of the foreign policy implemented by various U.S. Presidential Administrations. Dye specifically describes the way certain large businesses have established tax-exempt organizations and policy-making institutions to unify and coordinate their business activities with government policies. This coordination and unification of business and government has occurred extensively between various U.S. military contractors and the U.S. government. In return for aligning business activities with government policies, a weapons contractor may receive preferential treatment by obtaining favorable subsidies from the U.S. government.

Further important contributions to the study of foundations and their activities have been made by Edward Berman from the University of Louisville. In 1983, Berman wrote, *The Influence of the Carnegie, Ford, and Rockefeller Foundations on American Foreign Policy: The Ideology of Philanthropy* (1983). This book was highly expository in showing how certain U.S. foundations have played a significant role in shaping U.S. foreign policy. Berman highlighted how many of the members of private policy-making institutions are also trustees of the large foundations, and how these same individuals often become senior policy advisors, and high-level officials within the government.

Another thorough analysis of U.S. foundations and their political influence has been given by William H. McIlhany. His book, *The Tax-exempt Foundations* (1980), provides a thorough and lengthy review of the 1954 Reece Committee of the House of Representatives and the work carried out by its main investigator, Norman Dodd. McIlhany interviewed Norman Dodd about

his personal experience during the investigations of the Reece Committee. In addition to this, McIlhany's book contains a collection of interviews with a variety of senior staff from the foundations, including David Z. Robinson, the vice-president of the Carnegie Foundation; Dr. John Knowles, former president of the Rockefeller foundation; and Richard Magat, the director of the Office of Reports of the Ford Foundation. From these interviews, McIlhany documented that most of the grants from these foundations go towards the funding of social research, public organizations, and think-tank groups that advocate greater unification of business and government and the expansion of government power over the lives of individuals.

Extensive research has also been done by Robert Arnove from the University of Indiana at Bloomington. Arnove's book, *Philanthropy and Cultural Imperialism: The Foundations at Home and Abroad* (1980), provides a detailed account of the role played by certain large U.S. foundations in the process of globalization. The foundations have been involved in creating programs of instruction aimed at better integrating peripheral regions of the world economy into Western culture and the world economic system, in full awareness of the damage done to local culture. It is often the case that the large foundations are controlled by trustees who own numerous businesses. The trustees use these foundations to fund various organizations that advise, lobby or even sometimes bribe officials of foreign governments to change laws and regulations and adopt policies that would be advantageous to U.S. businesses.

Research has also been conducted by the sociologist Mary Anna Culleton Colwell from the University of San Francisco. Colwell wrote, *Private Foundation and Public Policy: The Political Role of Philanthropy* (1993). The book shows in great detail the multiple links between the trustees of the foundations and the members of policy-making institutions that receive funding from the foundations. Moreover, it shows that most of the trustees of the foundations are

also board members of the policy organizations, and both the foundations and policy organizations act in unison to achieve certain political goals, which are often tied to advancing the economic interests of powerful businesses.

Finally, recent works in discussing the role of certain foundation trustees and their guidance over policy-making institutions has been published by Peter Dale Scott from the University of California at Berkeley. In his book, *The Road to 9/11: Wealth Empire and the Future of America* (2007), there are a few chapters in which he discusses a number of pivotal events in the development of U.S. foreign policy, noting that they were ultimately directed by a network of powerful members from both the foundations and policy-making institutions. Many of these interlocking connections can be traced back to various global financial institutions, as well as British and U.S. oil companies, which have a very keen interest in shaping American foreign policy, particularly towards oil-rich regions.

Further research into the activities of the foundations has been conducted by Michael J. Barker in the *Global Media Journal*. In his recent paper, “The Liberal Foundations of Media Reform?”, Barker outlines how certain large U.S. foundations have been the primary force in both funding and establishing the entertainment and news media industry, and that it was the foundations, and not the U.S. government that created, funded, and built most of the networks of public broadcasting in America.

1.3 Research and investigation of the foundations by non-academic sources

Most of the academic research on the activities of tax-exempt foundations could not have been accomplished without the initial groundbreaking investigations conducted by Norman Dodd under the 1954 Reece Committee of the House of Representatives. Norman Dodd was allowed

access to the historical records, internal memos, and notes of the private trustee meetings of the Carnegie Endowment, the Rockefeller Foundation, and the Ford Foundation. From these records, and from statements gathered from board members, Dodd acquired evidence that indicated that these foundations were actively involved in shaping American society and its cultural values. Furthermore, credit must be given to Texas Representative Wright Patman and the investigations he conducted from 1961 to 1978 while serving as chairman of the House Select Committee on Small Business. In short, Patman's investigations found that the Rockefellers, Carnegies, and Morgans transferred the ownership of their businesses into personally controlled foundations so that the profits from their businesses would be exempt from taxation, and so that their business could not be bought out by competitors. This gave the Rockefellers, Carnegies, and Morgans an unfair economic advantage over their rivals. Moreover, Patman found that these foundations had attained extensive political influence within both the Treasury Department and the IRS. Patman's work was instrumental in bringing about the U.S. Tax Reform Act of 1969.

1.4 Rationale for the research of this paper

First of all, this paper attempts to provide a critical overview of the topic by connecting together various research and investigations from a broad range of academic, political, governmental, and journalistic sources. These sources have examined certain aspects of the large tax-exempt foundations and their interactions with other private institutions and public agencies. Most of the research done to date focused on specific aspects of the foundations' activities. By merging the perspectives of these diverse sources, it is my intention to add new observations and bring forth new issues that have not been explored. Specifically, I will discuss the issue of circumvention of tax rule 501 (c) (3) of the Internal Revenue Code by the trustees of certain foundations. Section 501 (c) (3) of the Internal Revenue Code prohibits the tax-exempt

foundations from directly lobbying legislative bodies and intervening in the public policy-making process. The trustees of the foundations circumvent these restrictions by funding and controlling public incorporated organizations, and private policy making-institutions. By operating as the directors, and chairmen of these public organizations and institutions, the foundation trustees can lobby the government, and create policy recommendations that further their own business interests and political goals. The private policy-making institutions can then transfer these interests and goals and communicate them directly as policy recommendations to the U.S. government. In many cases, these policy proposals go directly to the U.S. President and to the members of the U.S. Cabinet, as well as to Senators and Congressmen. In addition to submitting these policy recommendations to the federal government, many of the chairmen and directors of the policy-making institutions often become Cabinet Secretaries, as well as serving in other roles in the executive branch. This movement of personnel between the foundations, the policy-making institutions, and the upper levels of government only further solidifies the integration between big-business and government, because many of the foundations and policy-making institutions are fronts for various businesses and financial institutions.

1.5 Structure of the paper, and proceeding chapter summaries

Following the introduction, Chapter Two will provide an analysis of the motivations and reasons for philanthropy. This chapter also describes some of the first organizations involved in charity and philanthropy, such as Churches and Masonic lodges, both of which existed prior to the establishment of the modern tax-exempt foundations. It is shown in this chapter that some people provided charity and philanthropy in order to deceive and gain influence over others. These deceptive practices have been performed by governments, businesses companies, and certain foundations, in pursuit of various political and economic goals.

Chapter Three highlights certain wealthy individuals, and families such as the Carnegies, and Rockefellers that have created some of the most prominent foundations in America. This chapter describes the development of the enormous economic monopoly controlled by John D. Rockefeller under Standard Oil, and shows how the creation of foundations was beneficial to preserving this monopoly and protecting its revenue from taxation. The prevailing theme and conclusion of this chapter is that monetary greed is sometimes the motivation for the creation of tax-exempt organizations.

Chapter Four outlines the emergence and growth of tax-exempt foundations in America during the 20th Century. This chapter also looks at the enormous wealth controlled by the large foundations, particularly those controlled by the Rockefellers. Moreover, the importance of this chapter is to show that foundations operate like businesses and often own businesses companies. Essentially, a foundation is a tax-exempt company. This chapter also reaffirms that foundations are created by the super-rich, and they are made to achieve basically two ends: To preserve wealth and revenue from taxation; and to protect the ownership of business companies from being purchased by competitors.

Chapter Five delves into the prior investigations of the foundations, including those carried out by Norman Dodd under the 1954 Reece Committee of the House of Representatives. These investigations revealed that certain foundations have established a profound influence within American society. They have been involved in shaping school curricula as well as the establishment of American public broadcasting stations and the orientation of its content. In this context, the Bertelsmann Foundation is discussed, which was responsible for creating most of Nazi Germany's propaganda during World War II. Today, this same foundation owns and exercises enormous control over broad sectors of the European media. Finally, this chapter

briefly looks at the involvement of the Rockefeller Foundation in the directing and funding various sinister projects such as the ‘Eugenics Movement,’ and even the multiple, decade-long research of the nefarious MK-Ultra programs. These examples substantiate claims made in Chapter Two, that some research is funded in order to deceive and gain dominion over others.

Chapter Six takes a closer look at the connections between the foundations and the prominent policy-making institutions within America. The foundations often fund the policy-making institutions, which go on to influence the policy decisions of the US government. Moreover, many of the members of these same institutions also hold high-level positions within the government, and many of these same individuals are also trustees of the foundations. The trustees of the foundations direct the policy that is created by the private institutions. Hence, many of these institutions are essentially the political extension and policy-forming bureaucratic arm of certain tax-exempt organizations. Many of the policies crafted in this process benefit the private interests of the trustees of the foundations, and the chairmen of large business companies.

Chapter Seven concludes the paper, and offers some recommendations as to how to limit the degree of political influence exercised by tax-exempt organizations. However, it is debatable if these recommendations can lead to any significant changes. It is my opinion that such recommendations might be ineffective, considering that the recommendations made by senior U.S. government officials such as Norman Dodd, and Congressman Wright Patman, have failed to be implemented.

Chapter 2: Charity and philanthropy within the United States

2.1 Philanthropy and social stratification

The practice of charity and philanthropy has been a prominent feature throughout the history of the United States. These activities have been conducted by a variety of non-state organizations, and autonomous individuals that have devoted some of their time, finances, and work effort to improve the well-being of others. During the early history of the United States, most of the charity devoted to helping the poor and homeless was provided by various church-based groups, and semi-religious outreach ministries. In addition to this, philanthropy and donations raised to foster the improvement of society were also provided by successful merchants and businessmen, as well as members of fraternal guilds such as the Freemasons. ¹ In contrast to addressing mainly the material needs of the poor, the donations and charitable activities of fraternal groups were directed towards expanding human knowledge and its practice, and this was done by funding the construction of new libraries, schools, and hospitals. Within the early history of the United States, there were certain prominent individuals who conducted their own personal charitable campaigns, and were active members of both fraternal and religious groups. One such historically prominent figure was Benjamin Franklin, who achieved financial success as a printer and publisher, and subsequently donated a large portion of his wealth to support the operation and expansion of schools, libraries, and hospitals. ²

During the 1800s, industrialization within the United State brought about many changes to society. New advances in scientific knowledge, and the forces of industrialization had transformed various cities into large busy financial centers, and many new business companies were formed. This process created a new class of wealthy individuals who profited greatly from the growth and success of their business companies. These new advances not only revolutionized

and improved the material conditions of many people's lives, but they also changed people's beliefs. Towards the end of the 1800s, and beginning of the 1900s, new ideas of organization, and theories of human origin and society emerged. Darwinism, competitive capitalism, and dialectical materialism were changing the way in which many people perceived and interacted with the world. Alongside with these ideas, there also emerged a new type of social perspective towards the plight of the poor, especially the visible underclass consisting of black people. ³ A popular sentiment had developed amongst many wealthy families and businessmen, who blamed the poor for being responsible for causing their destitution, because of their inferior genetics, mental deficiency, and laziness. This belief was labeled social Darwinism, and it received much support from wealthy industrialists such as John D. Rockefeller. Of this we read:

The rise of industrial capitalism transformed wealth and power into prizes won by those who display the greatest talent and effort. Class systems celebrate individualism and achievement, so that social standing serves as a measure of personal worthiness. Thus, poverty, which called for charity under feudalism, was transformed under industrial capitalism into a scorned state of personal inadequacy. Nowhere was this harsh view more clearly stated than by Herbert Spencer, who applied the evolutionary model of Charles Darwin to the operation of society. That is, Spencer argued that society operates like a jungle, with the 'fittest' people rising to wealth and power and the 'deficient' gradually sinking to a state of miserable poverty.

Spencer's thinking was extremely popular among the rising industrialists a century ago as the new world of factories reached full speed. John D. Rockefeller (1839-1937), who made a vast fortune building the modern oil industry, often recited Spencer's 'social gospel' to young children in Sunday school. As Rockefeller saw it, the growth of giant corporations—and the staggering wealth of their owners—was merely the 'survival of the fittest,' a basic fact of nature. Neither Spencer nor Rockefeller had any sympathy for the poor, viewing their plight as clear evidence of an inability or unwillingness to measure up in a competitive world. ⁴

Among those who held this view, philanthropic efforts were less inclined to helping the poor. Instead, the donations by the wealthy were directed increasingly towards advancing a specific political interest or improving some form of knowledge or scientific research. Hence, with this change of perspective, there also came changes in charitable works and philanthropic activities.

Many philanthropic groups were now without religious affiliation, and some groups presented themselves as nongovernmental organizations even though their purpose was to change society in tandem with local, State, and Federal governmental programs.

A perfect example of politically guided philanthropy was the establishment of the Peabody Education Fund in 1867, by the banker George Peabody. The purpose of the Peabody Education Fund was to promote education in the American South, and establish “state systems of free schooling,” and “taxation to support schools.”⁵ The Peabody Fund closed in 1910, after merging with John D. Rockefeller’s General Education Board. The philanthropic goals of the General Education Board were quite blunt in advocating objectives that are now considered racist from a contemporary perspective. In order to alleviate social decay and poverty in the South, one of the goals of the General Education Board was to provide funding for schooling to increase literacy so that better farming techniques, and “industrial training”⁶ could be taught to African-Americans. Another goal of the General Education Board was to increase the agriculture sector of United States, because the industrial revolution had “contributed greatly to the decline of the farm population, which by 1910, was less than one-third of the United States population.”⁷ It was believed that through proper training, the wellbeing of African-Americans could be improved, and this training would enable them to integrate, and function properly within a civilized society, so that they could serve as the farmers and industrial workers for America. “The General Education Board subscribed to the belief that agriculture and industrial training was the foundation of an education system for African-Americans,”⁸ because it was believed that “African-Americans were incapable of acquiring a comparable education to their white counterparts.”⁹

2.2 Using philanthropy for corporate branding and identity

With the dawn of the 1900s, philanthropy was utilized as an important means to represent the product brand and identity of companies. There were many efforts made by corporations to present themselves to the public as being both trustworthy and compassionate. In addition to various determinants that influence a consumer's buying decisions such as price, convenience, and personal preferences, the practice of philanthropy became a form of value-based advertisement that would attempt to resonate with values held by consumers. Philanthropy amounted to a form of brand-marketing, which utilized the representation of certain normative values to sell a product. By achieving this mental connection with the consumers and their appreciation of charitable deeds within the representation of the brand, the corporation might obtain consumer loyalty to its brand, and avert customers from buying a similar product that is offered by a competitor. Hence, consumption became not only a means of fulfilling needs and desires, but also an expression of values, in which the act of consumption consists of a recognition and affirmation of certain beliefs.

In addition to promoting a gleaming corporate image to the public, the practice of corporate philanthropy provided various benefits from using tax-exempt organizations. Most of these tax – exempt organizations are categorized under 501 (c)(3) of the United States Internal Revenue Code, which was established in 1913, by the Sixteenth Amendment. There were many large-scale businesses that quickly realized the benefits of creating their own business-run charitable organizations, and similarly to the tax-exemption of churches, ¹⁰ the money and capital placed within a charitable organization created by a corporation is tax-exempt. Once the potential of this legal tax-avoidance strategy was recognized, it spread throughout the American business establishment. Many corporations began to transfer a large portion of their wealth and

ownership into a foundation so that the earnings of this portion of the company and its stock would remain tax-exempt. As a result, the tax-exemption benefits given to churches and genuine charitable organizations, were also being used by wealthy businessmen to protect their wealth from income tax, and thwart fair competition from other businesses that did not have a foundation.

2.3 Goals and motivations for providing charity, and philanthropy

Depending upon the type of organization and people that are involved in philanthropy and charitable activities, the guiding principles will differ greatly. When charity and philanthropy is performed by individuals, there exists a broad range of factors that will motivate them in how they act. Mike Martin writes that acts of charity and philanthropy should be based on altruism and the “Purity of Heart.” Martin writes that charity should not consist of “conflicting mixed motives,” and when performing charity, “We should take pleasure in helping others, but the pleasure should be pure.”¹¹ Furthermore, Martin claims that “purity of heart” is based on a certain criteria or guiding responsibility to maintain one’s actions in purity. He writes:

Ideals of purity vary according to the criteria for appropriate motives, intentions, attitudes, and conduct. I will discuss three examples: Immanuel Kant’s ideal conscientiousness, Søren Kierkegaard’s ideal of devotion to goodness, and Jean-Paul Sartre’s existentialist ideal of authenticity. ¹²

Most of all, Professor Martin espouses that the traditional grounding principles for performing charity are closest to the writings of Immanuel Kant. Martin Writes:

According to Kant’s ideal of purity, a person with a ‘good will’ chooses to act in accord with duty because it is duty, or more fully, because it constitutes respect for other rational beings. This good will has intrinsic moral worth, and all other motives are at most desirable as a means to dutiful conduct. In particular, acts of meeting the philanthropic duty of mutual aid have moral worth when they are met in a spirit of duty for duty’s sake. ¹³

In addition to operating in the purity of altruism, Martin writes that there are many people who are also guided, (whether knowingly or unknowingly) by psychological egoism to perform charity and philanthropy. Psychological egoism is another term for 'self-interest.' Basically, it is self-interest that guides a person to pursue and act out their own desires, and these desires can be either beneficial or detrimental to the lives and desires of other people. When seen in this light, many people will still do good deeds, but these deeds will be done because they bring some form of gratification or benefit to those who do them. As Thomas Hobbes proclaimed within Chapter Fifteen of *Leviathan*, "For no man giveth, but with intention of Good to himselfe; because Gift is Voluntary; and of all Voluntary Acts, the Object is to every man his own Good."¹⁴ Hence, there are many people who are inclined to do work and labor for other people in exchange for the benefit of a certain wage or salary. There are also people who will volunteer to help other people or even donate money, but they do this because they receive some form of benefit to themselves that is not always at first glance, measurable and comparable to a wage, or some form of service or material commodity that can be purchased in the marketplace. When describing these additional benefits that can be acquired, Martin further writes, "Benefits to oneself include one's pleasure, absence of pain, wealth, power, fame, good reputation, safety, freedom, self-development, and self-esteem."¹⁵

When reviewing motivations such as altruism, and mixed motives coupled with self-interest; there is also a third form of motivation that is quite sinister, and exceeds the normal social boundaries of self-interest. This particular motivation does not have a specific name for its classification, but fundamentally, it is quite often expressed as an extreme version of calculative selfishness that results in some form of exploitation and domination. To this Martin writes, "Hypocritical and self-deceiving philanthropy may conceal attempts to domineer and exploit."¹⁶

A certain individual may appear to other people from the outset as a benevolent and genuine person, a person who appears to be helping others by providing some form of service, philanthropy, or act of charity. However, this person is like a wolf in sheep's clothing. In the process of appearing to be helping other people, the individual is actually using their service and charity as a means to manipulate people, and to gain power and control over people. An example of this could be a cunning hustler or pimp who seeks out distressed young girls—runaways from home. The pimp will then present himself as a caring guardian; one who understands, and is eager to provide support, security, and shelter. However, the true intentions of the pimp are to get the flustered young girl addicted to cocaine, and to make her become another girl within his inventory of working prostitutes.

Likewise, the same guiding motivations of the individual are also applicable to groups of organized individuals who form a church charity, corporation, or tax-exempt foundation. Just as an individual can be guided by self-interest within the marketplace, a corporation can also be guided by self-interest. Moreover, these motivations can be continually changing, whereby the initial intentions of a group might be different at onetime then they are at another, depending upon the circumstance and other prevailing contingencies. Secondly, and more strangely, the initial motivations of the group may result in totally opposite outcomes, and a person may wonder if the initial motivations were merely duplicitous and insincere or in some way misguided.

When considering altruism, one could first start with charity conducted by the Christian Church. Despite the many reoccurring blemishes within the Church, such as the cases of Catholic priests sexually abusing troubled teenagers; ¹⁷ the Catholic church and various other Christian dominations have still tried to pursue some form of altruistic standard within their work

of charity. Robert Payton writes that within the acts of charity provided by the Church, the virtue of giving and providing charity to people who are in need, is for the veneration and exaltation of Christ's ministry to mankind. He further states:

For a thousand years charity and philanthropy were essentially co-extensive with the church. The church preserved and elaborated the doctrine of charity and its practical manifestation in almsgiving. St. Thomas Aquinas fitted this practical value carefully into the *Summa Theologiae*, balancing several corporal works of mercy with seven kinds of spiritual almsgiving. The corporal works were to feed the hungry; give drink the thirsty; cloth the naked; receive the stranger; visit the sick; ransom prisoners, and bury the dead. The spiritual works are instructing, counseling, consoling, reproof, forgiving injuries, bearing another's burdens, and praying for all. 18

When describing the history of the Church and its commitment to charity, Payton also makes much effort to semantically delineate that the Church has been dedicated to practicing *charity* that is based on altruism, while *philanthropy* on the other hand is a secular endeavor that has been based on kind and considerate self-interest. Payton declares, "The religious tradition—the charitable—is found on altruism; the secular tradition—the philanthropic—is founded on what Aristotle called prudence and what we would call enlightened self-interest." 19 Hence, according to Payton, the acts of philanthropy and donating money to secular initiatives are not the same as charity. This is because people who simply donate money are usually not dedicated to practicing the "spiritual works," which Payton says are the basis to attaining spiritual perfection so that one's actions are entirely altruistic. This emphasis of motivational differences that separate the practice of charity from philanthropy has also been used by the church to distinguish itself from Freemasonry. The philanthropy provided by various fraternal orders were often devoted to expanding human knowledge and science, but certain church leaders perceived this an attempt to diminish the moral authority of the Church within society. 20 However, Steve Bullock defends that Freemasonry was the bringer of enlightenment, whose teachings and philanthropic endeavors brought about the transformation of man, 21 which would free him from "tyranny and

superstition.”²² However, despite this rift between the Church and Freemasonry, they both can still be considered as two primary organizations that have advocated and practiced various forms of charity to help people and improve society.

In addition to the charity provided by Church, the practice of philanthropy and the improvement of social welfare has also been the concern of governments. Payton writes that government philanthropy, and social programs funded by governments are a secular practice based on utilitarian rather than religious values.²³ As Jeremy Bentham believed, the role of governments should be to improve utility. As Bentham said, “The greatest happiness of the greatest number is the foundation of morals and legislation.”²⁴ However, Payton argues that the outcome of these secular utilitarian values have accentuated and increased the representation of materialism within society. The purpose of capitalism and utilitarianism are based on increasing materialistic ends, while the practice of charity and altruistic acts of kindness assist in developing spiritual growth so that the individual becomes liberated from the desires of materialism. Payton further writes:

Modern values are seen as secular, because the secular state dominates society. The state has sharply reduced the role of the church, and that anticlerical victory is assumed to have reduced the importance of religion as well. The vast improvement in material conditions that has resulted from economic achievements of the capitalist era has also, it is thought, replaced spiritual values with material ones.²⁵

Likewise, in regards to the role of the state, Kenneth Boulding argues that “utility philanthropy” provided by the government is “no different from that in other forms of expenditure.”²⁶ However, the motivation for this expenditure is for the preservation and continuance of the state and its overall stability, which is interconnected within the greater framework of an economic system that must advance and remain operational. Therefore, the benevolence of “utility philanthropy” provided by the state, is still philanthropy that is guided by a form of state-interest,

in which the promotion of utility within society is a tradeoff in exchange for the contribution of economic production and compliant participation from the individual, who as a corporate-person within this exchange under the law of the state, will lawfully obey the state's coercive authority.

In some European countries such as Denmark and Sweden, the government is deeply involved in providing "utilitarian philanthropy" to fund and subsidized various social welfare programs, as well as postsecondary education. However, when addressing issues such as poverty, and the problems of inner city social decay, crime and violence; there are some intellectuals who would argue that when the social conditions of poverty are connected predominantly to the identity of race, the funding provided by the state for various social welfare programs and income assistance does not always spring forth from a sincere concern to administer utility and goodwill. Professor Angela Davis writes that within the United States, many of the social welfare programs and assistance provided by the U.S. Federal government are intended to placate the working poor, and to manage the black man. However, she writes that many times these social programs fail because they are inadequate, and do little to help the working poor, so if the conditions of poverty motivate a person to engage in criminal activities; the alternative option is for the state to send the person to prison, which under the Thirteenth Amendment, slavery can still be used as punishment for crime. ²⁷ Hence, the promotion of the 'idea' of utility through subsistent and inadequate social welfare programs is a cost-effective strategy of expenditure to hold back the frustration of the poor, and to keep them amused and dependent on the reward of assistance even though it is insufficient to change anything, otherwise the poor might become violent and unite themselves to war against the authority of the state, and the state does not want that to happen.

There are also times when the promotion of utility or some form of intervention by the state can be misguided, so that intervention actually does more harm than good. The government may perceive certain social issues as a problem that must be remedied. In addressing these issues, the government will then provide services and social programs that it believes will improve the utility of a certain group of people. However, what happens is that the government's intervention and social programs result in much suffering and oppression of the people. An example of this was Canada's Aboriginal Residential Schools, which involved not only the Canadian Federal government, but also cooperation from various Christian denominations that administered the government's social program within their Christian schools. During the 1870's, the Federal government developed an institutional program to educate aboriginal children. In regards to the social objectives of these residential schools, Maximilian Forte writes:

Two primary objectives of the residential schools system were to remove and isolate the children from the influence of their homes, families, traditions and cultures, and to assimilate them into the dominant culture. These objectives were based on the assumption aboriginal cultures and spiritual beliefs were inferior and unequal. 28

Sadly, the outcome of obtaining these objectives within the aboriginal youth resulted in many forms of emotional and sexual abuse, as well as the application of extreme, and cruel violent physical abuse, which killed many children. Forte further writes:

Over 150,000 children were pulled into these schools, away from their families and communities, with the separation sometimes lasting for several years. Children were severely beaten and punished for speaking their indigenous languages. Many died and the families were either not informed, or were under-informed about the reasons for the deaths, and children were often buried in unmarked graves –given that these schools were run by churches, where unmarked graves are not standard practice for their own congregations, one can only assume that these children were either not respected as human, or crimes were being covered up. 29

As with the case of the residential schools, when a government attempts to do something that it believes will help improve the lives of another group of people, the experiences of the group may

perceive this help as a form of oppression. This also ties in with the effects globalization, and cultural imperialism, where the voyage and dispersion of dominant powers of technological-knowledge and their political-economic systems also bring with them a dominant culture. If the indigenous culture becomes an obstruction to the foreign system of production and consumption, because the indigenous peoples will not integrate and participate within this system, then the system must eliminate the indigenous, and everything that is noncompliant. Subsequently, even when the practice of utilitarianism is done in the name of charity to improve the wellbeing of others, it will still always be connected to preserving and advancing some form of ruling self-interest held by members of the state and their society. This is because in order for the state to exist, there is always some form of sovereign or executive, and there is always some form of dominant culture and dominant class to support and represent this social structure. Hence, in order for both the state and society to function, there must always be people that possess dominant positions of power and authority, and when you have a dominant position of power and authority within society, you are then able to define and implement what is your ideal of goodness and utility, as well as the reason as to why this ideal of goodness should be applied to someone else.

2.4 The use of philanthropy and lobbying for political influence and control of the market

Most people are directed by some degree of self-interest to pursue various desires and achieve certain goals. However, sometimes our desires are selfish, and our means of achieving them can be ruthless, especially when our goal is to obtain power over others or to continually increase our profit margin. Moreover, according to free-market economics theory, not only are individuals and households guided by self-interest in the marketplace, but so are business companies. The primary goal of any business company is to be successful and to make a profit, but a business

company can also have other goals as well, such as political goals. The economist Milton Friedman wrote that in order to maintain the integrity of both economic and political freedom within a free-market system; corporations and unlisted companies should not act as governments, and they should not attempt to influence government policy or create their own policy-making groups. Moreover, he condemns any form of corporate philanthropic activity or any form of corporate organized and funded charity events and social programs. ³⁰ According to Friedman, when corporations and unlisted companies engage in philanthropic activity, they might be inclined to use these donations to influence and direct the political system, and this could potentially undermine the tenable continuation of a Free-Market system. Mark Rozell quotes Friedman as saying:

The principle of responsibility of the corporate executive is not charity, but ‘to make as much money as possible.’ For Friedman, self-interest and the primacy of profit motive are in the interest of society in general as well as the well-being of the corporation. Money spent on charity could be used to lower customers’ prices or increase wages of employees.

Third, the corporate executive has no right to spend other people’s money (stockholders) to serve what he perceives to be a worthy cause. He should, rather, spend his own income on his own time for such causes. By supporting ‘worthy’ causes, the corporate executive becomes just another public employee, or civil servant, ‘even though he remains in name an employee of a private enterprise.’ ‘The corporation is an instrument of the stockholders who own it. If the corporation makes a contribution, it prevents the individual stockholder from himself deciding how he should disperse of his funds...There is no justification for permitting deductions for contributions to charitable and education institutions.’ ³¹

Despite Friedman’s concerns that corporations and privately held companies should not lobby the government, and should not engage in philanthropic activity; there appears to be an inherent contradiction within the free-market system, and this contradiction is that people are guided by self-interest. If individuals are guided by self-interest and business companies are guided by a profit seeking interest, then there are some individuals and business companies that would not want a free-market system, and they would not follow Milton Friedman’s advice. If a company wanted to increase its profits, it would rather have a monopoly, than have to struggle and

compete against other companies. Most large business companies want to increase their prices, and the quantity of demand for their products, while decreasing the wages to employees, and all other production costs. Business companies will advertise, lobby the government, and conduct charity campaigns, if they can attain some type a benefit or monetary gain that is greater than the cost required to do these things. Despite the risks involved, some business companies will also attempt to gain control over a government regulatory agency, if it will enable the business companies to increase their profits, and exert control over the market for their own interests' and benefit.

There have been many economists and legal scholars such as George Stigler, Frédéric Boehm, and Amitai Etzioni that have written extensively about “Political-Capture Theory,” in which some corporations are motivated to infiltrate government regulatory bodies, and thwart regulatory regimes. Amitai Etzioni writes of one example, in which the corporate lobbyists representing a group of corporations drafted their own law that would regulate themselves. Etzioni writes:

One major way regulation is captured is when lobbyists representing industries or other special interests play a key role in drafting the legislation (or the rules that implement it). For instance, in the waning days of the Bush administration, the U.S. Department of Transportation enacted a rule profoundly shaped by the rail industry. (According to Rick Melberth from OMBWatch, lobbyists representing this industry did one better, by providing the actual text of the rule.) The rule allowed individual railroad companies to decide acceptable routs for dangerous ‘security sensitive’ cargoes based on their own weighing of the factors involved including economic considerations—and to do so without any oversight at the federal, state or local levels. ³²

Hence, if political capture is a reoccurring problem, and if corporations are guided by self interest, “to make as much money as possible,” ³³ what then prevents and stops the corporation from using its corporate resources through various means to influence the political process of a nation or to take control of a regulatory agency? Why should a corporation adhere to Milton Friedman’s advice that corporations should not be involved in corporate philanthropic activity?

Why should a corporation not want to attain monopoly? By gaining control over a regulatory agency, a business company could circumvent various regulation procedures that increase production costs, and reduce profits. By implementing various philanthropic activities, a business company could manufacture a corporate image that appears trustworthy and caring to the public, while using the philanthropic campaign to conceal and divert attention away from its business activities that might be causing harm to both people and the environment. By attaining a monopoly, a corporation could increase its profits by controlling both the price, and the quantity of supply for its product in the market, by eliminating product competition, and the supply of similar alternatives from other sources. If corporations are directed by self-interest, “to make as much money as possible,” there are then some corporations that would want to gain control over the market, the economy, and the government. A free-market system cannot prevent these things from happening. Even though it may sound good in theory, a free-market system with unhindered entry and fluid competition does not work, and cannot exist. If left unobstructed, the faults of human nature such as self-interest and greed would quickly takeover and dominant weaker agents, and the market would become like an empire. It would become distorted into an oppressive equilibrium that is entrenched by a few powerful groups. In order to prevent these distortions, self-interest must be abated, and channeled to more trivial and personal amusements. Markets do need to be regulated, and they must be balanced with comprehensive rules that are fair, but at times, still discretionary and exclusive. These rules require enforcement that can control and restricts certain activities.

Most people believe that the government is the only legitimate institution that can regulate the market and offset the profit seeking interests’ of business companies. This legitimacy is derived from the necessary condition that a government is intended for a purpose to use its power to

represent the people, and protect them from harm. With many things, the only way to offset the potential harm of one form of control, and power, is to then apply an opposing force that is in itself, another form of control and power that also has the potential to cause harm. To some extent this is a paradox, because with the case of a government and corporations; the government can be just as greedy and corrupt as a corporation. With this said, what other alternative can there be, and does there exist any other solution? At times, it appears that there is an ongoing tussle between big government and big business, and this duality is both necessary and inescapable. There are some people that advocate that the government should regulate the market, while others advocate that there should be more government leniency. Ideally, a good government should regulate the market only when it is necessary, so as to preserve fair and balanced competition that is supportive to new innovation and ideas. But then again, some new forms of technology and practices when left to free-market forces, can still be potentially dangerous, and result in long-term unforeseen consequences. With a greater degree of uncertainty for future outcomes, there should be a greater degree of control, and caution. Hence, both the use of new technologies and free-markets should still be bound with certain limitations, and restrictions. Governments should have anti-trust laws, and form regulatory bodies that conduct investigations and audits, as well as comprehensive ongoing research to evaluate the safety of new technologies. These government agencies should have the authority and power to penalize certain corporations for wrongdoing.

2.5 Interaction and mutual dependency between the government and business companies.

In the real world things are not always clear and simple, and even when the government does attempt to regulate the market it sometimes does not always provide an appropriate or immediate response. In many cases, there is a dynamic interplay between the government and business

companies that is continually evolving, while beset with multiple contingencies and some uncertainty. Therefore, we could theorize that when a business company is caught breaking a certain regulatory rule, the government might then respond with another new law or an additional regulatory agency. Successful for the time being, the new law or regulatory body might prevent further misconduct, but the business company might then resort to a countermeasure that enables it to circumvent the new regulatory law. The government might be slow to react to the countermeasure, which gives certain business companies an unprecedented advantage over other business companies that fail to realize the potential for the new strategy. However, the government might eventually catch up, and then create an additional reform to a previous law with new penalties and restrictions so as to prevent future undesired activities and infractions. Overall, the process keeps on going and going, with continual revisions and countermoves. Agents on both sides would face uncertainty when making their decisions, but in similarity to playing a grand chess board, the agents of both the government and business companies would still possess the analytical capacity, and tools that would assist them in making informed decisions to counter their opponent.

In most cases, a theory such as this does function well in explaining some of the outcomes that we see within the market and society. However, the theory makes an assumption that is based on the preservation of a system that maintains within it a genuine dichotomy between agents versus agents, such as government versus corporations or good guys versus bad guys. This dichotomy is perceived as an operational structure within society that is comprised of various components such as markets, departments, agencies, bureaucrats, corporations, directors, police, et cetera... Within this dichotomy, it might appear to us that there are some agents with interests' that are working against the interests' held by other agents. So for example, when a

long-term problem develops within society because the government had failed to provide something that might have prevented problem from developing; we could say that the problem happened because decisions were being made under uncertainty, and at the time, the government did not foresee that under certain conditions there would be a problem. But then we sustain this thought with a self-reassuring counterpoint by saying that the system is continually evolving, so one of the structures within system whether it be the U.S. Congress or the U.S. Supreme Court, will eventually find a solution and mitigate the problem. When we reduce this thought process down to a simpler form, what we are really implying is that everything is a big uncertainty game, that is continually evolving, and the game is filled with a myriad of agents, and some agents might be aligned with one group that is working against another group.

At first glance it may sound convincing, but the notion of prevailing uncertainty, and the common appearance of mixed dichotomies between different agents with diverse and conflicting interests' might be based on a pretense, which has developed into a model of a system that is too oversimplified. First of all, appearances can be deceiving, and people can be deceptive as well. Over the course of history, this quality of our nature has never changed. Therefore, when focusing on the role of agents within society, in addition to considering factors such as uncertainty, and the motivations of self-interest, we should also give closer attention to the agents that have the potential to gain from the use of deception. We should focus on the agents that possess a greater degree of power and authority over others; the ones that are the leaders, and have the capability to mislead, and appear to be doing something, while really doing something else. After sorting this, we should then ask some critical questions such as, "If our model of the system considers uncertainty as a predominant factor, while structures within the system appear to be gradually changing, then how can we be certain that even in the presence of

a stable government, with justice and the rule of law that the government has not become corrupted and infiltrated by the profit-seeking interests of certain business companies?” Another question we should ask, “What if certain business companies and the U.S. government are actually working together in pursuit of common economic and geopolitical interests’, while appearing to be working against one another with conflicting goals and separate interests’?” When thinking about this, it is evident that within the course of human civilization, there are things that are continually changing. However, these changes are physical factors; empirical conditions, innovations of the mind, and the application of technological knowledge.

We can see that structures within the system such as institutions and technology are gradually changing, but other than this, does power and power relations change? Throughout the course of human civilization, has the presence of hierarchy changed? Has patriarchy change? Has the desire to control changed? Has human fear and insecurity changed? Has hate changed? Has greed and corruption changed? Depending on the presence of the material means, and external conditions that exist, all of these human qualities might involve different physical expressions that have different modes and characteristics in different cultures, but these human qualities are always present, and they appear as though they never change. The infiltration of corruption does not merely come from an external empirical force, but from our own greed and insecurity, which every man has to a degree. Corruption comes from within us, and I do not intend to explain how or why, but to only acknowledge that it is there. Regardless of change within the system, and the presence of uncertainty, there will always be corruption and greed in all places where we exist. Throughout time, you will find this in any individual or group, with the only variance being that some have, and express more of it, than others. Regardless of what institution, social structure, law, rule, fraternity or religion that we construct in the system, these negative qualities will

always be present. The material world cannot escape from it, because we cannot escape from ourselves while present in the material world. Hence, at first glance, when we look at the dichotomy between the government and business companies or the church and the state, they appear as separate and conflicting entities, but in many ways they are dependent upon each other for their existence. Both of their interests' are more mutual and codependent, rather than separate and divergent. Like with any government, the United States government has certain geopolitical goals, but in order to achieve these goals, the government is dependent upon on the profit seeking interests' and the successful enterprise of business companies.

The U.S. government possesses the modes of authority; the representation of power, and the procedures through which the government self-validates its own legitimacy. These modes encompass the function and organization of various things such as: the role of the constitution; the rule of law; the election of candidates for public office; the role of Congress; the role of the Senate; the role of the military: and all of this continues right down to every government department, the regulatory agency, and every individual bureaucrat. All of this when summarized as the 'government,' is dependent upon the profit seeking interests' and successful continuation and expansion of business companies. A company would not apply technological knowledge to create new innovations if they were not profitable in the long-run.

The business companies and financial institutions possess the means of commerce; the representation of value, and the ability through which they create the market by assigning value to the fiction of credit and debt. It is this fiction that self-validates the physical existence of capital, and the legitimacy of its worth and scarcity that then gives tangible form to the market. These means encompass the function of various things such as: the creation of money; the application of technological knowledge; the research and development of new innovations; the

exploration of new resource locations; the production of goods and services, and the construction of equipment and structures to make them; the transportation and sale of goods and services; and all of this continues right down to every factory, machine, and the individual labor of every worker. All of this when summarized as the activities of 'business companies' are dependent upon the stability of the government, and the representation of its power to maintain law and order. The business companies are dependent upon the government's ability to provide structure, organization, and hierarchy within a society so that the economy can remain as a permanent fixture that operates without disruption, even though the structures and technology change. Hence, this becomes a static equilibrium of function imbedded within a changing system of the material.

It is because of this mutual codependency within the system that a crossover and sharing of similar goals and interests' can develop between the government and business companies, with both groups exercising their influence within the other. The formation of this codependency within the system is inevitable. There will still be circumstances, catastrophes, and unforeseen conditions that either precipitate or slow down this process, but as time passes, the government will gradually expand its control within the activities of businesses companies, while simultaneously, the business companies will gradually permeate and control the government with their interests.' The growth of this dependency is apparent when we look back throughout the 20th century of the United States.

From 1880 to 1933, the U.S. Federal government was more detached from the activities of business and industry, even though there were large business companies, powerful oils trusts and tax-exempt foundations being used for profit-seeking interests. However, there were times when the U.S. government was still quick to intervene with regulatory statutes such as the Sherman

Antitrust Act of 1890, and the Clayton Antitrust of 1914. With these new statutes, the U.S. Supreme Court was able to break up John D. Rockefeller's Standard Oil Trust. However, 1933 was a critical point in time when the United States was forced to become more dependent on the credit of international private banks after the passing of the Emergency Banking Act of 1933. The onslaught of World War II resulted in tremendous increases in government spending from 1939 to 1944. This vast growth of aggregate demand increased real GDP, but it also merged various sectors of the military industry, and petrochemical industry with the political ideology and goals of the Federal government. The Cold War only further exacerbated this unification between the geopolitical goals of the U.S. government, and the profit seeking-interests of various large American business companies. With the fall of the Soviet Union in 1991, the sociopolitical balance of power within the world was once more measured and redefined. With new markets opened, and surging economic growth in the East; the global activities of companies such Exxon Mobil, Brown and Root, AT&T, and Goldman Sachs had become deeply integrated as a necessary component of U.S. foreign policy, which provided economic strength and support to the United States as the prevailing dominant superpower. Ever more so today, this dependency between the U.S. government and business companies is quite apparent, especially during U.S. Federal election-time, when the continued success of the political campaign for a presidential candidate is highly dependent on the funding and advertisement support from these same business companies.

Hence, we could summarize that increased government spending, and increased economic growth also leads to increased centralized organization, as well as further political regulation and expansion. The political and economic sphere are both dependent upon each other for their stability. As time passes, their relationship will become more complex and interconnected, and

agents on both sides will attempt to reduce their uncertainty with the other. This enhanced integration between the geopolitical interests' of the government, and the profit seeking interests' of businesses companies might result in increased output and efficiency, but it might also lead to greater long-run inefficiencies such as increased debt spending, and costly domestic subsidies that support decreased output, as well as increased foreign military engagements.

As both the political and economic sphere become more dependent upon each other for their continued success and stability. It is also inevitable that some business companies and financial institutions will attempt to gain greater control over the government. The chairmen of a certain business company might be perturbed that the government is developing a statute or foreign policy that would be an impediment to the interests' of the business company. However, this impediment could be removed, if key decision-makers within the government could be guided and realigned to an alternative perspective that would be more favorable, and congruent to the interests' of the business company. Of course, the goals of one company might be different and conflictive with the goals of another company. At times there might be a hidden struggle between various groups that are trying to attain a dominant position not only within the market, but also within the government so that they can be the primary group that controls the nation, and not another. When a government has been infiltrated by a certain business group, there is not much that a government could do that will prevent further political capture. Any further regulatory statute or investigatory agency would most likely only eliminate other weaker agents, and potential competitors from challenging the group that has already gained an influential and leading position within the system. Once the government fails to prevent this initial infiltration, the government is permanently compromised. Governments usually respond after it is too late, and when political capture is insurmountable. However, in order to maintain public confidence

and compliance; the government will still chase down and prosecute the wayward environmental lobbyist, the aggressive labor union, the constitutional patriots that are not paying income tax, and various manifestations of fringe resistance that are really quite insignificant. All of this creates a very convincing display that within society the government is still in charge, but the reality is that certain powerful business companies and financial institutions are in charge of the government.

It would be beneficial to a consortium of business companies and financial institutions to attain political influence over the U.S. government, and to expand this influence so that the state would become dependent on them in order to maintain the continuation of governance. If this consortium was able to control the central bank, and place a variety of their personnel within high-level positions of the government, this consortium would also be able to control the direction of economy for their benefit. By controlling the policies of the nation, a substantial degree of uncertainty on their part would be reduced within the system. Their uncertainty would be reduced not because they would make the right choice, but rather because they would predetermine the choice that would prevail as the most powerful choice, and this would dominate the actions of other agents within society. As this dependency increases, a system would emerge in which both the objectives' of the consortium and the objectives of the state are indistinguishable, and inseparable.

Today within the United States, increased integration between the Federal government, and various financial institutions and business companies already exists on multiple levels. The government is dependent on the private creation of money, and the lending of credit from international banks. The military is dependent upon the research and technological development of private weapons contractors and engineering firms. The military and everything within the

entire economy is dependent on the uninterrupted supply of fossil fuels, petrochemicals, and natural resources that are extracted, refined, and distributed by large business companies. In addition to just these three factors; the entire democratic political process is dependent on business companies and financial institutions that use political action committees (PACs), for their funding of the political campaigns of candidates for elective office. Private sources of wealth and not principles have always determined who becomes a presidential candidate. In January 2010, the U.S. Supreme Court ruled in support that corporations and unlisted companies can use their money to “run campaign ads that promote or target particular candidates by name,”³⁴ as well as “issue ads in the pivotal, closing days of election campaigns.”³⁵ Certain large business companies also use their tax-exempt foundations to provide funding to various policy-making institutions, and universities, as well as the entertainment industry, and the activities of the arts. Business companies and financial institutions not only influence the government, but they also influence the values of society, and cultural development.

When certain individuals within the government attempt to expose the influence of the business companies, these companies will sometimes approach the individual with a bribe, and if this does not work, they will try to politically sabotage the individual’s reputation and their career.³⁶ When some people attempt to resist a system of dependency that is offered to them, there are some business companies that will resort sinister and deceptive means to counter this resistance. John Perkins has wrote of examples in places such as Ecuador where ChevronTexaco Corp. has used charity programs, and fake missionary groups to manipulate and scare the Shuars and Kichwas Indians, so that they will give away their oil-rich ancestral land to the oil companies.³⁷ The profit-seeking interests’ of certain business companies can motivate them to sometimes use various forms intimidation to achieve their goals. When certain domestic barriers

cannot be removed, such as governments and regulatory agencies; some business companies will then resort to infiltration so that their agents become part of the government agencies. These agents will then change and direct the policies of the regulatory agencies so that the policies are more favorable to the goals of the company.

Some business companies might also attempt to influence the social values, and culture of society so that it develops in ways that financially benefit the companies. In order to exercise a broader influence within society, the business company must transform the representation of its image to the public, and change the way in which it operates as a business. The business company must create new institutions and supportive communication programs that operate as subtle extensions of the company's political agenda and profit-seeking interests. This might include various forms of advertisement, and media funding, as well as research studies, lobby groups, policy institutions, charities, and private foundations. Within America, there are many large business companies that have created their own private foundations and policy groups that are involved within a variety of social and political issues on both the municipal, state, and federal level. By being involved in these issues, the business companies can then offer their solution, which gives them the opportunity to promote and sell their product or service.

The creation of a tax-exempt foundation is one way in which a business company can transform a part of itself into a political organization that is dedicated not only to increasing profits, but also to achieving certain social and political goals. The foundation becomes like a subsidiary of the business company, where the chairmen of the board for the company also serve as the trustees of the foundation. In many ways the foundation operates like a business company, and sometimes the foundation will own shares in other companies. When a business company transfers its ownership into a tax-exempt foundation; the company can then branch out, and

create additional institutions and policy groups that compartmentalize the activities of the company, while further extending its involvement and influence within all areas of society. From this point, a large business company can embody multiple interlocking subsidiaries, public corporations, and private institutions. This allows the company to be indirectly involved in a wide range of activities that broaden the company's influence. The result is that in one sphere, the company is an economic consultant group to governments; in another sphere it is the activist group for the student; the educatory group to the public; the conservationist group for the environmentalists; and the cultural group for musicians and artists.

When examining the history of certain powerful business companies and the role of tax-exempt foundations, we must first trace the history of the individuals who built them. The focus of the next chapter will outline the prominent industrialists and wealthy families at the turn of the Twentieth Century, which played a pivotal role in shaping American society, and building the economic system that we experience today.

Chapter 3: The rise of the ‘American Establishment’

With the beginning of 20th century, new advances in technological knowledge, and industrialization profoundly changed America. Petroleum refining, and the development of reliable combustion engines, led to the construction of new powerful machines such as the automobile, and new efficiently organized systems of production such as the modern assembly line. At this same time, extensive achievements were being made in development of electrical powered devices, and the construction of vast grids for electrical wiring and telephone networks throughout cities such as Chicago, New York, and Boston. Progress in science and technology across many industries was hastened by military research during both World Wars. However, the emergence of these new industries, also inevitably resulted in the formation of global cartels and huge economic monopolies such as that of I.G. Farben. The individuals who owned these industries also became exceedingly wealthy, and were able to reinvest their profits into other areas such as banking and investment, as well as radio broadcasting and newspapers. The size and scope of these conglomerates meant their owners were able to influence the technological development and social progress of society, granting them a considerable degree of political power as well.

In his book, *Tragedy and Hope*, the American historian Carroll Quigley outlines the rise of this affluent coterie of wealthy industrialists, and how they used their business enterprises as an interlocking cartel to gradually acquire considerable political influence over the U.S. Federal government. Quigley calls these elite the ‘American Establishment,’ and he provides an extensive overview of their political and economic activities, as well as capsule biographies of some of the more prominent individuals, highlighting their mindset and driving ambitions. Similar observations were made by the sociologist C. Wright Mills, who classified many of these

same individuals as the “Power Elite.” When describing their behavior, Mills writes that these individuals pursue “the power to manage and manipulate the consent of men,”³⁸ both through “Authority—power justified by the beliefs of the voluntarily obedient,” as well as “Manipulation—power wielded unbeknown to the powerless.”³⁹ Moreover, many of these individuals have espoused an ideal similar to the Hegelian philosophy of determinism “that everyone can be controlled and must be controlled in order to achieve predetermined goals.”⁴⁰ However, in order to achieve these goals and their “will to power”⁴¹, many of these individuals desired to construct some type of institution or international agency that could influence government policy on their behalf. They wanted an agency that they could use to promote their own political goals, as well as to protect their business enterprises. It should appear from the exterior as both benevolent and innocuous, but this appearance would really be a façade concealing its true motives from the public. This agency would be designed to store and mobilize enormous amounts of wealth to fund various activities, programs and institutions, while providing funding and representation for the meeting of groups committed to a particular policy agenda. The financial ‘power elites’ recognized the potential of private tax-exempt foundations, and public incorporated organizations to serve as this type of agency.

In 1913, the introduction of a system of graduated income tax was introduced, and in 1916 the Revenue Act established a federal estate tax. The introduction of these new taxes compelled many wealthy families to find clever legal loopholes in which they could protect their wealth from taxation. Tax-exempt organizations such as private foundations, and public charities became a convenient legal means to protect family wealth from taxation, while simultaneously providing an agency to influence government and society. When describing these economic elites, Quigley writes:

Because of its dominant position in Wall Street, the Morgan firm came also to dominate other Wall Street powers, such as Carnegie, Whitney, Vanderbilt, Brown-Harriman, or Dillon-Reed. Close alliances were made with Rockefeller, Mellon, and Duke interests, but not nearly so intimate ones with the great industrial powers like du Pont and Ford. In spite of the great influence of this “Wall Street” alignment, an influence great enough to merit the name of the “American Establishment,” this group could not control the Federal government and, in consequence, had to adjust to a good many government actions thoroughly distasteful to the group. The chief of these were in taxation law, beginning with the graduated income tax in 1913, but culminating, above all else, in the inheritance tax. These tax laws drove the great private fortunes dominated by Wall Street into tax-exempt foundations, which became a major link in the Establishment network between Wall Street, the Ivy League, and the Federal government. Dean Rusk, Secretary of State after 1961, formerly president of the Rockefeller Foundation and Rhodes Scholar at Oxford (1931-1933), is as much a member of this nexus as Alger Hiss, the Dulles brothers, Jerome Greene, James T. Shotwell, John W. Davis, Elihu Root, or Philip Jessup. 42

Some of the most prominent families among these overlords of business and finance, were the Morgans and Rockenfelters, (Americanized to ‘Rockefeller’); a mix of Anglo-Saxon and Germanic heritage. 43 The Morgan and Rockefeller groups were able to rise above other financial players on Wall Street because they worked together in partnership as an interlocking cartel, and they used this cartel to assist each other in expanding both of their monopolies in a variety of economic sectors. This unique partnership of power in America between both Morgan and Rockefeller is described as follows:

In the early years of this century, the Rockefeller empire encompassed scores of other industries and interests, including railways and banks. They owned or controlled the National City Bank, the Hanover National Bank, the United States Trust Company, and leading insurance companies like Equitable Life and Mutual of New York. The Morgan empire was founded on steel, shipping, and the electricity industry, including General Electric. In the financial sector, the National Bank of Commerce, New York Life Insurance, and the Guaranty Trust Company, the biggest trust company in America, were all Morgan companies at the time. Morgan/Rockefeller were quite a twosome, and no US government or politician could rule without their consent. 44

Moreover, J.D. Rockefeller began his economic empire with oil refining, and his Standard Oil Trust from 1870-1910. The rapid expansion of Standard Oil Trust is described as follows:

John Davison Rockefeller (1839-1937), grandfather of former Vice-president Nelson Aldrich Rockefeller and David Rockefeller (head of the Chase Manhattan Bank), was the richest man of his time. He started out in 1859 as a produce merchant, turning to oil in 1865, at age of 26. In 1870, when Standard Oil of Ohio was incorporated, Rockefeller controlled 21 out of 26 refineries in Cleveland. By 1871, Standard Oil was the largest refining company in the world. In 1879, he controlled over 90% of all refined oil sold in

the country, with 20,000 producing wells, and 100,000 employees. In 1884, he moved his main office to New York City; and by 1885, Standard Oil virtually controlled the entire oil industry in the United States, and had set up branches in Western Europe and China. ⁴⁵

J. D. Rockefeller's Standard Oil Trust and its monopoly over the oil industry eventually became vulnerable to the U.S. Sherman Antitrust Act of 1890. In 1911, the U.S. Supreme Court ordered that this dangerous monopoly be disbanded.

In March 15, 1911, Standard Oil was found to be in violation of the Sherman Antitrust Act of 1890, and the U.S. Supreme Court ordered, in a 20,000 word decision, the breakup of Standard Oil of New Jersey. The Court said that Standard Oil wanted to establish a monopoly in order "to drive others from the field and exclude them from their right to trade," and that "seven men and a corporate machine have conspired against their fellow citizens. For the safety of the Republic, we now decree that the dangerous conspiracy must be ended."

Standard Oil was forced to dissolve into 38 separate companies, including Standard Oil of Indiana (Amoco), Standard Oil of Ohio (Sohio), Standard Oil of Louisiana, Standard Oil of New Jersey (Exxon, which is now one of the largest corporations in the world, controlling 321 other companies, including Humble Oil and Venezuela's Creole Oil), Standard Oil of New York (Socony or Mobil); and others such as Continental Oil (Conoco), Atlantic-Richfield (Arco), Gulf, Phillips 66, Texaco, and Marathon Oil, which were also Rockefeller controlled companies. Rockefeller owned 25% of all Standard Oil of New Jersey, which meant that he now owned 25% of all 38 Standard Oil subsidiaries. In 1914, the Congressional Record referred to Standard Oil as the "shadow government" and as the extent of its holdings became known, its value tripled. ⁴⁶

Even though Standard Oil Trust was dissolved into 38 separate companies, this still did not prevent J. D. Rockefeller from exercising some degree of control over these companies.

The Rockefeller Oil Monopoly is now 127 years, yet in 1911, the Supreme Court, bowing to public outrage, had ruled that it had to be broken up. The resulting companies proved to be no problem for the Rockefeller interests. The family retained a two percent holding in each of the "new" companies, while the Rockefeller Foundations took a three percent holding in each company. This gave them a five percent stock interest in each company; a one percent holding in a corporation is usually sufficient to maintain working control. ⁴⁷

In addition to attaining an initial five percent control of each company, the Rockefellers were eventually able to gain a greater percentage of ownership by purchasing new companies and creating additional tax-exempt foundations, which would be directed to buy stocks in the 38 separate companies that were previously held under the Standard Oil Trust.

In 1913, J. D. Rockefeller encountered another inconvenient obstruction to his economic empire; the amassed wealth of J.D. Rockefeller, and the annual revenue made from his oil companies could now become subject to income tax. On February 3, 1913, the Sixteenth Amendment to the United States Constitution was ratified, establishing a new system of graduated income tax. In order to circumvent income tax, and other bothersome taxes such as inheritance tax, J.D. Rockefeller established a private trust, (tax-exempt foundation). As a grantor, he could transfer an extensive portion of his wealth and business ownership into the foundation, which he would then control by serving as the primary trustee. John D. Rockefeller with the assistance of Senator Nelson Aldrich first applied “for a federal charter for the foundation in the U.S. Senate in 1910.”⁴⁸ However, due to extensive objections from various Congressmen towards the proposed bill , as well as the U.S. Supreme Court ruling to dissolve Standard Oil Trust in 1911; Nelson Rockefeller withdrew the bill from Congress,⁴⁹ and obtained a state charter instead. On “May 14, 1913, New York Governor William Sulzer approved the charter,”⁵⁰ and the State of New York chartered the Rockefeller Foundation.⁵¹ On May 22, 1913, the charter was signed for the establishment of the Rockefeller Foundation as a new tax-exempt foundation, “setting aside \$50 million in Standard Oil of New Jersey stock for ‘charitable work.’”⁵² By placing the majority of his wealth into Rockefeller Foundation, he could not only protect it from taxation, but also direct his tax-exempt foundation to reassemble the monopoly that the U.S. Supreme Court had disbanded. The Rockefeller Foundation would present itself as a philanthropic foundation to promote and improve “the global wellbeing of mankind.” However, the wealth deposited within this foundation would be used to purchase substantial stock ownership within all the previous subsidiaries of the Standard Oil Trust, allowing J.D. Rockefeller as trustee to reassemble and expand his former monopoly.

With the advent of the Rockefeller Foundation, the Rockefellers were also able to use donations provided from their foundation as a means to gain an extraordinary degree of political influence within America. By working together in partnership with other likeminded foundations such as the Carnegie Endowment and the Ford Foundation, the Rockefellers were able to influence broad sectors of society such as the media, the education system and even government policy. However, this concentration of power and influence did not go unnoticed by a few U.S. Congressman and Senators. During the early 1950's, concerns were raised that certain tax-exempt foundations might be involved in promoting subversive political activities to undermine both the security and sovereignty of the United States. Pursuing these concerns, Congressional investigations were organized to examine the activities of tax-exempt foundations, but these investigations encountered much resistance from other politicians. Though these investigations were shutdown prematurely, they gathered substantial evidence that the Carnegie Endowment and the Rockefeller Foundation had gained considerable influence over the Department of State, and were even directing some of the foreign and domestic policies of the U.S. government.

Chapter 4: The tax-exempt foundations

4.1 Benefits of having a foundation, and the history of their development and growth

There are many benefits that can be utilized from establishing a tax-exempt foundation. Depending upon the intent of its trustees, a foundation can be used for a variety of purposes. Within the United States, “Foundations are either state or federally chartered,”⁵³ and Dr. Martin Larson lists their advantages as follows:

1. The property conveyed to the foundation is a deductible contribution to charity;
2. Upon the death of the donor, it is immune to inheritance and estate taxes;
3. The fortune of business remains intact;
4. If the donor is a parent-company, this continues in business exactly as before;
5. The foundation is exempt from all taxation in perpetuity;
6. The individuals who comprise the interlocking directorate or management are in a strategic position to enrich themselves by transactions which, though neither charitable nor ethical, are nevertheless quite legal; and even if not, may be practiced with virtual immunity.⁵⁴

One of the first prominent philanthropists within United States was Benjamin Franklin. In 1785, Benjamin Franklin established a trust account within his will, in which he bequeathed to the cities of Boston and Philadelphia £1,000 each that would be placed in an interest-bearing account for an extended period of time. When Franklin died on April 17, 1790, at the age of 84, the funds (worth approximately \$4,444.49 dollars at the time), were placed in a 200 year trust fund. This fund was to make loans ‘to young married artificers of good character.’⁵⁵ The website of the Franklin Institute of Boston states:

As of 1990, more than \$2,000,000 had accumulated in Franklin’s Philadelphia trust, which had loaned the money to local residents. From 1940 to 1990, the money was used for mortgage loans. When the trust came due, Philadelphia decided to spend it on scholarships for local high school students. Franklin’s Boston trust fund accumulated almost \$5,000,000 during that same time; at the end of its first 100 years a portion was

allocated to help establish a trade school that became the Franklin Institute of Boston and the whole fund was later dedicated to supporting this institute. ⁵⁶

One of the first large-scale foundations to be chartered was the Peabody Education Fund, which was eventually amalgamated with the Southern Education Board, and both of these foundations were then placed under the control of the Rockefellers to finally become the General Education Board. In regards to the establishment of some of the first foundations we read:

In 1846, the Smithsonian Institute was established by the bequest of English scientist James Smithson ‘for the increase and diffusion of knowledge among men.’ The Peabody Education Fund was initiated in 1867 by banker George Peabody, to promote education in the South. ⁵⁷

Before 1910, there were less than a hundred foundations within America. However, with each following year the amount of tax-exempt foundations chartered within the United States increased steadily. In 1954, the report of The Special Committee to Investigate Tax Exempt Foundations, (which began as the Cox Committee 1952-1953, and which was later carried over by the Reece Committee, 1953-1954), showed that by 1951 there were at least 1097 tax-exempt foundations in the United States. ⁵⁸ This yearly increase in the growth of tax-exempt foundations is shown on pages 13-15 of the Congressional report, and reproduced as **Figure 4.1, 4.2, and 4.3**. In **Figure 4.2**, note the caption at the bottom of the graph indicating that there were fewer foundations chartered after 1945 due to changes made to U.S. tax laws. Within **Figure 4.1**, a partial list is given that shows some of the largest foundations.

Figure 4.1 The growth of the foundations

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The influence of some of the large foundations of 1951, but shown in the year of their origin, is apparent on the chart. These are shown in the following table:

TABLE V

Foundation	Year founded	Original endowment	1951 endowment
Carnegie Corp.....	1911	\$25,000	<i>Million</i> \$161
Rockefeller.....	1913	100,000	323
Commonwealth.....	1918	10,000	81
Kresge.....	1924	1,800	79
Duke.....	1924	40,000	131
Kellogg.....	1930	22,000	51
Ford.....	1936	25,000	503
Hayden.....	1937	17,000	52
Pew.....	1948	46,000	105

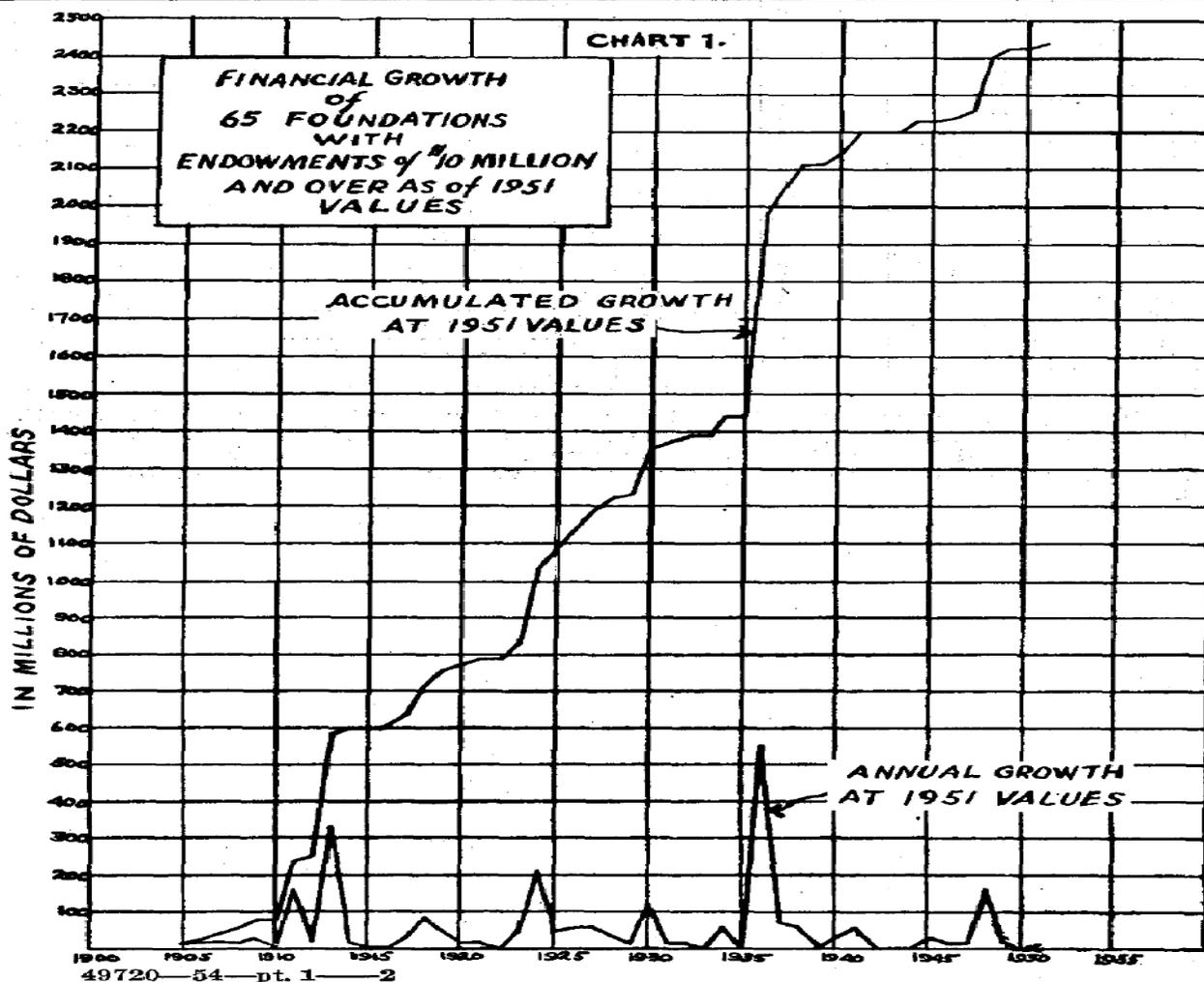


Figure 4.2 The foundations and their growth for each year

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NUMERICAL GROWTH OF 1,097 FOUNDATIONS

The Cox Committee files contained about 1,100 questionnaires. We have classified these numerically according to the year of their origin. The numerical growth of these regardless of type or size is shown for each year since 1900 and the accumulated increase year by year in table VI. These data are also shown in graphic form on chart II. The numerical-growth trend shown in table VI and on chart II is of course confined to the Cox Committee list. It should be reasonably indicative of the growth trend of the whole group of foundations on the tax-exempt list.

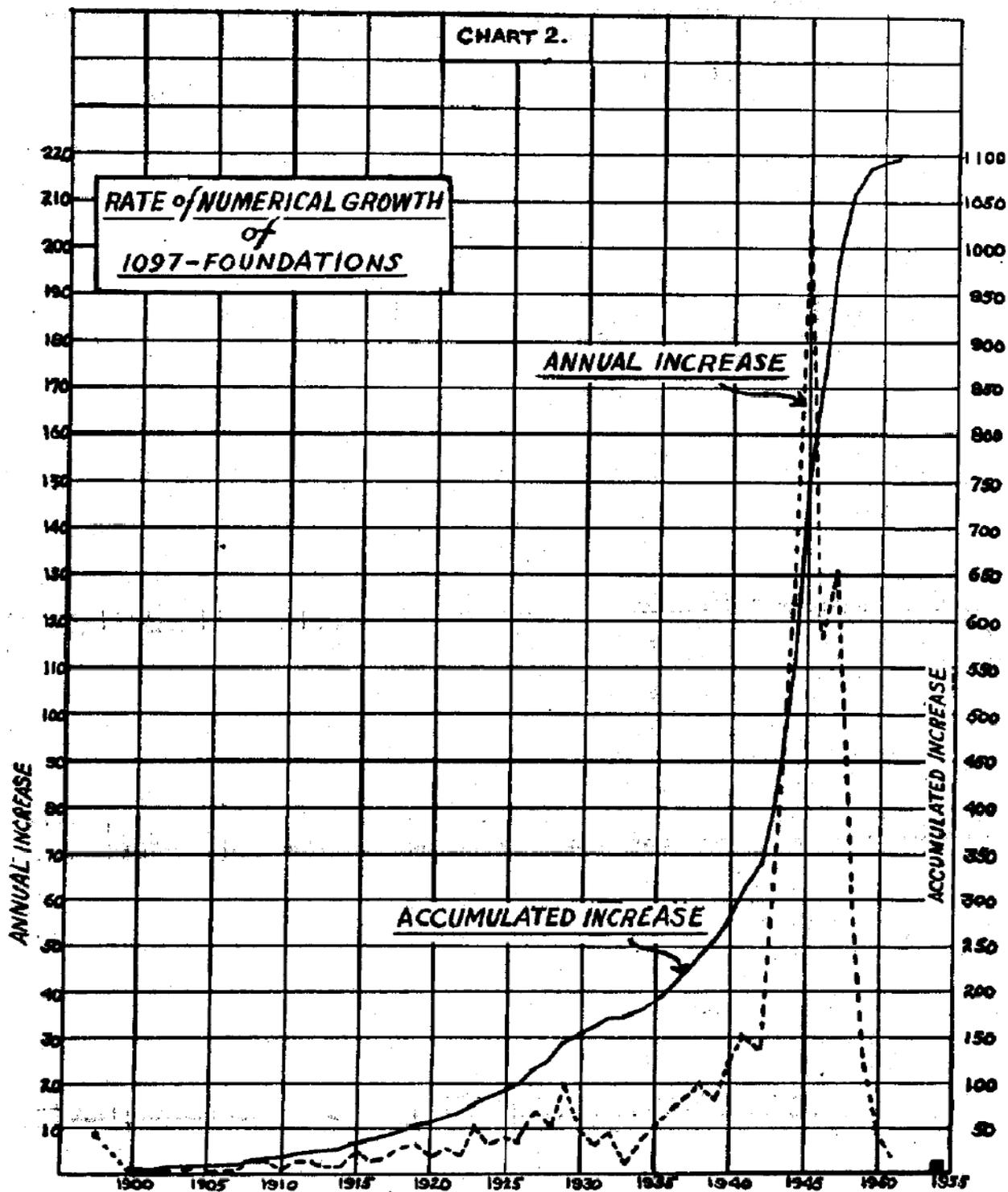
TABLE VI

	Number	Accumulated number		Number	Accumulated number
Prior to 1900.....	9		1926.....	7	102
1900.....	0	9	1927.....	14	116
1901.....	0	9	1928.....	10	126
1902.....	0	9	1929.....	20	146
1903.....	1	10	1930.....	10	156
1904.....	0	10	1931.....	6	162
1905.....	1	11	1932.....	9	171
1906.....	1	12	1933.....	2	173
1907.....	1	13	1934.....	7	180
1908.....	3	16	1935.....	10	190
1909.....	3	19	1936.....	14	204
1910.....	1	20	1937.....	17	221
1911.....	3	23	1938.....	20	241
1912.....	3	26	1939.....	16	257
1913.....	2	28	1940.....	25	282
1914.....	2	30	1941.....	30	312
1915.....	5	35	1942.....	27	339
1916.....	3	38	1943.....	76	415
1917.....	4	42	1944.....	123	538
1918.....	6	48	1945.....	206	744
1919.....	7	55	1946.....	116	860
1920.....	4	59	1947.....	132	992
1921.....	6	65	1948.....	70	1,062
1922.....	4	69	1949.....	24	1,086
1923.....	11	80	1950.....	8	1,094
1924.....	7	87	1951.....	3	1,097
1925.....	8	95			

The high peak centering in 1945 is composed preponderantly of the smaller foundations and is apparently a byproduct of a change in the tax laws and of a profitable period in the American economy. Due to the sharp decline from 1945, the trend of the accumulated increase curve has flattened considerably since 1948.

Figure 4.3 The foundations and their accumulated increase

TAX-EXEMPT FOUNDATIONS



4.2 Current U.S. tax laws that allow tax-exempt status, and the narrow limitations on lobbying

Within the United States a foundation is described as follows:

A foundation in the United States is a type of charitable organization. However, the Internal Revenue Code distinguishes between private foundations (usually funded by an individual, family, or corporation) and public charities (community foundations and other nonprofit groups that raise money from the general public). Private foundations have more restrictions and fewer tax benefits than public charities like community foundations.⁵⁹

Furthermore, the current exemption requires that a tax-exempt organization within the U.S. must be registered under 501 (c) (3) of the Internal Revenue Code. The registration of an organization under 501 (c) (3), establishes a tax-exempt foundation for a variety of purposes. In order to be registered under 501 (c) (3), an organization is required to follow certain requirements, and these include restrictions on political and legislative lobbying, and that foundations should not be organized and operated for the benefit of private interests. In regards to these requirements the IRS website reads:

To be tax-exempt under section 501(c)(3) of the Internal Revenue Code, an organization must be organized and operated exclusively for exempt purposes set forth in section 501(c)(3), and none of its earnings may inure to any private shareholder or individual. In addition, it may not be an action organization, i.e., it may not attempt to influence legislation as a substantial part of its activities and it may not participate in any campaign activity for or against political candidates. Organizations described in section 501 (c)(3) are commonly referred to as a charitable organizations. Organizations described in section 501(c)(3), other than testing for public safety organizations, are eligible to receive tax-deductible contributions in accordance with Code section 170. The organization must not operate for the benefit of private interests, and no part of a section 501(c)(3) organization's net earnings may inure to the benefit of any private shareholder or individual. If the organization engages in an excess benefit transaction with a person having substantial influence over the organization, an excise tax may be imposed on the person and any organization agreeing to the transaction. Section 501(c)(3) organizations are restricted in how much political and legislative (lobbying) activities they may conduct.⁶⁰

Even though these statements may sound menacing, they are not very effective in preventing a foundation from influencing a legislature or influencing the policies that are pursued by various branches of the government, because the definition of lobbying is set within an extremely narrow

parameter that can be easily circumvented. According to Hurwit & Associates, a law firm in Massachusetts that specializes in providing legal counsel for all types of tax-exempt organizations, there are a number of important exclusions to the narrow definition of lobbying.

In addition, 501(c)(3) organizations are not entirely prohibited from engaging in lobbying. 501(c)(3)s are prohibited from devoting more than an ‘insubstantial’ portion of their resources on lobbying. The term insubstantial has not been clearly defined in this context. Suffice it to say that if no more than five to ten percent of an organization’s total efforts are devoted to lobbying, it is probably acting within legal limits.

If more than an insubstantial amount of an organization’s resources are devoted to lobbying, the organization may wish to choose to take what is called a 501 (h) election. By completing the appropriate 501 (h) form (namely, Form 5768), attaching the form to your organization’s annual Form 990, and disclosing the extent of your organization’s lobbying to the IRS, your organization will be permitted to expend up to approximately 20 percent of your funds on lobbying.

To lobby more than that, you may wish to establish a separate 501(c)(4) tax-exempt organization. 501(c)(4) organizations serve purposes that are tax-exempt but which do not rise to the level of charitable purposes. 501(c)(4) organizations are classified as ‘social welfare’ organizations. Initially this classification included civic groups and community betterment organizations, but these days the most common purpose of new 501(c)(4) organizations is lobbying. ⁶¹

According to the Council on Foundations, a tax-exempt foundation can only be penalized by the IRS if it is found to be engaged in lobbying, which under the IRS definition consists of, “direct and grassroots lobbying communications,”⁶² and if the foundation has not made, “direct or grassroots lobbying communications, it has not engaged in lobbying.” ⁶³ However, other than direct or grassroots lobbying communications, a foundation can still engage in a wide range of activities that are indirect variations of lobbying. For instance, a foundation can still fund public charities that are engaged in direct or grassroots lobbying communications, and a foundation can fund private policy-making institutions that conduct research, and communicate policy recommendations. In further explaining these various exceptions, the Council on Foundations states:

Since 1969, private foundations have been subject to a penalty tax under the Internal Revenue Code on any expenditure for an attempt to influence legislation. This rule has deterred most foundations from supporting activity that appears to bear even a tangential

relationship to legislation. However, as clarified by Treasury regulations adopted in 1990, foundations, in fact, have considerable freedom to fund public charity grantees actively engaged in the public policy process and, indeed, to participate directly in that process in some ways.

Foundations' substantial scope for funding activities bearing on the public policy process, notwithstanding the general ban on private foundation lobbying expenditures derives from the interplay of three aspects of the governing tax rules:

The tax rules establish a favorable definition of lobbying. Under it, efforts to influence regulations, enforcement policies and other executive branch actions, as distinguished from legislative actions, are not lobbying. Further, as discussed below, it is often possible to design effective public education campaigns on public policy issues that do not fall within the tax rules' definition of lobbying.

The tax rules provide explicit exclusions from the definition of lobbying particularly the exclusion for so-called "nonpartisan analysis, study, or research" that create additional scope for funding activities that bear directly on the policy formation process.

Provided that a foundation does not earmark its grant to fund lobbying activities, a grantee's lobbying activities are generally not attributed to the foundation. 64

The Council on Foundations lists five different exceptions to which a foundation can engage in activities that would indirectly be proportional or similar in effect to lobbying. These five exceptions are classified as: Nonpartisan analysis, Self-Defense, Technical Assistance, Discussion of broad social issues, and Grants to public charities that lobby. Of these five exceptions, the Council on Foundations states:

Nonpartisan analysis. Most important, making available the results of nonpartisan analysis on a legislative issue is not treated as lobbying even if the research report includes specific legislative recommendations. A communication qualifies as nonpartisan analysis if it:

Presents a "sufficiently full and fair exposition of the pertinent facts as to permit" the public to form an independent opinion or conclusion,

Does not include a direct call to action (that is, does not explicitly encourage recipients to contact legislators or accomplish the same objective by providing such information or materials as legislators' addresses or phone numbers or preprinted postcards to send to legislators), and

Is not distributed to persons who are interested solely in one side of the issue.

The "full and fair exposition" standard requires the analysis to present a rational, fact-based argument in support of the report's conclusions, but it does not require that the report devote equal space to the discussion of alternative points of view. The tax rules also make clear that grants to support the preparation and distribution of nonpartisan analysis will not be treated as lobbying expenditures even if the grantee, or others, subsequently use the analysis as part of a lobbying communication unless a foundation's

primary purpose in funding the analysis was to support the grantee's lobbying or the foundation knew, or had reason to know, that the grantee's primary purpose in performing the research project was for lobbying use.

Self-defense. A second exception protects communications with legislators, their staffs, and executive branch officials involved in the legislative process concerning legislation that might affect a private foundation's existence, powers and duties, tax-exempt status, or right to receive tax-deductible contributions. This exception permits foundations to fund communications with legislators and government officials but not with the general public on a range of important issues, including, for example, proposed changes in the rules on the deductibility of gifts to foundations or proposed changes in the rules governing foundation participation in the public policy process.

Technical assistance. A further exception excludes response to written requests for technical assistance from a legislative committee or subcommittee or other governmental body. Such requests can provide organizations with broad scope for presenting legislators but, again, not the general public with facts, analysis and recommendations on legislative issues.

Discussions of broad social issues. Finally, the regulations exclude from the definition of lobbying discussions of broad social, economic and similar problems, even if the problems are the subject of legislation already pending before a legislative body. This exception affords a further opening for foundations to fund communications on general policy issues -- for example, the importance of strong environmental protection standards or a strong national defense -- provided the communications do not address specific legislation.

Grants to public charities that lobby. Most foundation grantees qualify as public charities for federal tax purposes, and as such may elect to be subject to substantially more liberal rules on lobbying activities. Specifically, an electing public charity may make lobbying expenditures up to 20 percent of the first \$500,000 of its charitable expenditures, and declining percentages thereafter, up to a maximum of \$1 million each year. These permitted lobbying expenditures, combined with the favorable rules on what does, and does not, constitute lobbying, permit public charities--particularly those with a substantial base of non-lobbying expenditures -- to play a quite active role in the legislative process. 65

These five exceptions that allow for indirect lobbying are best achieved when a private foundation provides funding to a private policy-making institution. Even if a private policy-making institution is registered as a separate entity, it can still operate as an extension of the foundation, and advance various policies and political goals that belong to the trustees of the foundation. In addition to funding the private policy-making institution, the trustees, directors, and staff of a foundation can also serve as members of the private policy-making institution. By holding senior positions within the policy-making institution, the foundation trustees can be involved in directing and creating policies that are directly communicated to both the public and the government.

4.3 The taxation of unrelated business activities for all organizations and the Tax Reform Act of 1969

Up until 1950, there were many U.S. foundations operating exclusively for the private interests of their leadership. Foundations were being used by profit-making organizations and businesses to exempt part of their income from certain taxes, and this was giving them an unfair advantage over other businesses. This rampant abuse of foundations is outlined by the IRS, which states:

Prior to enactment in the Revenue Act of 1950 of what are now IRC 511 through 515, the Service made numerous attempts to deny exemption to organizations which engaged in transparently profit-making activities on the ground that these organizations were not organized and operated exclusively for their stated exempt purpose. The courts almost always ruled against the Government in these proceedings, however. See 6 Mertens Law of Federal Income Taxation, Par. 34.14. The principal stumbling block was the "destination of income" test laid down by the United States Supreme Court in *Trinidad v. Sagrada Orden de Predicadores*, 263 US 578, T.D. 3548, III-1 C.B. 270 (1924), holding that the destination and not the source of the income was the ultimate test of the right of exemption. The problem was further complicated by the fact that many of the organizations exempt under the 1939 Code were not required to file information returns, so the Service was often unaware of the business activities in which such organizations participated.

By 1950 many exempt organizations were engaged in profitable business activities in competition with taxable entities.

The following extract from the Congressional Record illustrates the extent of this practice and the concern in Congress about it (Congressional Record, Vol. 96, Part 7, pp. 9273–9274): "Mr. Sabath. *** A year ago one of the South's profitable textile operations was turned into a tax-exempt foundation, involving its \$34,000,000 holdings. The community gets about \$400,000 in tax-exempt moneys — about equal to the taxes the company formerly paid locally. All of its other huge profit total is tax exempt to the Federal Treasury. "Our universities and colleges have gone into business in grand style under this strangely overlooked weakness in our laws. Union College recently purchased all of the properties of Allied Stores Corp., one of the largest national department-store chains. The same college recently acquired the Abraham & Straus property in Brooklyn for \$9,000,000 and immediately leased it back to Abraham & Straus at low rentals under an 80-year lease." " Meanwhile, the involvement of educational institutions in the field of banking, real estate, commerce, and industry goes merrily on. Universities own haberdasheries, citrus groves, movies, cattle ranches, the Encyclopedia Britannica (owned by the University of Chicago), and a large variety of other enterprises. The University of Wisconsin controls patent pools and collects royalties. Universities and colleges, together with foundations, have an annual income from their business activities of well over a half billion dollars annually. Were this income not tax-exempt, they would pay \$173,000,000 in Federal Taxes annually. 66

Even though the U.S. Tax Revenue Act of 1950, “imposed a tax on unrelated business taxable income of certain exempt organizations,”⁶⁷ there still remained many organizations that were exempt from paying taxes even though they were involved in profiting from “unrelated business taxable income.” This problem was not addressed until 1969, when Congress passed The Tax Reform Act. The IRS Manual on Taxation of Unrelated Business Income reads:

The Revenue Act of 1950 excepted certain organizations from the unrelated business income tax provisions. However, it became apparent that many of the excepted organizations were engaging, or were apt to engage, in unrelated business. Congress responded in the Tax Reform Act of 1969 by subjecting almost all exempt organizations to the tax on unrelated business income. In addition, there were changes expanding or redefining the types of income subject to the unrelated provisions in order to eliminate tax avoidance abuses. These changes include:

Under law in effect prior to the Tax Reform Act of 1969, the tax on unrelated business income applied only to certain tax-exempt organizations. The Tax Reform Act extended this tax to virtually all tax-exempt organizations in order to end, according to the Report of the Committee on Ways and Means, the inequity in taxing certain exempt organizations and not taxing others equally apt to engage in unrelated business. H.R. Rep. No. 91-413 (Part 1), 91st Cong., 1st Sess. 46 (1969), 1969-3 C.B. 230.

For years beginning with January 1, 1970, the tax on unrelated business income applies to all organizations exempt from taxation under IRC 501(a) (except United States instrumentalities described in IRC 501(c)(1)) and State and municipal colleges and universities. In addition, there are special rules for taxing the unrelated business income of title-holding corporations described in IRC 501(c)(2).⁶⁸

Under the Tax Reform Act of 1969, all tax-exempt organizations are now required to pay a tax on their unrelated business income. However, the rate of taxation on unrelated business income is very small, only four to five percent annually on the net worth of the foundation. Moreover, the requirement to pay this tax can be offset as an operating expense for the payment of staff wages for the foundation. Of this we read:

The Tax Reform Act of 1969 defined the fundamental social contract offered to private foundations. In exchange for exemption from paying most taxes and for limited tax benefits being offered to donors, a private foundation must (a) pay out at least 5% of the value of its endowment each year, none of which may be to the private benefit of any individual; (b) not own or operate significant for-profit businesses; (c) file detailed public annual reports and conduct annual audits in the same manner as a for-profit corporation; (d) meet a suite of additional accounting requirements unique to nonprofits.

Administrative and operating expenses count towards the 5% requirement; they range from trivial at small unstaffed foundations, to more than half a percent of the endowment

value at larger staffed ones. Congressional proposals to exclude those costs from the payout requirement typically receive much attention during boom periods when foundation endowments are earning investment returns much greater than 5% (such as the late 1990s); the idea typically fades when foundation endowments are shrinking in a down market (such as 2001-2003). 69

The fact that “administrating and operating expenses count towards the 5% requirement,” renders the tax on unrelated business income to be quite ineffective.

4.4 The use of Political Action Committees

According to the IRS website, tax-exempt organizations are prohibited from directly or indirectly funding the political campaign activity of any candidate for public office. The IRS

Website reads:

Under the Internal Revenue Code, all section 501(c)(3) organizations, including private foundations, are absolutely prohibited from directly or indirectly participating in, or intervening in, any political campaign on behalf of (or in opposition to) any candidate for elective public office. Contributions to political campaign funds or public statements of position (verbal or written) made on behalf of the foundation in favor of or in opposition to any candidate for public office clearly violate the prohibition against political campaign activity. Violation of this prohibition may result in denial or revocation of tax-exempt status and the imposition of certain excise taxes.

Certain activities or expenditures may not be prohibited depending on the facts and circumstances. For example, certain voter education activities (including the presentation of public forums and the publication of voter education guides) conducted in a non-partisan manner do not constitute prohibited political campaign activity.

In addition, other activities intended to encourage people to participate in the electoral process, such as voter registration and get-out-the vote drives, would not constitute prohibited political campaign activity if conducted in a non-partisan manner. On the other hand, voter education or registration activities with evidence of bias that: (a) would favor one candidate over another; (b) oppose a candidate in some manner; or (c) have the effect of favoring a candidate or group of candidates, will constitute prohibited participation or intervention. 70

In addition to these 501(c)(3) restrictions on tax-exempt organizations, the Federal Campaign Finance Law, established by the Federal Election Campaign Act of 1971, also prohibits certain individuals, businesses, and organizations from making financial contributions to political committees and candidates for elective public office. In particular, it prohibits the financial

contributions to political candidates from corporations and labor unions. “This law applies to all incorporated organizations, profit or non-profit.”⁷¹ Furthermore, individuals belonging to incorporated organizations, such as trustees, share holders, and managers are also prohibited from giving financial contributions to political candidates, and “business owners are not allowed to make contributions from their business accounts.”⁷²

Even though the “Federal Campaign Finance Law” prohibits all incorporated organizations, and a “restricted class” of individuals such as share holders and managers from giving financial contributions to political candidates; the Federal Election Campaign Act of 1971, contains provisions that allow the ‘restricted class’ of individuals to establish a Political Action Committee, which can be used to provide financial contributions to a political candidate. The purpose of a PAC is described as follows:

When an interest group, union, or corporation wants to contribute to federal candidates or parties, it must do so through a PAC. These PACs receive and raise money from a ‘restricted class,’ generally consisting of managers and shareholders in the case of a corporation, and members in the case of a union or other interest group. The PAC may then make donations to political campaigns. PACs and individuals are the only entities allowed to contribute funds to candidates for federal office. Contributions from corporate or labor union treasuries are illegal, though they may sponsor a PAC and provide financial support for its administration and fundraising.

Contributions by individuals to federal PACs are limited to \$5,000 per year. Corporations and unions may not contribute directly to federal PACs, though they may pay for administrative costs of a PAC affiliated with specific the specific corporation or union. Corporate affiliated PACs may only solicit contributions from executives, shareholders, and their families, while union-affiliated PACs may only solicit contributions from members.⁷³

Although the contribution from an individual is limited to only \$5,000 per year, a PAC that has been created by a corporation to gather funds from its shareholders can still raise a large amount of money for contributions to a political party or candidate. In the 2008 U.S. elections, the Federal PAC connected to AT &T Inc. contributed over \$4,514,205 to fund various campaign activities during the election.⁷⁴ PACs connected to Goldman Sachs contributed \$5,938,698⁷⁵ to

political campaign funding, and Citigroup Inc. contributed \$4,879,138,⁷⁶ and JP Morgan Chase & Co. contributed \$4,879,138.⁷⁷

4.5 Citizens United v. Federal Election Commission, 588 U.S. (2010)

On January 21, 2010, the United States Supreme Court ruled that the “federal government may not ban political spending by corporations or unions in candidate elections.”⁷⁸ The ruling of the Citizens United v. Federal Election Commission case, allows corporations and profit or non-profit incorporated organizations, to finance and create their own independent advertisement campaigns to endorse or criticize a certain candidate for federal office, but the ruling does not remove any restrictions on corporations from giving direct contributions to political candidates. Adam Liptak writes, “The majority opinion did not disturb bans on direct contributions to candidates, but the two sides disagreed about whether independent expenditures came close to amounting to the same thing.”⁷⁹ An independent expenditure is a “political activity intended to assist or oppose a specific candidate for office which is made without their cooperation, approval, or direct knowledge, and most commonly, this takes the form of advertising.”⁸⁰ In future U.S. elections, the role of independent expenditures will increase greatly now that corporations are free to advertise and communicate their support or scorn for certain Federal candidates. In addition to corporations, the Supreme Court Ruling also applies to profit or non-profit incorporated organizations such as charities, and specifically public foundations that have become incorporated. For example, the Rockefeller Brothers Fund was incorporated in 1940,⁸¹ and the Rockefeller Family Fund was incorporated in 1967.⁸² “The Rockefeller Family Fund is not a private foundation, but is a public charity, (since a re-filing with the IRS in 1992), which means it can not only give out grants from its own funds, but it can also solicit and receive donations from other sources and funnel that money to recipient groups.”⁸³ Under the ruling of

the Citizens United v. Federal Election Commission case, the Rockefeller Family Fund would also be allowed to fund political advertisements that endorse or criticize a certain candidate for elective office.

4.6 Foundations and wealthy families

Many of the largest tax-exempt foundations in America have been created by entrepreneurial families that became very wealthy through the success of their corporate business ventures.

These included:

Rockefeller Foundation (Standard Oil)

Ford Foundation (Ford Motor Co.)

Duke Endowment (Duke family fortune)

John A. Hartford Foundation (Great Atlantic and Pacific Tea)

W.K. Kellogg Foundation (Kellogg Cereals)

Carnegie Corporation (Carnegie Steel)

Alfred P. Sloan Foundation (General Motors)

Moody Foundation (W.L. Moody's oil, realty, newspapers, and bank holdings)

Lilly Endowment (Eli Lilly Pharmaceuticals)

Pew Memorial Trust (Sun Oil Co. or Sunoco)

Danforth Foundation (Purina Cereals) 84

Within a trust, a grantor can also be a trustee that controls the assets and expenditures of their trust. When the grantor is a trustee, this individual can also evaluate and select who will receive funding from the trust, though they cannot be the benefactor themselves. It is important to reiterate that under trust law, the grantor as a trustee cannot also be a direct benefactor of their trust. However, when a trust has multiple trustees, a secondary trust within the initial trust can be established, so that the trustees may receive payment as a benefactor from a portion of the trust

for their fiduciary service of distributing a portion of the trust to other indeterminate beneficiaries. In many cases, the establishment of a tax-exempt foundation is used as a legal loophole that allows the grantor to protect their wealth and future income so that they do not pay various taxes. Take for example the Ford Motor Co., and the wealth of the Ford family. The Ford Foundation, was “incorporated in Michigan in 1936, it held assets from the estates of Henry Ford, Sr., and his son Edsel Ford, finally receiving tax-exempt status from Washington in 1950.”⁸⁵ The transfer of the Ford family’s wealth into a tax-exempt foundation was quite advantageous in not only protecting the initial transfer of their assets from taxation, but it also exempted the annual future earnings and investments made on these initial assets. In regards to this we read:

The Special Committee to Investigate Tax Exempt Foundations reported in 1954, ‘The Ford Foundation affords a good example of the use of a foundation to solve the death tax problem, and, at the same time, the problem of how to retain control of a great enterprise in the hands of a family. Ninety percent of the ownership of the Ford Motor Co. was transferred to the Ford Foundation, created for the purpose. Had it not been it was almost certain that the family would have lost control.’⁸⁶

In 1954, Norman Dodd, the Director of Research for the Reece Committee reported that “the capital resources of the Ford Foundation approach or may exceed, \$500,000,000, and that its income approximates \$30,000,000, each year.”⁸⁷ This legal strategy to avoid paying certain taxes was not uncommon, and Norman Dodd found that there were many foundations established for this purpose. Various wealthy families, who owned a large percentage of the stock in their companies, transferred their stock ownership into their own self-created foundations where it was protected from taxation but still under their control. Any investments made by the foundation would then be tax-exempt under the classification of being a charitable organization, yet the extensive majority of the revenue acquired from these investments would return to the family that controlled the foundation.

It was not until 1969, that a U.S. Federal law was introduced to place an excise tax on the earnings made by the investments through the foundation. “Under the Federal Tax Reform Act of 1969, which resulted from the fourth and most recent congressional examination of the foundations, these grant-making organizations are required to pay a 4, [now increased to 5] percent federal excise tax on their earnings and are restricted as to certain new gifts and pay-out requirements.”⁸⁸ However, as mentioned earlier, this excise tax is insignificant if a foundation can use its administration and operating expenses to count towards the requirement to pay this tax. This tax does not subtract much from the net profit being made by the foundation, and a foundation can still own the shares of a corporation, and often the earnings on corporate shares have a greater return than 5 percent.

The tax benefit of having the majority of the stock ownership of a corporation placed within a foundation thwarts fair competition and the potential rise of other business competitors. A corporation with the majority of its stock and earnings held within a tax-exempt foundation has much lower operating costs than other corporations. Without a level playing field in terms of taxation, how can there be meaningful free market competition?

In 1961, Texas Representative Wright Patman, the Chairman of the House Select Committee on Small Business, “began a study of questionable practices by foundations and turned that study over to his committee for completion in 1962.”⁸⁹ Patman’s investigation found that the companies held within the tax-exempt foundations were putting companies out of business that did not have tax-exempt protection. William McIlhany, who interviewed Norman Dodd, and several top foundation executives, summarizes the findings of Patman’s report:

The reason Patman’s small business committee was concerned about the foundations was that so many of them were unfairly benefiting from, in effect, tax-subsidized competition with private enterprise. Not only were foundations controlling tremendous market power

by their majority holdings of major corporation stock, as well as serving as tax-escaping reservoirs for stock being unloaded by related corporations, but the report cited instances of business lost by private firms because nonprofit organizations were able to compete more effectively by offering the same goods and services at cost. The protected agencies were not just keeping pounds of flesh from the IRS; they were putting others out of business. In St. Paul, Minnesota, three family foundations were buying service stations from major oil and industrial concerns and then leasing them back to their former owners. The big corporations sought this arrangement because it amounted to a safe way to use the market value of their assets as capital while at the same time not risking the loss of it. The venture capital thus made available increased the ability of those corporations to expand their markets and resources against the strength of smaller competitors. I would have nothing but respect, if not good wishes, for this approach in a free market economy. This time, however, somebody's untaxed dollars were provided to squeeze out somebody else who had only taxable dollars. 90

Even after 1969, with the placement of an excise tax, Wright Patman stated, “It is because of the existence of foundations that only one-third of the income of the nation is actually taxed.”⁹¹ Patman found that large portions of corporate earnings were circumventing the payment of Corporate Income Tax by having the majority of the corporation owned by a tax-exempt foundation that was created by the corporation. When a corporation operates within the tax-exempt status of a foundation, it then gains an unfair market advantage over other corporations that pay taxes, forcing them from the market. A tax-exempt foundation is a *trust* that establishes, “a permanent combination for the purpose of controlling the production, price, etc., of some commodity or the management, profits, etc., of some business.”⁹² In dissecting the term ‘foundation,’ we further read:

‘Foundation’ is a misleading term; Webster calls it an endowment, but a foundation is really a trust which Roget states is a ‘syndicate’. If instead of Rockefeller Foundation, we were to say Rockefeller Syndicate, we would be much closer to the truth. 93

The word *syndicate* denotes the operation of a *cartel*— which is, “An international syndicate or *trust* that aims at monopolistic control of a particular market.”⁹⁴ Therefore, there might be cases where the term ‘tax-exempt foundation’ would be more appropriately classified as a, ‘tax-exempt syndicate’ or ‘tax-exempt cartel.’ With this in mind, the Rockefeller Foundation is a perfect example of how the fiduciary role of the foundation is used to preserve the operations of a tax-

exempt syndicate or cartel so as to obtain a monopoly within the market, and thwart the presence of competition as outlined by Congressman Wright Patman in 1967:

Congressman Wright Patman, chairman of the House Banking & Currency Committee, proved in 1967 Hearings that 14 Rockefeller foundations held assets of more than \$1 billion in Standard Oil stock. Not only did they pay no tax on this stock, but it gave them permanent control over the family owned firm. Rival financiers could not buy control of Standard Oil because its stock was insulated by foundation ownership. As Patman pointed out, the fact that the Rockefellers escaped paying huge sums in taxes gave them an unsurpassed market advantage over other firms which had to pay normal rates of taxation. The agitation for increased 'corporate taxation' adds to Rockefeller's advantage. Patman said, 'The Foundations are the best investment the Rockefeller family could have made.'⁹⁵

As Congressman Wright Patman had explained in regards to the Rockefeller Foundation, by having the majority ownership of your business held within a tax-exempt foundation, your wealth remains protected from a variety of taxes. Secondly, when the stock ownership of a corporation is held by a tax-exempt foundation, other companies cannot buy out this stock, and tax-exempt foundation only pays a small excise tax on its net income, while other companies that are not held by a foundation must pay the standard corporate income tax rate. When a wealthy family creates a foundation, the same family can also create a public charity, and a portion of the earnings from their foundation can be given as a grant to their public charity. Grants received by individuals are taxable, but grants when received by a public charity are not taxable.⁹⁶ "The public charity must also control the selection of the grantee, although the selection need not be completely independent of the private foundation."⁹⁷ The grantor and trustees of the foundation cannot be direct benefactors of their trust, but they can be paid for their administration and management service of their public charity. Hence, a grant from the foundation that is given to the charity that is not taxed is used partly for paying the same individuals for administering their public charity. The income that the family members receive as salaries for their management and administration service of their charity is taxable under income tax, but they can receive a tax

deduction for any donation from this income that they give back to their own public charity, “to the extent of 50% of their adjusted gross income (AGI).”⁹⁸

There are many honest and sincere tax-exempt organizations that use their funds for the public good. However, there are some people who use private foundations and public charities as tax shelters. By using tax-exempt foundations in this way, the Rockefellers have been able to protect their wealth, and expand their ownership over an enormous amount of companies throughout the world. Over the years, the Rockefellers have created a plethora of tax-exempt foundations, and the amount of wealth that the Rockefeller family has transferred into these various foundations is utterly astounding. On September 2, 1974, the NEWSWEEK magazine reported that the Rockefeller Family has transferred and allocated most of its fortune into “well over 100 and perhaps 200 individual Rockefeller trusts.”⁹⁹ Some of these interlocking tax-exempt foundations are listed below as follows:

Rockefeller Family Fund

Rockefeller Brother Fund

Martha Baird Rockefeller Fund for Music

Laura Spelman Rockefeller Memorial Fund [Merged with Rockefeller Foundation in 1928]

John D. Rockefeller III Fund

Rockefeller Institute

Standard Oil (Indiana) Foundation

Esso Education Foundation

American International Foundation for Economic and Social Development

China Medical Board

Agriculture Development Council

Government Affairs Foundation

Sealantic Fund

Jackson Preserve, Inc.

Council on Economic and Cultural Development

Chase Manhattan Bank Foundation 100

4.7 Preliminary investigations of the foundations under the Cox Committee

In 1954, “The Special Committee to Investigate Tax Exempt Foundations,” conducted a formidable examination of the Rockefeller Associates and its various tax-exempt foundations. Listed in **Figure 4.4**, is page 690 of the Committee’s report, and on this page it shows that the very first four tax-exempt foundations established by John D. Rockefeller, Sr., were the Rockefeller Institute for Medical Research in 1901; the General Education Board in 1903; the Rockefeller Foundation in 1913; and the Laura Spelman Rockefeller Memorial Fund in 1918. Moreover, it was to these four foundations that John D. Rockefeller, Sr. gave a total of \$446,719,371.22. In **Figure 4.5**, the report states that the General Education Board existed from 1902-1953, and reading **Figure 4.5**, from page 691, the report shows an example in which the General Education Board gave \$87,154,319.33 to universities and colleges for ‘whites,’ and \$18,191,328.39 to colleges and schools for ‘Negroes.’ Further donations are listed under **Figure 4.6**, pages 700-701 of the report, which list donations to other educational organizations and “educational fields,” including the University of Chicago, and up to 1953, the total donations given to all Universities, Colleges and schools was \$270,750,694. In **Figure 4.4** and **Figure 4.5**, we read that the Laura Spelman Fund existed from 1918-1928, which after it was merged with the Rockefeller Foundation. **Figure 4.6** shows that as of 1929, John D. Rockefeller, Sr. had given \$241,608,359.74 to the Rockefeller Foundation, and the expenditures for the foundation from May 22, 1913, to December 31, 1952, consisted of the total of \$458,337,605. Moreover, in **Figure 4.6**, page 701 of the report states in regards to the Rockefeller Foundation, “As of

December 31, 1952, its assets were \$167,890,851.75 and its income for that year was \$16,893,519.

The amount of money that the Rockefeller family has allocated to their foundations is considerable. In the 1950's, \$446 million amounted to a significant fortune, and this is only counting the total assets of four foundations. In addition to these four foundations, the Rockefellers have created many others as well, and even though each foundation appears to be separate from the other, all of the tax-exempt foundations are centrally managed as one whole investment unit, and operate as one gigantic trust.¹⁰¹ The reason why the Rockefellers have so many different tax-exempt foundations is because each one of them is used to purchase and own an extensive portion of stock within the same company. If the majority of all the stocks in almost all major corporations in America were registered as being owned by one group of persons or a single entity, there undoubtedly would be much concern expressed in the U.S. Congress that a dangerous monopoly has developed. The Rockefellers have been accused of using, "these family-controlled institutions in an organized, concerted way,"¹⁰² so as to buy up stock within a company under the various names of the different tax-exempt trusts, which merely appear as both different and separated shareholders. The final outcome is that the Rockefellers end up gaining control and ownership over the company, because they own the majority of the shares of the company, and once the Rockefellers have deployed their various foundations to gain a majority stock ownership of the company, they then install a Rockefeller Family representative to be the Director of the company. A prime example of this strategy was outlined by Texas Representative Patman in regards to the stock ownership of Mobile Oil, and "the assets held by Rockefeller-related organizations as of 1966."¹⁰³ This example is listed under **Figure 4.7**.

Figure 4.4 The total contributions of the Rockefeller Foundation in 1918

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TAX-EXEMPT FOUNDATIONS

THE ROCKEFELLER FOUNDATION—GENERAL
EDUCATION BOARD

INTRODUCTION

The first of four philanthropic agencies created by John D. Rockefeller, Sr., was the Rockefeller Institute for Medical Research in 1901; the second was the General Education Board, limited to the promotion of education within the United States and its Territories, established in 1903; the Rockefeller Foundation, 1913; and the Laura Spelman Rockefeller Memorial established in 1918 in memory of his wife. His total gifts to each of these were:³⁰

The Rockefeller Institute for Medical Research.....	\$60, 673, 409. 45
General Education Board.....	129, 209, 167. 10
The Rockefeller Foundation.....	182, 851, 480. 90
The Laura Spelman Rockefeller Memorial.....	73, 985, 313. 77
Total.....	446, 719, 371. 22

NOTE.—In 1928 the Laura Spelman Rockefeller Memorial was consolidated with the Rockefeller Foundation, with the exception of 1 or 2 specialized functions, which did not fit into the foundation's program and which were transferred to a new organization called the Spelman Fund of New York along with \$10 million to carry on its work. This fund has since been liquidated, as has the General Education Board (on Dec. 31, 1953, when all its funds were entirely distributed).

One other agency in this field—the International Education Board, to which he gave \$20,050,947.50—was created by John D. Rockefeller, Jr., in 1923, because of the charter limitations of the General Education Board. At this point it should be noted that the total of half a billion dollars represented by the total of all Mr. Rockefeller's gifts, is not the grand total of expenditures by his various agencies—it is merely the principal to which must be added approximately the same amount in income, which these agencies have also distributed, or yet have to distribute.

REARRANGEMENT OF ACTIVITIES

The General Education Board carried on activities in the field of education from 1902 to the end of 1953, but the Rockefeller Foundation itself did not become active in the field of education for some years after it was established, except to the extent that its work in the medical, health, and agricultural fields may be considered educational.

The Laura Spelman Rockefeller Memorial operated only during the decade 1918–28, and the International Education Board was in existence from 1923–38.

1928–29 report

Pages 3–6: In the board's report that year, referring to the various Rockefeller agencies, is stated that it was becoming evident that the line between the activities of each was not clearly marked, resulting in doubts on the part of the public as to the respective fields, and a duplication of time and expense in the presentation of the same projects to two or more of the boards. A committee was appointed to study the situation and to decide how the work might be carried on in closer and more clearly defined cooperative relations. It recommended that a new corporation, the Rockefeller Foundation, be created, into which would be merged the former Rockefeller Foundation and the Laura

³⁰ Story of the Rockefeller Foundation, Raymond B. Fosdick, p. ix.

Figure 4.5 The contributions to medical education by the Rockefeller Foundation

TAX-EXEMPT FOUNDATIONS

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Spelman Rockefeller Memorial. A further recommendation was extension of the scope of the new foundation to embrace as a major function—

the advancement of knowledge in—

- (1) the medical sciences,
- (2) the natural science (taking over the program in foreign countries of the International Education Board),
- (3) the social sciences (formerly carried on by the Laura Spelman Rockefeller Memorial), and
- (4) the humanities;

and the appointment of a director and staff for each of these fields.

The final recommendation was division of the field of education in the United States between the Rockefeller Foundation and the General Education Board, along definitely determined lines. The net result of this was to create two Rockefeller agencies: The Rockefeller Foundation, a broad and general operation; and the General Education Board with activities limited to the promotion of education in the United States.

According to this, "education" would fall into the orbit of the board and "research" into that of the foundation. In the case of an undertaking which embraces both objectives, the deciding factor was the principal one, if the motive was education then it was a board activity—if research a foundation activity.

The board from that time dealt chiefly with institutions rather than with learned societies or research agencies. Also, it did not sponsor individual research projects after that time except in educational psychology and the educational processes that fell within its designated fields. Thus, the exclusive activities of the board after that related chiefly to college education, public education and the processes of education, the application of art to industry, and aid in accounting methods and administration.

That year also the board withdraw from the field of medical education because it felt that its part in the endeavor had been completed. During the period 1913 to June 20, 1929, the board had contributed a total of \$87,154,319.33 to universities and colleges for whites, and \$18,191,328.39 to colleges and schools for Negroes, exclusive of any projects carried on in such institutions with board funds.

Figure 4.6 The total assets of the Rockefeller Foundation in 1929

SUMMATION

Based on the foregoing:

1. The board contributed large sums of money to projects in the educational field.
2. In the course of its activities the board has made grants to the American Council on Education, National Education Association, and

³⁶ 1927-28 annual report.

TAX-EXEMPT FOUNDATIONS

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the Progressive Education Association and others in the following amounts:

Universities, colleges, and schools in the United States.....	\$257,157,581
For adult education.....	50,000
American Council on Education.....	4,841,005
Columbia University ¹	(7,607,525)
Cooperative test service, Education Records Bureau, graduate record, college entrance examination board.....	3,483,000
Lincoln School of Teachers College ¹	(6,821,104)
National Citizens Commission for the Public Schools.....	150,000
National Education Association.....	978,312
Progressive Education Association.....	4,090,796
Teachers College ¹	(11,576,012)
University of Chicago ¹	(118,225,000)
Total.....	270,750,694

¹ Grants to these institutions are included in amount shown for universities, colleges, and schools.

THE ROCKEFELLER FOUNDATION

ESTABLISHMENT, PURPOSES, ASSETS

As mentioned in the section dealing with the board, the foundation was the last agency created by Mr. Rockefeller which is still in existence. The amounts and dates of his gifts to the foundation³⁷ were:

1913.....	\$34,430,430.54
1914.....	65,569,919.46
1917.....	25,765,506.00
1917.....	5,500,000.00
1918.....	1,000,000.00
1919.....	50,438,768.50
1926.....	37,000.00
1927.....	109,856.40
Subtotal.....	182,851,480.90
1929³⁸.....	182,851,480.00
Total.....	³⁹241,608,359.74

The foundation's affairs are under the direction of a board of 21 trustees, elected for 3 years, and its charter⁴⁰ states as its purpose "To promote the well-being of mankind throughout the world."⁴¹ As of December 31, 1952, its assets were \$167,890,851.75 and its income for that year was \$16,893,519. Both principal and income may be spent.

According to the information filed with the Cox committee⁴¹ by the foundation, its expenditures from May 22, 1913, to December 31, 1952,⁴² were:

For land, buildings, and fixed equipment.....	\$48,232,370
For endowment and capital funds.....	70,003,956
For current support of institutions, agencies, projects, and fellowships.....	340,101,279
Total.....	458,337,605

For 15 years after its creation the foundation placed its major emphasis on public health and medical education, although a division

³⁷ This term will be used in this section to refer to the Rockefeller Foundation.

³⁸ Funds from the Laura Spelman Rockefeller Memorial.

³⁹ Annual report for 1952 gives \$316,220,594 as received from donors.

⁴⁰ Incorporated by special act of New York State Legislature, 1913.

⁴¹ And incorporated in annual report for 1952, latest available.

⁴² Does not include expenditures of Laura Spelman Rockefeller Memorial prior to consolidation.

Figure 4.7 The Mobil Oil shares held within foundations created by the Rockefellers as of 1966

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The possible picture that might emerge is even clearer in another Patman report, which lists Mobil Oil assets held by Rockefeller-related organizations as of 1966: [8]

Foundation	Mobil Oil Shares	Market Value
Rockefeller Foundation	600,000	\$28,050,000
Rockefeller Bros. Fund	404,832	\$18,925,896
Sealantic Fund, Inc.	3,601	\$35,908
Sleepy Hollow Restorations	34,000	\$1,589,500
Colonial Williamsburg	142,000	\$6,620,750
China Medical Board of N.Y.	17,000	\$731,000
Rockefeller Institute	1,090	\$46,870
Totals	1,202,523	\$55,999,924

[8] U.S. House of Representatives, Select Committee on Small Business. Subcommittee Chairman's Report. Tax Exempt Foundations and Charitable Trusts: Their Impact on Our Economy. Washington, 1968.

4.8 Probing the Rockefeller Fortune

In 1974, two professors from the University of California presented an expository report to Congress. This report showed that the Rockefellers & Associates manage their various tax-exempt foundations as a centralized unit to gain majority stock ownership within companies, and that this has enabled the Rockefellers to gain monopolistic control over a number of corporations. This report was presented during the Congressional Hearings for the nomination of Nelson Rockefeller as Vice President under U.S. President Ford. In regards to this report, Professor C. Schwartz writes:

In August 1974, Richard Nixon resigned as President of the United States of America and Vice President Gerald Ford ascended to that position. One of Ford's earliest responsibilities was to nominate a new Vice President of the country: and he named Nelson Rockefeller. This led to a series of hearings in the Congress, before his ultimate confirmation. Those Congressional hearings provided a significant opportunity for public exploration of an old philosophical question: What is the true and proper role of private family wealth in this avowedly democratic nation? None could be more relevant than the family of the Rockefellers. The original John D. Rockefeller, a business genius active from the late 1800's to the early 1900's, created the (in)famous Standard Oil Company and became the icon of American capitalism, to be revered or damned by later generations.

When the confirmation hearings reached the House (the Senate having proceeded quickly), two professors from the University of California were invited to present their study on the extent of the Rockefeller family's ongoing influence in America's economic life at this later epoch. Their report, "Probing the Rockefeller Fortune", was summarized and discussed in the official transcript of the Hearings ["Nomination of Nelson A. Rockefeller to be Vice President of the United States," Hearings before the Committee on the Judiciary, House of Representatives, Ninety-Third Congress, Second Session, December 2, 1974, (Serial No. 45) pages 717-772]; but, somehow, the text itself was not reproduced in those archives. 104

During the hearings for the 'Nomination of Nelson Rockefeller to be Vice President of the United States,' Professor G. William Domhoff, and Professor Charles L Schwartz presented their report titled, "Probing The Rockefeller Fortune," which focused particularly on the Rockefeller Chase Manhattan Bank, and on the investment agency, 'Rockefeller Family & Associates.' Their report showed that Rockefellers have obtained a monopoly that operates as an

interconnected network of companies. Each company within this network has extensive stock ownership in all the other companies of the same network; each company within the network has a Director that also works for Rockefeller Family & Associates; and an undetermined amount of the stock for each company is held in trust at Chase Manhattan Bank. ¹⁰⁵ Moreover, the Rockefeller Family manages their “fortune out of the headquarters on the 56th floor of 30 Rockefeller Plaza, New York City; fifteen employees of the family working out of this office, have been indentified on the boards of Directors of nearly 100 corporations over a number of years; these include many of the advanced technology ventures usually associated with brother Laurance Rockefeller, but there are also many large well established corporations. Their combined assets add up to 70 billion dollars.” ¹⁰⁶

The report presented to Congress by Domhoff and Schwartz is quite overwhelming, especially when reading the page-after-page summary that lists the names of all the corporations that are under the control of Rockefeller Family. The ramifications of the report are stark – the Rockefellers either directly owned or indirectly controlled almost every major U.S. corporation, placing the entire productive forces of the United States at their disposal. Hence, Rockefeller Family & Associates embodied the military-industrial-complex, for they were an integral component that fused the interests of industry, scientific research, and the state into to one unit. Given the economic clout this position represents, the confirmation of Nelson Rockefeller as Gerald Ford’s Vice President was a foregone conclusion.

In their report, Professor Domhoff describes in particular how many U.S. corporations appear to be separate and distinct entities, even competitors. However, appearances are deceiving – companies are nested within one another like Russian dolls, with even the most diverse firms under a single ownership. In relation to this, Domhoff cites The International Basic Economy

Corporation, a small company that was started in the late 1940's by Nelson Rockefeller. IBEC was set up so as to first invest in, and then buy up other small fledgling corporations and private businesses. By the 1970's, IBEC had become an enormous conglomerate with multiple interlocking directories and subsidiaries. From the outset, this conglomerate appeared to only have a miniscule affiliation with Nelson Rockefeller, because the ownership of stock in IBEC that is registered in his name is very small. However, in 1974 the Chairman of IBEC was also an employee who worked for the Rockefellers, and the remaining majority of the IBEC stock is held in trust at Chase Manhattan Bank, owned by the Rockefellers. In regards to this Professor Domhoff writes:

Because trust funds render the ownership of major corporations to the realm of speculation, questioning of Nelson A. Rockefeller about his and his family's trust funds should be detailed and precise. It could begin with the case of International Basic Economy Corporation, one of the large companies mentioned earlier as having on its board J. Richardson Dilworth of Rockefeller Family & Associates.

The International Basic Economy Corporation was founded in 1947 by Nelson Rockefeller to make investments in a variety of South American enterprises, including poultry raising, supermarkets, housing, agribusiness, and textiles. Beginning with a mere \$3 million from the Rockefeller brothers, and \$21 million from Standard Oil companies, IBEC today is a multinational conglomerate worth several hundred million dollars. It now has interests in the United States, Canada, Western Europe, Africa, and Asia as well as South America.

J. Richardson Dilworth is chairman of IBEC. Rodman Rockefeller, Nelson's son, is the president. Among its directors are Robert Purcell, a Rockefeller family employee, and Louise Boyer, a special assistant to Nelson Rockefeller. Members of the Rockefeller family own a majority of the common stock. It would thus be of interest to learn why Nelson Rockefeller would claim that the only company where his family has strong economic influence is the Rockefeller Center.

Even more important than this possible oversight on Mr. Rockefeller's part is the nature of his relationship to IBEC. He is listed by the company as an owner of a very considerable minority of the common stock, but he disclaims any controlling relationship to it. Questioning about the three different trust arrangements for his stock might lead to insight into the relationship of ownership and control in large corporations, for here is a "Rockefeller" company if there ever was one, and yet Nelson Rockefeller, its founder, disclaims any influence within it.

Perhaps the most intriguing of Mr. Rockefeller's IBEC trusts is the large IBEC stock trust beneficially owned by him but held "of record" by Chase Manhattan Bank. This trust links Nelson Rockefeller and IBEC directly to the financial policies of the Chase Manhattan Bank, and thus opens the Chase as an even more immediate area of concern in considering the economic power of Nelson Rockefeller than did the already-cited

involvement of Rockefeller Family & Associates, Rockefeller Center, Rockefeller Brothers Fund, and David Rockefeller in this giant, world-wide banking concern. 107

Within this same report, Professor Schwartz provides a long list of U.S. companies whose majority of stock is owned by the Rockefeller Family, and whose Directors are also employees of the Rockefellers. Listed on the following pages is a partial excerpt from the report, and the list of companies and their interlocking directories. Professor Schwartz writes the following:

By conducting a rather extensive library search I have been able to identify fifteen representatives of the Rockefeller family - employees working out of the office, "Room 5600", at 30 Rockefeller Plaza - and the large number of corporate Boards of Directors they have sat on over a number of years. These findings are listed below.

(Sources: Marquis' Who's Who, over many years; Dunn & Bradstreet's Million Dollar Directory; Standard & Poors Register and other business reports; Moody's business manuals; The Wall Street Journal; The New York Times; Annual reports and stock prospectuses by various corporations; various newspaper, magazine, or other articles, found by chance, which give clues to what names one should search for in the abovementioned sources.)

Representatives of the Rockefeller Family and the
Corporate Directorships They Have Held Over Many Years

Louise A. Boyer: Director of International Basic Economy Corp. (IBEC) since 1953. This company was founded by Nelson Rockefeller and Ms. Boyer's principal occupation is listed by the company as "Assistant

to Nelson A. Rockefeller."

Reginald G. Coombe: A Director (through 1966) of
National Bank of Westchester
U.S. Borax & Chemicals
First New Haven National Bank

Peter O. Crisp: Identified with RF&A since early 1960's; a Director of
International Basic Economy Corp.
New England Nuclear Corp.
Crum & Forster
Clarcan Petroleum

J. Richardson Dilworth: Identified with RF&A since 1958; a Director of
Rockefeller Center
R.H. Macy
International Basic Economy Corp.
Chase Manhattan Bank
Diamond Shamrock
Chrysler
Selected Risk Investments, S.A., Luxembourg
Omage Fund
Youngstown Sheet & Tube

Carbon Limestone
 United Nuclear
 Picklands Mather
 Rockwell Mfg.
 Commonwealth & European Investment Trust
 Provident Loan Society
 Trans America Overseas Finance

Dilworth was President of Rockefeller Brothers, Inc., the predecessor organization to RF&A, and is described in some current newspaper articles as the head of RF&A.

George L. Hinman: Identified as special counsel to the Rockefeller brothers since the early 1960's; a Director of
 International Business Machines Corp.
 New York Telephone Company
 Lincoln First Banks
 First City National Bank of Binghamton, N.Y.
 Security Mutual Life Insurance
 IBM World Trade Corp.

Warren T. Lindquist: Identified with Rockefeller & Associates and also as David Rockefeller's aide, as executive vice president of the Downtown-Lower Manhattan Association, Inc., in 1967; also a Director of Laboratory for Electronics in 1963.

John E. Lockwood: Identified as the close personal and legal adviser to the Rockefeller brothers; a partner in the law firm of Milbank, Tweed, Hadley & McCloy; also a Director of
 Greenwich Savings Bank
 Rockefeller Center
 Rockefeller Brothers, Inc.
 National Bank of Westchester
 International Basic Economy Corp.

Randolph B. Marston: Identified with RF&A since late 1950's. Deceased 1970. Was a Director of
 Scantlin Electronics
 Cutler-Hammer
 Aircraft Radio
 Stavid Engineering

Robert W. Purcell: Identified as "Consultant" to RF&A since late 1950's; A Director of
 C.I.T. Financial Corp.
 International Minerals & Chemicals
 Investors Group
 Investors Mutual Fund of Canada
 Investors International Mutual Fund, Ltd.
 Manhattan Fund
 Paribas
 Agricultural Insurance Co.
 Bendix
 Caneel Bay Plantations
 Seaboard World Airlines
 S.S. Kresge
 Chemway
 International Basic Economy Corp.
 Industrial & Mining Development Bank of Iran

Anelex
 Pakistan Industrial Credit & Investment
 Investors Syndicate of Canada
 Hemisphere Fund
 Basic Resources International, S.A.
 Mauna Kea Beach Hotel Corp.

Carl E. Siegesmund: Identified as a representative of the Rockefeller family on the Board of a bank in 1960; a Director of National Bank of Westchester Merchants Fire Assurance of N.Y. Merchants Indemnity Corp.

Charles B. Smith: Identified with RF&A since 1961; a Director of

AVX Ceramics
 Ventron
 Thermo Electron
 Intel
 Aerovox
 Fansteel
 Electronic Specialty
 Plasmachem
 Coherent Radiation

M. Frederik Smith: Identified with RF&A since 1965; a Director of Mallinkrodt Chemical Works Howard Johnson Perini Corp. American Motors Americal Capital Life Insurance Scantlin Electronics

Theodore C. Streibert: Identified as a member of the business staff of Nelson and Laurance Rockefeller 1957-60; during which time he was a Director of Ward Baking Co.

Theodore F. Walkowicz: Identified with RF&A since 1952; a Director of Evans & Sutherland Computer Corp. GCA Corp. Itek CCI-Marquardt National Aviation Iomec Mitre Riverside Research Institute Scantlin Electronics (Quotron Systems) Cerro Poccantico Oil & Gas Cryonetics FMA Corp. Mithras, Inc. Thiokol Chemical United Nuclear U.S. Borax & Chemical Safetran Systems Airborne Instruments Laboratory, Inc.

Vertol Aircraft
Cornell Aeronautical Laboratory

Harper Woodward: Identified with Laurance S. Rockefeller and with RF&A since 1946;
a Director of
Eastern Airlines
Itek
GCA Corp.
CCI-Marquardt
General Applied Science Laboratories
James Talcott, Inc.
Mithras, Inc.
Thermo Electron Engineering Corp.
Flight Refueling Corp.
Nuclear Development Corp. of America
Dorado Beach Hotel Corp.
Airborne Instruments Laboratory, Inc.
Aircraft Radio, Corp.
Stavid Engineering
Vertol Aircraft

This list adds up to 118 Directorships in 97 different companies. There may of course be other people and other companies tied to RF&A which were not discovered in this search; there are indications that at least some of the Family's representatives keep their "Rockefeller" label obscured from general view.

Thus, T.F. Walkowicz is listed on the Board of The Mitre Corp. as President of National Aviation Corp. M. Frederick Smith is listed as a Director in the annual reports of American Motors Corp., with only the identification, "Business Consultant, New York, New York." George L. Hinman joined the Board of Directors of IBM Corp. in 1963 and the company's annual report for that year contains the statement that he is "special counsel to the Rockefeller brothers"; however, ever since that year he is listed in the company's annual reports simply as being with the law firm of Hinman, Howard & Kattall in Binghamton, New York. This appears to be especially disingenuous in view of Mr. Hinman's recent disclosure that in 1960 he "closed his law practice to become Rockefeller family counsel, which remains his sole source of livelihood today." (Article published in the San Francisco Chronicle, October 28, 1974 page 8.)

In the course of this research a number of other people, not on the above list, were found who could plausibly be guessed to have acted as Rockefeller representatives on some corporate Boards. These people were members of law firms, investment houses, and individuals with a history of close association with Rockefeller affairs. However, lacking any documentary evidence that these people were in fact representatives or employees of the Family, they have not been listed here.

From the entire list of corporations above, on which we have identified Rockefeller Family representatives on the Board of Directors, there are about 40 which are current. (By "current" we mean as of 1972 or 1973, reflecting data contained in the most recently published business reference books.) This current set includes many very large corporations:

Corporations with over \$1 billion in assets or annual sales (as tabulated by FORTUNE magazine for 1973) with an RF&A representative on the Board

American Motors	Eastern Airlines
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Bendix	I. B. M.
Chase Manhattan Bank	S. S. Kresge
Chrysler	Lincoln First Banks
C. I. T. Financial	R. H. Macy
Crum & Forster	

The combined assets of all these corporations is about \$ 70 billion. This picture of Rockefeller Family's active presence in the world of big business is quite different from that which is most commonly projected -- namely, that brother David is the Chairman of the Chase Manhattan Bank and the other brothers have their own hobbies, rather unconnected to the arena of high finance. 108

4.9 Conclusions of the report by Domhoff and Schwartz

The report presented by Domhoff and Schwartz raised concerns about the extent to which the Rockefellers had controlling interests in U.S. corporations and used their tax-exempt foundations mainly as a legal loophole to not pay certain taxes . However, both professors were surprised by the lack of concern expressed by government officials in regards to the potential ramifications of their report. It appeared that the U.S. Federal government was quite apprehensive to any investigation that would more closely examine the activities of tax-foundations or the widespread economic influence of the Rockefellers. Domhoff believed that this reluctance to investigate was due to the fact that the previous investigations under the Reece Committee were highly disruptive, having upset many powerful wealthy people. An additional investigation would only cause further alarm within this group threatening to disrupt the unhindered operation of their foundations. Moreover, the government depends on the partnership and security of these same powerful individuals and their companies to support economic growth, as well as guarantee

the supply of raw resources, the funding for research of new technologies, and even the execution of military defense contracts. Domhoff came to the conclusion that the U.S. Federal government had become interlocked with and dependent upon many of the Rockefeller controlled corporations and financial institutions. This represented an apex in the relationship between big government and big business in America, whereby the prevailing interests of The White House where also the prevailing interests of Wall Street.

Chapter 5: Further investigation of the tax-exempt foundations

5.1 Investigation of the foundations by the Reece Committee

By organizing a well-crafted public relations campaign, the tax-exempt foundation can make itself appear as a benevolent, even virtuous organization dedicated to improving the wellbeing of the general public. During his investigations, Congressman Wright Patman obtained evidence that many of the large tax-exempt foundations attempt to make themselves appear as innocuous and trustworthy entities to the public through deliberately misleading media representations. For example, McIlhany quotes from Texas Representative Wright Patman's 1962 Congressional report that the, "Ford Foundation spent as much as 10 percent of their income on self-serving public relations,"¹⁰⁹ and many times both the Ford Foundation and the Rockefeller Foundation would supply generous donations to various media outlets in return for favorable press coverage. Michael Barker has outlined how tax-exempt foundations such as the Ford Foundation receive favorable representation throughout most of the media because of the substantial donations of the Ford Foundation to American media. Barker writes:

Only after reviewing the historical links between liberal foundations, the US government, the intelligence community and the mass media, it is possible to really appreciate the ideological allegiances of the liberal foundations. Therefore, it is perhaps shocking to observe that the Ford Foundation "used to be the single largest source of contributions to public television" and during its "early years, Ford grants literally kept the system alive" (Powell & Friedkin, 1983, 418). In fact, between 1951 and 1977 the Ford Foundation alone supplied over \$292 million to public broadcasting (Magat, 1979, 181-2).¹⁴ Lashner (1976,531) notes that, "most experts admit that foundation support has shaped the cause of the [Public Broadcasting] System to a position it would otherwise not have been able to attain."¹¹⁰

When examining the public presentation of the foundations, Mullins has wrote, "From the outset, American foundations have exhibited a twofold image –in front is the tireless do-gooder who balks at nothing if it serves a good cause. But behind him are the evil conspirators who are intent on preserving and increasing their wealth and power."¹¹¹ Despite this misleading

appearance, there have been a few astute U.S. Congressmen that were not fooled by this duplicity, and felt compelled to investigate the activities of the tax-exempt foundations. In particular, these Congressmen were concerned that in addition to the convenient scheme of tax-avoidance, many of the large tax-exempt foundations were being used by their initial founders and trustees to influence public opinion, and promote various political goals and policy agendas.

The first attempt to investigate the activities of tax-exempt foundations was implemented under “the Congressional Act of August 23, 1912, when the Commission on Industrial Relations studied labor conditions and the treatment of workers by the major U.S. industrial firms.”¹¹² The investigation first scrutinized, “labor conditions and the treatment of workers by the major U.S. industrial firms, and eventually examined the foundations, which were interlocked with them.”¹¹³ Though this investigation did not unveil any precise details about the foundations’ activities, it presented some general conclusion serious concerns about the threat that that the enormous power and wealth controlled by tax-exempt foundations posed for the constitutional freedoms of the American people, and the preservation of the constitutional republic. Future Supreme Court Justice Louis D. Brandeis was among those voicing these concerns, which are quoted below by Mark Rich.

During the commission hearings, future Supreme Court Justice Louis D. Brandeis testified on January 23, 1915, that he was seriously concerned about the emerging danger of such a concentration of power. He said, ‘When a great financial power has developed...which can successfully summon forces from all parts of the country...to carry out what they deem to be their business principle...[there] develops within the State a state so powerful that the ordinary social and industrial forces existing are insufficient to cope with it.’¹¹⁴

Similar conclusions were also made by Basil Manly, the director of the Commission of Industrial Relations. His recommendation was that tax-exempt foundations should be abolished.

“Control is being extended largely through the creation of enormously privately managed funds for indefinite purposes, hereinafter designated ‘foundations’” declared Mr. Basil M. Manly, director of research for the commission. The commission’s report concluded that, “As

regards the 'foundations' created for unlimited general purposes and endowed with enormous resources, their ultimate possibilities are so grave a menace...[that] it would be desirable to recommend their abolition."¹¹⁵

Despite these recommendations, the foundations were not abolished, and their power continued to expand. It was not until the early 1950's that another group of Congressmen felt compelled to investigate the vast political influence held by the foundations.

The second investigation by Congress into the foundations was organized by Democrat Congressman Eugene Cox of Georgia. "The Cox committee was formed on April 4, 1952, and was required to complete its work by January 1, 1953, i.e., at the start of the new congressional session."¹¹⁶ Unfortunately, this time constraint hindered the committee's ability to gather sufficient evidence, and conduct thorough interviews of important individuals from various foundations. However, one startling find during the course of the investigation was that the Rockefeller Foundation and Carnegie Foundation were donating enormous sums of money to the American Council of the Institute of Pacific Relations, a policy group used by the Soviet Union to infiltrate the U.S. State Department. The main focus of the investigation first started with examining the activities of the American Council of the Institute of Pacific Relations, a policy group established in 1925.¹¹⁷ Many members of both the U.S. Senate and Congress had become suspicious, "that much of the Roosevelt-Truman foreign policy that led to the fall of mainland China to the Communists was deliberately calculated to produce that result,"¹¹⁸ and these foreign policies were based on recommendations from the American Council of the Institute of Pacific Relations. The investigations found that the IPR was a front for the Communist Party to implement Communist policy, and also that IPR was being funded by tax-exempt foundations, which led the Cox Committee to conclude that some charitable foundations such as the Rockefeller Foundation were, "using their resources for un-American and subversive activities."¹¹⁹ The amount of donations made by certain foundations to the IPR is quoted by

McIlhany, from the U.S. Congress, Senate, Internal Security Subcommittee, *Institute of Pacific Relations, Report*, 82nd Congress, Second session, 1952. The report states:

In the 26 years from 1925 through 1950, total receipts amounted to \$2,569,000, an average of about \$100,000 a year. Of this total, 48 percent came from the Rockefeller Foundation and the Carnegie Corp., 40 percent from national councils, 9 percent from sales of publications, 3 percent from miscellaneous sources. The American IPR contributed 29 percent of the total receipts, the British and Canadian council 2 percent, and the Japanese council 1 percent. Thus the United States sources including foundations, supplied 77 percent of the organization's income. If grants to the American IPR are included, the contribution of the Rockefeller Foundation and the Carnegie Corp, to the work of the IPR through 1950 totals \$2,176,000. In 1950 the Rockefeller Foundation voted a new grant of \$50,000 to the international institute and \$60,000 to the American IPR.

The American Institute of Pacific Relations derives its funds from membership subscriptions, gifts from individuals and corporations, and grants from foundations. From 1925 through 1950 its total net income was \$2,536,000, of which 50 percent came from foundations (chiefly the Rockefeller Foundation, Carnegie Corp. and Carnegie Endowment), 33 percent from individual and corporate contributions, 12 percent from sales of publications, and 5 percent from miscellaneous sources. Leading contributors to the American IPR today included the Standard-Vacuum Oil Co., International Business Machines Corp., International Telephone & Telegraph Co., Electric Bond and Share Co., and the Rockefeller Bros. Fund., Lever Bros. (London) is a major contributor to the international IPR. 120

Despite the Cox Committee findings, there were no attempts made by the Federal government to abolish these particular foundations, or at least monitor their activity. This failure to respond made some members of the Cox Committee very upset, one of them chiefly being, Republican Congressman Carroll Reece of Tennessee. Congressman Reece was adamant that further investigations should be conducted into the affairs of tax-exempt foundations, especially the Rockefeller Foundation. He believed that it behaved as a ruthless opportunist, exploiting conflicting ideological systems to pursue and achieve its own global agenda. He suspected that the activities and ultimate goals of the Rockefellers ranged beyond their business interests. First of all, why would the Rockefeller Foundation donate money to the IPR? Why would a foundation established from the fortunes amassed in a capitalist economy donate money to an ideological adversary of capitalism such as a communist front organization? One hypothesis is that the donations made by the Rockefeller Foundation were simply a payoff to the Communist

Party to maintain uninterrupted business operations of Rockefeller-owned Standard Oil within Soviet Russia. In regards to this partnership, Ralph Epperson writes:

After the Nobel family fled Russia following the Russian Revolution, Lenin gave three oil boring concessions to three major oil companies: Standard Oil Company; the Comparrre Oil Company of New Jersey, formed by W. Averill Harriman; and Royal Dutch Shell. In addition to the oil concessions, Standard Oil received a concession to build a 150,000 ton kerosene plant, capable of producing 100 octane gasoline. Standard Oil concluded a deal with the Communists to market Russian oil in European Markets. These efforts in the oil industry have paid off, as today Russia is the world's largest petroleum producer. 121

However, Congressman Reece believed that even this did not completely explain the purpose and goals of the Rockefeller Foundation.

Soon after the end of the Cox committee investigation Congressman Reece launched another investigation by a House Resolution passed in July 1953, called, 'The House of Representatives Special Committee To Investigate Tax-Exempt Foundations And Comparable Organizations.' It was this investigation that became the third and most substantial investigation into the activities of U.S. tax-exempt foundations. Congressman Reece suspected that the foundations were acting together in concert with each other to achieve the same goals. 122 Reece set out to find a scrupulous investigator who could review the history and records of the prominent foundations. He selected Norman Dodd, charged with delivering a report to the Reece Committee. Not surprisingly, the evidence found by Norman Dodd troubled many of the committee members. The basic conclusion of these findings was similar to what Professor Carroll Quigley summarized when he wrote:

The powers of financial capitalism had a far-reaching (plan), nothing less than to create a world system of financial control in private hands able to dominate the political system of each country and the economy of the world as a whole. 123

A portion of these 'far-reaching plans' were first revealed from the notes taken during meetings held by the Carnegie Endowment for International Peace. The Carnegie Corporation was incorporated in 1911 by Andrew Carnegie and Elihu Root. 124 In his book, *The Tax-Exempt*

Foundation, the author William H. McIlhany interviews Norman Dodd who recounts how the Reece Committee's legal analyst Kathryn Casey was able to gather records from Carnegie Endowment during the "first years of the Endowment after 1910, and the years from 1917 to 1920."¹²⁵ When examining these records, Norman Dodd found that the initial purpose for establishing Carnegie Endowment was to infiltrate the U.S. Department of State and involve the United States in a major world war, resulting in the military alliance and foreign policy partnership between both the U.S. and Great Britain.¹²⁶ The first step to achieve this goal was the Endowment's effort to force the entry of the United States into the World War I. After this was achieved, the purpose of the Endowment was to promote aggressive American intervention – often military – as a means of developing an international 'league of nations' for the purpose of sustaining global peace, and the eventual development of a world government.¹²⁷ An extract of William McIlhany's interview with Norman Dodd is listed as follows:

[In the minutes, about 1911] the trustees raised a question. And they discussed the question and the question was specific, 'Is there any means known to man more effective than war, assuming you wish to alter the life of an entire people?' And they discussed this and at the end of a year they came to the conclusion that there was no more effective means to that end known to man. So, they raised question number two, and the question was, 'How do we involve the United States in a War?'

And they raised the question, 'How do we control the diplomatic machinery of the United States?' And the answer came out, 'We must control the State Department. At this point we catch up with that we already found out, and that was that through an agency set up by the Carnegie Endowment every high appointment in the State Department was cleared.

Finally, we are in war. These trustees in a meeting about 1917 had the brashness to congratulate themselves on the wisdom of their original decision because already the impact of war had indicated that it would alter life and can alter life in this country. This was the date of our entry in the war; we were involved. They even had the brashness to dispatch a telegram to [President] Wilson, cautioning him to see that the war did not end too quickly.¹²⁸

In regards to this testimony provided by Norman Dodd, William McIlhany writes, "It is important to remember that the [Carnegie] endowment supported U.S. entry into the war, not for any patriotic purpose, but so that the war would provide an excuse for, if not necessitate, Andrew

Carnegie's goal of British-American regional government.”¹²⁹ It was in 1910, that Andrew Carnegie had established Carnegie Endowment with a donation of \$10 million,¹³⁰ and “he selected 28 trustees who were leaders in American business and public life.”¹³¹ In 1910, Carnegie appointed Elihu Root as the first president of Carnegie, a role he served until 1925. Elihu Root believed that in order to cement a political alliance between the United States and Great Britain, the U.S. Department of State would have to be guided by enlightened individuals who would direct U.S. foreign policy. The potential advantages of directing the Department of State were familiar to him, since he served as “Teddy Roosevelt's Secretary of State from 1905 to 1908.”¹³² Even after he was no longer Secretary of State, Elihu Root still exercised influence in directing U.S. foreign policy so that it was in alignment to the political policy interests' of Carnegie Endowment. McIlhany states:

The first president of the endowment was Theodore Roosevelt's secretary of state, Elihu Root. Later a U.S. Senator and Nobel Peace Prize recipient, Root was probably the most influential trustee at this time. Others were Nicholas Murray Butler, who succeeded Root as endowment president until 1945, John W. Foster (another former secretary of state), Senator John Sharpe Williams, and Pilgrim Society leader Joseph H. Choate. Certainly it is known that Root was in sympathy with the continuation of the First World War, a goal prominent in the endowment trustee records. Senator Root wrote to President Woodrow Wilson's close advisor for ‘an international system’ to enforce any settlement terms.’

Colonel House wrote back on August 23, telling Root that he had discussed his letter with Wilson and that he did ‘not believe there would be much difficulty in bringing about our minds in harmony upon some plan’ for a ‘Community of Nations.’¹³³

Even though Carnegie Endowment and Rockefeller Foundation had attempted to influence the policies of the Department of State, public opinion in the US still opposed intervention. The foundations recognized the difficulty of changing this attitude. Many people believed that further cooperation and alliances with Britain was foolish, considering that they were the enemy that tried to recapture the U.S. during the war of 1812. There was also much public disfavor and suspicion of the League of Nations, which was perceived as a foreign and elitist organization that

would supersede the United States Constitution and interfere with America's national sovereignty. Moreover, many Congressmen and Senators shared these anxieties, and they refused to support United State's entry into this international organization. This opposition and the failure of the League of Nations are highlighted by Kelly-Kate Pease when she writes:

The League of Nations embraced the idea of collective security where international security is directly tied to the security of member states. Second the League established as a norm the peaceful settlement of disputes through such nonviolent measures as mediation, negotiation, arbitration, and adjudication. Third, the League was founded to foster international cooperation in the economic and social realms. The ideas of the League were both novel and innovative. They were also heavily influenced by American values, as one of its principle architects was President Woodrow Wilson. Ultimately, however, the U.S. government chose not to join the organization—a decision that is widely considered to have compromised the League's effectiveness during the interwar period. ¹³⁴

The trustees of both Carnegie Endowment and the Rockefeller Foundation realized that the failure to alter people's opinions, and convince the American public to embrace a more 'internationalist' perspective with a global system of government was an ideological obstacle that had to be removed. The official notes of the trustee meetings for Carnegie Endowment that were reviewed by Norman Dodd, and presented to the Reece Committee had shown that the trustees shared this perspective. ¹³⁵ Furthermore, the Reece Committee found that the trustees of Carnegie Endowment wanted to change the terms of the foreign policy debate in the popular media, and alter the subject matter of the educations programs within the school system. ¹³⁶ Among the attitudes that were to be challenged were: The preservation of the United State's autonomy and its national sovereignty; the historical relevance of American independence and its war with Britain; The primacy of the U.S. Constitution to protect one's freedom and liberty, and the Constitution's limitations over the exercised powers of the Federal government; and the centrality of Judeo-Christian moral values. In reference to these goals, William McIlhany quotes

Norman Dodd's review of the post –World War I notes of the trustee meetings of Carnegie Endowment.

The war was over. Then the concern became, as expressed by the trustees, seeing to it that there was no reversion to life in this country as it existed prior to 1914. And they came to the conclusion that, to prevent a reversion, they must control education. And then they approached the Rockefeller Foundation and they said, 'Will you take on the acquisition of control of education as it involves subjects that are domestic in significance? We'll take it on the basis of subjects that have an international significance.' And it was agreed.

'Then, together, they decided the key to it is the teaching of American history and they must change that. So, they then approached the most prominent of what we might call American historians at that time with the idea of getting them to alter the manner in which they presented the subject.'

The minutes further showed, says Dodd, that the Carnegie trustees, upon encountering resistance from established historians, set about "to build their own stable of kept historians, and they even got a agreement working with the Guggenheim Foundation to grant scholarships to their selected candidates who were seeking graduate degrees...The extent to which the Carnegie trustees were able to build their stable of submissive historians is significant...Though encountering resistance at first, this group succeeded gradually in capturing more influence in the American Historical Association and Affiliated circles. 137

5.2 The attempts to rewrite history, modify education, and the funding of Eugenics

Within Norman Dodd's testimony, it is also important to note when he mentions that the Carnegie Endowment and Rockefeller Foundation approached certain prominent historians "to alter the manner in which they presented the subject." One particular historian that was asked by the foundations to assist in altering the content of education was historian Charles Beard. Furthermore, McIlhany writes, "Dodd says the [Carnegie] endowment trustees approached outstanding scholars like socialist Charles A. Beard, but were met with firm refusals. Beard later spoke of pressure coming from these same circles of influence to discourage historians from criticizing established lines of foreign policy."¹³⁸ The historian Charles Beard was aware that the Rockefeller Foundation did not want any dissenting historians or investigative journalists to write of the Rockefellers extensive involvement in both World War I and World War II, and how the Rockefellers and their foundation funded most of the National Socialist eugenics programs.

The science of Eugenics is the study of how to control and engineer humans and their society to achieve some form of predetermined goal or idealized perfection. In elucidating the foundations interest in funding eugenics research, Russell Marks writes that certain wealthy elites of the world were interested in how the application of technology, genetic engineering, and certain institutions could be used to control and direct the humans to serve as obedient subjects.

Marks writes:

Philanthropic foundations actively supported the eugenics reform and what might be called eugenic social engineering. While eugenic reform sought to control and modify the genetic makeup of the human race, eugenic social engineering sought to design institutions to fit the genetic makeup of the individual. Philanthropists especially promoted eugenic reform through their support of the eugenics movement, which sought the dual goals of increasing superior human stock and decreasing or eliminating undesirable human strains. In seeking both goals, philanthropists and eugenicists assumed that reliable information was available about the nature and correct treatment of individual differences. 139

Moreover, in regards to the funding provided by the Rockefeller Foundation to advance social eugenics, Leonard Horowitz quotes the German scholar Stephan Kühl, who wrote that the Rockefeller Foundation funded the German eugenics programs even though the research was conducted by the Nazis.

In 1918, German psychiatrist Emil Kraepelin founded the Institute of Psychiatry in Munich, which was taken over by the Kaiser Wilhelm Society in 1924. Ernst Rüdin, later director of the Institute of Psychiatry, headed the Department of Genealogy and Demography. This department—the core of the Institute—concentrated on locating the genetic and neurological basis of traits such as criminal propensity and mental disease [along with social psychology and herd mentality]. In 1928, the Rockefeller Foundation donated \$325,000 for the construction of a new building. The funding of the Institute in Munich was a model that other American sponsors followed. Ironically, the Institute continued to be supported by the money of the Jewish philanthropist James Loeb until 1940.

The actual building of the Kaiser Wilhelm Institute for Anthropology, Eugenics, and Human Heredity in Berlin was also partially funded by money from the Rockefeller Foundation....The Institute concentrated on a comprehensive project on racial variation as indicated by blood groups, and on twin studies, coordinated by Otmar Freiherr von Verschuer. When several financial problems threatened to close the Institute during the early years of the Depression, the Rockefeller Foundation kept it afloat. At several points, the Institute director, Eugen Fischer, met with representatives of the Foundation. In March 1932, he wrote to the European bureau of the Foundation in Paris, requesting support for six additional research projects. Two months later, the Rockefeller

Foundation answered affirmatively. The Foundation continued to support German eugenicists even after the National Socialist had gained control over German science. 140

In addition to funding eugenic programs, the Rockefellers also profited greatly by selling oil to Germany during World War II, for it was the “Rockefeller-owned Standard Oil Company that shipped oil to the Nazis through Spain all throughout the war.”¹⁴¹ The sale of oil to Nazi Germany was treason, but the Rockefellers were never prosecuted. In order to keep their activities hidden, the Rockefellers had to dictate the narrative of these wars to conceal the evidence of the Rockefeller’s treason and war profiteering. The historian Charles Beard wrote:

The Rockefeller Foundation and Council on Foreign Relations intend to prevent, if they can, a repetition of what they call in the vernacular ‘the debunking journalistic campaign following World War I.’ Translated into precise English, this means that the foundation and the council do not want journalists or any other persons to examine too closely and criticize too freely the official propaganda and official statements relative to our ‘basic aims and activities’ during World War II. In short, they hope that, among other things, the policies and measures of Franklin D. Roosevelt will escape in coming years the critical analysis, evaluation and exposition that befell the policies and measures of President Woodrow Wilson and the Entente Allies after World War I. 142

In addition to records showing that the foundations had made attempts to locate compliant historians that would produce contrived historical narratives, Norman Dodd also found records showing that the Carnegie Endowment approached the Rockefeller Foundation to assist in controlling American education. As some scholars have pointed out, “For many years the five Carnegie foundations have been mere appendages of the Rockefeller Foundation,”¹⁴³ and subsequently, it is the much larger Rockefeller Foundation that ultimately directs the goals carried out by Carnegie. The ‘Dodd Report to the Reece Committee on Foundations,’ provided a summary of key areas in which these tax-exempt foundations were providing grants to fund informational programs, and various institutions and research groups that would influence and modify the ideological content of American education. In his report Norman Dodd states:

Likewise, they seemed to reveal that grants had been made by Foundations (chiefly by Carnegie and Rockefeller) which were used to further this purpose by:

Directing education in the United States toward an international viewpoint and discrediting the traditions to which it formerly had been dedicated.

Training individuals and servicing agencies to render advice to the Executive branch of the Federal Government.

Decreasing the dependency of education upon the resources of the local community and freeing it from many of the natural safeguards inherent in this American tradition.

Changing both school, and college curricula to the point where they sometimes denied the principles underlying the American way of life.

Financing experiments designed to determine the most effective means by which education could be pressed into services of a political nature. 144

Moreover, within this same report, a formidable number of research groups are named, which were found to have received substantial funding from both Carnegie and the Rockefeller Foundation to promote a new way of thinking within American education. These groups include: The League for Industrial Democracy; The Progressive Education Association; The American Historical Association; The American Council of Learned Societies; The National Research Council; The Social Science Research Council; The American Council on Education. 145 When summarizing, the ideological objectives and values that the foundations desired to instill within the American education system, Norman Dodd states the following:

Its product is apparently an educational curriculum designed to indoctrinate the American student from matriculation to the consummation of his education. It contrasts sharply with the freedom of the individual as the cornerstone of our social structure. For this freedom, it seems to substitute the group, the will of the majority, and a centralized power to enforce this will—presumably in the interest of all. Its development and production seems to have been largely the work of those organizations engaged in research, such as the Social Science Research Council and the National Research Council. 146

In summary to what Dodd found, the foundations wanted to influence and modify American education so that it would shape people into being more receptive and obedient to centralized authority, and consent to the unhindered intrusion of increased social, economic and political control. The foundations wanted American education to alter its ideological presentation of

values so that they would undermine and reject the necessity of the Constitutional limitations on the exercised powers of the Federal government, and the Constitution's preservation of freedom and liberties for the individual. In contrast to more traditional values, the new education would promote an identity within the shared collectivity of the group, whose benefits are received for their service to the will of the state that is embedded within some form of global intergovernmental organization.

5.3 The control over the media

Not only did the Rockefeller Foundation assist the Carnegie Endowment in manipulating the education system, but the Rockefeller Foundation also agreed in conjunction with the Ford Foundation to deploy their financial resources in order to gain ownership and control over the American media. This attempt to gain influence over the media was addressed in 1917, by U.S. Congressman Oscar Callawayx, who reported to Congress that J.P. Morgan and Rockefeller associates had formed a partnership to exercise control over American newspapers. At the time, Callawayx added these statements to the Congressional Record:

In March, 1915, the J.P. Morgan interests, the steel, shipbuilding, and powder interests, and their subsidiary organizations, got together 12 men high up in the newspaper world and employed them to select the most influential newspapers in the United States and sufficient number of them to control generally the policy of the daily press of the United States.

These 12 men worked the problem out by selecting 179 newspapers, and they began, by an elimination process, to retain only those necessary for the purpose of controlling the general policy of the daily press throughout the country. They found it was necessary to purchase the control of the 25 greatest papers. The 25 papers were agreed upon; emissaries were sent to purchase the policy, national, and international, of these papers; an agreement was reached; the policy of the papers was bought, to be paid for by the month; an editor was furnished for each paper to properly supervise and edit information regarding the questions or preparedness, militarism, financial policies, and other things of national and international nature considered vital to the interests of the purchasers.

This policy also included the suppression of everything in opposition to the wishes of the interests served. 147

Even though Norman Dodd had gathered evidence that indicated the foundations had attempted to exert influence over the American education system, he underestimated the degree and measure of control that the foundations had managed to attain over the media. The Reece Committee had heard an extensive amount of damaging testimony as well as evidence taken from the records of the foundations, revealing that trustees were using their tax-exempt foundations in an attempt to influence and reengineer American society. However, during the course of the investigation, none of the startling findings and conclusions presented to the Reece Committee were reported and published in the major American newspapers. On the contrary, the media was relentless in attacking the Reece Committee, and many newspapers stigmatized the investigation as a waste of time, and often conveying this opinion without even offering an explanation to the public as to the purpose of the investigations. Moreover, it was most ironic that many of the major newspapers such as the New York Times, which were most critical in complaining that there should not be any committee investigations of the tax-exempt foundations then had the audacity to, “attack the committee for halting the hearings” that had tried to investigate the tax-exempt foundations. ¹⁴⁸ In regards to this antagonism expressed towards the investigations of the Reece Committee by the major newspapers, Carroll Quigley writes:

The Eighty-third Congress in July 1953 set up a special Committee to Investigate Tax-Exempt foundations with Representative B. Carroll Reece, of Tennessee, as chairman. It soon became clear that people of immense wealth would be unhappy if the investigation went too far and the “most respected” newspapers in the country, closely allied with these men of wealth, would not get excited enough about any revelations to make the publicity worthwhile, in terms of votes or campaign contributions. ¹⁴⁹

This special partnership between the American news media and the prestigious tax-exempt foundations cannot be overlooked. Once again as mentioned earlier, U.S. Congressman Oscar Callaway had found that J.P.Morgan interests had made efforts to buy and control the major American newspapers as early as 1915. One would assume that the foundations earned favorable

consideration for their policy positions through their generous funding to all the major media outlets. However, a closer partnership of collusion could be established if many of the trustees of the tax-exempt foundations were also on the Board of Directors for the respected newspapers and broadcasting agencies. On June 1991, David Rockefeller acknowledged this relationship in a lecture he presented to a meeting of The Trilateral Commission. Within this address David Rockefeller declared:

We are grateful to The Washington Post, The New York Times, Time Magazine and other great publications whose directors have attended our meetings and respected their promises of discretion for almost forty years. It would have been impossible for us to develop our plan for the world if we had been subject to the bright lights of publicity during those years. But, the work is now much more sophisticated and prepared to march towards a world government. The supranational sovereignty of an intellectual elite and world bankers is surely preferable to the national autodetermination practiced in past centuries. 150

In this speech, David Rockefeller admits that without the compliance of the media, it would have impossible for him, and other like-minded individuals to establish their ‘plans for the world.’ Moreover, in his book, *David Rockefeller: Memoirs*, he admits that he has attempted to build a new global and economic structure that would undermine the United States. On page 405, he states:

Some even believe we are part of a secret cabal working against the best interests of the United States, characterizing my family and me as ‘internationalists’ and conspiring with others around the world to build a more integrated global political and economic structure—one world, if you will. If that is the charge, I stand guilty, and I am proud of it. 151

Most of the American media and news agencies, as well as a substantial portion of the international media and news agencies are controlled by an interlocking network of corporate conglomerates and tax-exempt foundations that are owned by a small group of wealthy families. The most important of these families are the Morgans, Rockefellers, Rothschilds, and Bertelsmanns. Many who are part of the Board of Directors for the major American broadcasting

corporations belong to these same families, and many of the high-level employees who are not related to these families are still ‘associates’ that represent the families interests. In 1993, the Board of Directors for ABC, CBS, and NBC were comprised of the following coterie of individuals with extensive links to these same families and their foundations:

NBC is a subsidiary of RCA. [Note, in 1919, RCA was formed from the partnership of G.E., Westinghouse, and Morgan Guaranty And Trust as a British Intelligence centre for MI6... 152] In 1993, the NBC directors were John Brademas, a director of the Rockefeller Foundation; Peter G. Peterson, former head of Kuhn Loeb & Company (Rothschild), and a former Secretary of Commerce; Robert Cizik, chairman of RCA, and of First City Bancorp, which was indentified in Congressional testimony as a Rothschild bank; Thomas O. Paine, president of Northrup Co (the big defence contractor) and the director of the Institute of Strategic Studies in London; Donald Smiley, a director of two Morgan Companies, Metropolitan Life and US Steel; Thornton Bradshaw, chairman of RCA, director of the Rockefeller Brothers Fund, Atlantic Richfield Oil, and the Aspen Institute of Humanistic Studies. Clearly the NBC has considerable Rockefeller-Rothschild-Morgan influence.

Another American TV network, ABC, had on its board of directors: Ray Adam, director of J.P. Morgan, Metropolitan Life (Morgan), and Morgan Guaranty Trust; Frank Cary, chairman of IBM, and director of J.P. Morgan and the Morgan Guaranty Trust; Donald C. Cook, general partner of Lazard Freres banking house; John T. Conor of Kuen Loeb & Company (Rothschild) law firm, Gravath, Swaine and Moore, former Assistant Secretary of the Navy, US Secretary, US Secretary Of Commerce, director of Chase Manhattan Bank (Rockefeller/Rothschild), General Motors, and chairman of the J. Henry Schroder Bank and Schrodgers Inc, of London; Thomas M. Maciorce, director of Manufacturers Hanover Trust (Rothschild); George Jenkins, chairman of Metropolitan Life (Morgan) and Citibank (which has many Rothschild connections); Martin J. Schwab, director of Manufacturers Hanover; Alan Greenspan, chairman of the Federal Reserve, director of J.P. Morgan, Morgan Guaranty Trust, Hoover Institution, Time Magazine, and General Foods; Ulric Haynes Jr, director of the Ford Foundation and Marine Midland Bank (owned by the Hong Kong and Shanghai Bank). Again, we see the same Rockefeller-Rothschild-Morgan line-up on the board of the ABC network which, we are told, is independent of NBC. The ABC Company was taken over by Cities Communications, whose most prominent director is Robert Roosa, senior partner of Brown Brothers Harriman, which has close ties with the Bank of England. Roosa and David Rockefeller are credited with selecting Paul Volcker to chair the Federal Reserve Board.

Which brings us to CBS, the third of the ‘independent’ networks. Its financial expansion was supervised for a long time by Brown Brothers Harriman and its senior partner Prescott Bush who was a CBS director. CBS banks through the Morgan Guaranty Trust, and reports of CBS connections with CIA and British Intelligence are a legion among researchers. The CBS board included: William S. Paley, the chairman (for whom Prescott Bush personally organized the money to buy the company); Harold Brown, executive director of the Trilateral Commission, and former Secretary of the Air Force and Defence; Roswell Gilpatric from Kuhn Loeb & Comapany, and the law firm Cravath, Swaine, and Moore, and the former director of the Federal Reserve Bank of New York; Henry B. Schnacht, director of the Chase Manhattan Bank, the Council on Foreign Relations, the Brookings Institution, and the Committee for Economic Development; Michel C. Bergerac, chairman of Revlon, and director of Manufacturers Hanover Bank;

James D. Wolfensohn former head of J. Henry Schroder Bank, who has close links with the Rothschilds and the Rockefellers, (in 1995, Bill Clinton successfully nominated him to head the World Bank); Franklin A Thomas, head of the Ford Foundation; Newton D. Minow, the director of the Rand Corporation, and among many others, the Ditchley Foundation, which is closely linked with the Tavistock Institute in London and the Bilderberg Group. 153

In December 1995, CBS was purchased by Westinghouse Electric, which is the largest nuclear power plant manufacturer in the world, 154 while the second largest General Electric, is owned by J.P. Morgan and Company. A substantial portion of Westinghouse Electric's stock is owned by J.P. Morgan and Company, and in September 1995, Westinghouse Electric signed "loan agreements with the Chemical Banking Corporation and J.P. Morgan & Company to pay for Westinghouse's \$5.4 billion purchase of CBS Inc." 155 However, in 1996, the Chemical Banking Corporation merged with Chase Manhattan Corporation. 156 After this acquisition, in 2000, Chase Manhattan (owned by the Rockefellers), then acquired J.P. Morgan and Company, to then form, J.P. Morgan Chase & Co. 157 "The newly named J.P. Morgan Chase & Co. boasted assets totaling \$660 billion." 158 In 2004, J.P. Morgan Chase & Co. acquired Chicago-based Bank One, to become the new JPMorgan Chase & Co., and, "Following the takeover of Bank One, the newly named JPMorgan Chase & Co. –with total assets of more than \$1 trillion." 159

In 1996, The Walt Disney Company acquired the broadcasting group Capital Cities/ABC, which was then renamed and called ABC, Inc. 160 Moreover, in 2006, ABC Radio merged with Citadel Broadcasting, to form a new company called Citadel Communications. On February 2006, a statement prepared for Disney Shareholders read: "The Walt Disney Company (NYSE: DIS) and Citadel Broadcasting Corporation (NYSE: CDL) today announced that the Board of Directors of both companies have approved a definitive agreement to combine ABC Radio, which includes 22 radio stations and the ABC Radio Networks, with Citadel Broadcasting. The newly combined company, to be named Citadel Communications, will be the third largest radio

group in the United States, with a strong national footprint reaching more than 50 markets.”¹⁶¹ Then again in January 2009, the Walt Disney Company-ABC Television Group merged its ABC Entertainment and ABC Studios into a new unit ABC Entertainment Group.¹⁶²

In 1995, there was also a large-scale merger between Time Warner Inc. and Turner Broadcasting Systems, in which Time Warner purchased Turner for \$7.5 billion.¹⁶³ Furthermore, in 2000, this merger was surpassed when Time Warner Inc. was then purchased by America Online Inc. for “roughly \$182 billion,”¹⁶⁴ which then became, AOL Time Warner. While the American media remained preoccupied with the AOL/Time Warner merger in 2001, there was another significant large-scale media purchase in Europe, and this was the sale of the remaining stock of the RTL Group to Bertelsmann. Within Europe, the largest radio and TV broadcaster is the RTL Group, and for quite some time before the latter end of 2001, the stock ownership the RTL Group was divided between; Pearson which owned 22%, and Bertelsmann which owned 67%; and the remaining 11% held publically.¹⁶⁵ Pearson is the world’s largest publishing company, which owns companies such as Pearson Education, the Penguin Group, and the Financial Times. Moreover, the Financial Times owns fifty percent of the Economist Group, which owns the Economist news magazine. The other remaining half of the Economist Group is, “owned by private shareholders, including members of the Rothschild banking family of England, (Sir Evelyn de Rothschild was Chairman of the company from 1972 to 1989).”¹⁶⁶ In 1851, the Rothschilds purchased Reuters, which was their first major purchase of a news media company. Later on, Reuters then purchased the Associated Press in 1891, and currently at this time, both Reuters and Associated Press are the preeminent international news agencies from which almost all other news agencies derive their daily stories.

In December 2001, Bertelsmann purchased the other remaining 22% of the shares for the RTL Group from Pearson for \$1.3 billion.¹⁶⁷ In addition to this, Bertelsmann negotiated with the board of the RTL to allow Bertelsmann to buy the remaining 11% publically traded shares.¹⁶⁸ With the purchase of these remaining shares, Bertelsmann would then own the entire RTL Group; the largest TV and Radio Broadcaster in Europe. In addition to the acquisition of the RTL Group, more than 300 media companies are owned by Bertelsmann, and “its worldwide acquisitions have included the U.S. publishers Bantam Doubleday Dell and Random House.¹⁶⁹ Moreover, in 2005, Bertelsmann purchased Columbia House Co., “a membership-based seller of DVDs and music.”¹⁷⁰ Bertelsmann is a private business company owned by its family operated tax-exempt foundation. “Carl Bertelsmann founded the company in 1835, which started as a publishing house for the printing of books. His descendents, the Mohn Family, and their ‘Bertelsmann Stiftung Foundation’ own the business.”¹⁷¹ The Stiftung Foundation is a tax-exempt foundation that was established in 1977,¹⁷² by the Mohn Family who use the foundation to control the majority of the Bertelsmann stock. “Bertelsmann is not publicly listed, and is majority owned (76.9%) by the Bertelsmann Foundation, a non-profit organization and political think tank set up by the founding family Mohn.”¹⁷³ Bertelsmann Stiftung, also known as the Bertelsmann Foundation has been actively involved in promoting the idea of a centralized “one-world government.”¹⁷⁴ Moreover, the Bertelsmann Foundation and Prince Bernhard of the Netherlands,¹⁷⁵ have been some of the primary contributors for providing funding, and organizational support for the European faction of the Bilderberg Group, which also promotes similar political goals. The Bertelsmann Foundation also funds and operates its own intellectual political forum called the Global Policy Council.

In March 2009, the Bertelsmann Stiftung Global Policy Council organized a conference in Berlin, with the keynote address given by Helmut Schmidt and his companion Henry Kissinger. At this meeting both men called for the forceful establishment of a centralized, omnipotent one-world government, and that the European Union should lead the way in building this new world order. ¹⁷⁶ However, Ingrid Lohmann warns that this world government promoted by Bertelsmann Stiftung is one in which the European Union is used by the ruling plutocracy to eliminate any national government barriers that inhibit corporate ownership of all land, energy utilities, natural resources, and industry. Ingrid writes:

The activities of Bertelsmann Stiftung integrate the definition of public welfare into a new, dangerous and aggressive European policy in the interest of the corporations. In Bertelsmann Stiftung's new world order, only those who work towards an opening up of the markets for the corporations and vice versa can be seen as 'democratic'. By pushing forward into this direction, it is presently gaining an almost unlimited power of definition over the project of the civilian society. ¹⁷⁷

Further insight into the history of the Mohn family and the political goals of their Bertelsmann Foundation comes out of the fact that, "During World War II, Bertelsmann was the biggest single producer of Nazi propaganda. Furthermore, the owner Heinrich Mohn and his son Reinhard Mohn were both members of the SS." ¹⁷⁸ The *Encyclopedia Britannica* states, "During the Nazi period, it published books by Nazi authors such as Will Vesper (who did the commemorative speech at the 1933 book burning) and Hans Grimm. In 1947, the company was re-founded by Reinhard Mohn, fifth generation of the Bertelsmann family." ¹⁷⁹ It was Reinhard Mohn who then founded the Bertelsmann Foundation in 1977, promoting an extreme Eurocentric perspective. While Reinhard Mohn died on October 3, 2009, the goals of the Bertelsmann Foundation continue...

While highlighting the foundation's control and ownership of the popular mainstream media outlets such as ABC, NBC, CBS, and the RTL Group; and various magazines and newspapers

such as the New York Times, Forbes, News Week, the Economist, etc; it must be mentioned that the tax-exempt foundations also hold a considerable grip on the media that comes from the political Left. For over sixty years, the Ford Foundation has exercised immense control over the entire spectrum of the political Left within America. Michael Ruppert writes, “The Ford Foundation is actively involved in the funding of ‘progressive’ American media outlets, including Pacific Radio, FAIR, Progressive Magazine, and is indirectly involved in several other well-known progressive media oracles and pundits.”¹⁸⁰ This is most ironic considering that many of the publications, magazines, and radio shows that categorize themselves as the vanguard of critical discourse, and that denounce the misdeeds of corporations and capitalism; are in actual fact, totally dependent upon the funding and grants given to them from the tax-exempt foundations of both wealthy capitalists and transnational corporations. Without the continual supply of grants from the tax-exempt foundations, most of the political Left media within America would not be able to remain in existence. This dependency for funding from tax-exempt foundations has caused many of the political leftwing publications to diminish their radical fervor, and engage in a form of self-censorship so that they do not bite the hand that feeds them. The publications from the political Left provide a continual tirade of criticism against broad blanket subjects such as: the ambiguous bourgeoisie; the forces of imperialism; the strategies of neoliberalism; and the greedy corporations and their practices of exploitation. However, amongst all this ideological barking and critical theory, the publications of the political Left are mysteriously incapable of pointing out who are the ‘Real’ individuals and families that own the corporations, and operate the world monetary system; the system that profits from war, and planned commodity scarcity.

The continual reliance on the funding from tax-exempt foundations has created an artificial political Left that does not seek to expose and challenge anyone of key importance within the global-political-economic system. The investigative journalist Barrie Zwicker writes, “Judging by the journalism being offered (and not offered) by The Nation, FAIR, The Progressive, IPA, Mother Jones, AlterNet.org, and other recipients of the their funding, the big establishment foundations are successfully sponsoring the kind of ‘opposition’ that the US ruling elite can tolerate and live with.”¹⁸¹ Furthermore, the reliance on the Ford Foundation for funding cannot be brushed aside and excused by claiming that the Ford Foundation is truly a righteous ‘liberal’ foundation dedicated to helping progressive media, and expanding the works of discourse by various liberal intellectuals. Such claims are quite ignorant, considering that the Ford Foundation has also established and funded various rightwing authoritarian regimes in places such as Indonesia (Suharto, 1967-98)¹⁸² and Chile (1973-90). In 1973, it was the Ford Foundation that organized and funded the CIA program to install the rightwing authoritarian regime of General Augusto Pinochet, and it was the Ford Foundation that provided the funding that enabled the University of Chicago’s program to transport its conservative economic policy to Chile, which then overturned nationalization policies of Salvador Allende.¹⁸³ In exchange for placing Pinochet in power, the new puppet government allowed most of the former Chilean financial institutions and industries such as the national tire industry (INSA) and the main paper pulp industry (Celulosa Forestal Arauco)¹⁸⁴ to be sold to the foreign corporations. Even though the government of Chile still owns the Copper Corporation (Corporación del Cobre—Codelco), the world’s largest copper producer,¹⁸⁵ most of the nation’s resources were still privatized. In Chile, 100% of the potable water market is controlled by foreign private companies.¹⁸⁶

From what can be ascertained, the efforts of the Rockefeller Foundation, Ford Foundation, and Carnegie Endowment were closely coordinated to influence the content presented within the media and education system. These foundations wanted both American education and the mass media to present the same messages, political ideas, norms and social values. For example, as early 1930's the foundations created organizations integrating both education and the media.

Michael Barker writes:

In July 1930, just months prior to the establishment of NCER [the National Committee on Education], John D. Rockefeller, Jr. and the Carnegie Corporation formed the National Advisory Council on Radio in Education (NACRE). Then for the next few years NACRE received annual grants of \$20,000 and \$23,000 from John D. Rockefeller, Jr. and the Carnegie Corporation.

NACRE differed most significantly from NCER in their desire that educators should work with, not against, the two dominant commercial networks, the National Broadcasting Company and the Columbia Broadcasting Company. (McChesney, 1999,190). Henry Suzzalo, the education advisor for the Carnegie Corporation, explicitly noted that it was NACRE's task to ensure that 'radio under private ownership succeed in this country' which NACRE willingly helped along by 'undercutting the sentiment for broadcast reform in the educational community' and facilitating the broadcast networks infiltration oppositional groups associated with NCER. (McChesney, 1999, 209). 187

Barker further explains that by creating these organizations both of these systems of information within society could be more easily controlled by the tax-exempt foundations; and under the guidance of these overseeing bodies, the dissemination of the content from the systems of information could then be used to engineer the ideas and opinions of the American public.

Barker writes:

Indeed, Buxton (1994,168) concluded that the Rockefeller's involvement in communications research and policy in the 1930s indicates 'the degree to which a wealthy and powerful private philanthropy can shape, influence—and possibly even determine—the policy-formation process.'

Once the 1934 Communications Act came into effect, the Rockefeller Foundation rapidly began to 'broaden and deepen support for cooperation between educators and broadcasters' (Buxton, 1994, 155). Buxton notes that although this change appeared to be related to prior Rockefeller commitments, it actually represented a fundamental shift in the thinking of their Humanities Division, which was interested in promoting work that examined how popular media could be used to influence the 'masses' (1994, 155) According to Buxton (1994, 156) the person in charge of the execution of the

Rockefeller Humanities Program was the newly recruited assistant director, John Marshal (who worked alongside the program director, David H. Stephens. 188

Barker also outlines that “between 1939 and 1940,” the archives of the Rockefeller Foundation show that the Rockefeller Foundation funded a series of seminars called the “Communications Group or the Communication Seminar,” which discussed how education and the media should be used to manipulate people’s thinking and values in order for the state to achieve certain political and social goals. From these seminars came the slogan, “manufacturing consent,” which during the 1980s, was later used and popularized by Noam Chomsky. To this Barker notes:

Critically, the Communications Group acknowledged the need to develop ways in which to manufacture public consent for desired policy changes, noting in 1940 that: ‘Government which rests upon the consent, rests also upon the knowledge of how best to secure consent...Research in the field of mass communication is a new and sure weapon to achieve that end.’(cited in Buxton, 2003, 310). This is significant because even before the US had joined World War II, the Communications Group were laying the foundations for developing more effective ways to manufacture consent. (Glander, 2000, 47; for more on the manufacturing of consent, see Herman &Chomsky, 1988).

Christopher Simpson’s (1994, 9) examination of communication research in the US between 1945 and 1960, showed that after federal government grants, the ‘principle secondary source of large-scale communication research’ funding came from the large foundations like the Carnegie Corporation and the Ford Foundation, which ‘usually operated in close coordination with government propaganda and intelligence programs,’ (Simpson, 1994, 9) Media research funded by the Rockefeller Foundations from the late 1930s onward thus ‘laid the groundwork for a wide range of national security projects that were eventually absorbed by the state’ (Gary, 1996, 125 & 148). In fact, during the 1950s the Ford and Rockefeller Foundations’ activities were highly entwined with those of the CIA’s, and both were considered to be ‘conscious instruments of covert US foreign policy, with directors and officers who were closely connected to, or even members of American intelligence’ (Saunders, 1999, 138; Berman, 1983). 189

5.4 Foundations and the funding of research for intelligence programs

In addition to exercising control over the American media, both the Rockefeller Foundation, and the Ford Foundation provided extensive funding to the Central Intelligence Agency for various covert operations and research programs. 190 Christopher Simpson writes that between 1945 and 1960, “the major foundations such as the Carnegie Corporation, and the Ford Foundation, which were the principle secondary source of large-scale communication research

funding of the day, usually operated in close coordination with the government propaganda and intelligence programs in allocation of money for mass communication research.”¹⁹¹ The two foundations would often cover any shortfall of government funding for certain CIA projects. In accordance to the reoccurring theme of ‘manufacturing consent,’ both the Rockefeller Foundation and the Ford Foundation showed great interest in funding research that utilized technology to manipulate human cognition and behavior. They have provided funding support for some of the CIA’s most sinister research programs such as the nefarious MK-ULTRA, which studied the effects of various chemical and biological substances and the use of electronic implants for the purpose of mind control.¹⁹² With regard to the funding of these programs, Barker writes:

Although it is clear that the Ford Foundation played a strong system supportive role in the United States, Saunders (1999, 144) notes that the ‘convergence between the Rockefeller billions and the US government exceeded even that of the Ford Foundation.’ Former Rockefeller Foundation chairman, John Foster Dulles, and president Dean Rusk (1952 to 1960) went on to become secretaries of state; the Ford Foundation’s John J. McCloy served as a Rockefeller trustee; and Nelson Rockefeller provided an integral link to the CIA (Saunders, 199,144). Indeed, Nelson Rockefeller was ‘among the most prominent promoters of psychological operations, serving as Eisenhower’s principle advisor and strategist on the subject during 1954-55’ (Simpson, 1994) This helps explain why during the 1950s, the Rockefeller Foundation provided grants to the ‘CIA’s MK-ULTRA (or ‘Manchurian Candidate’) programme of mind-control research’ (Colby and Dennett, 1995, 265-266; Saunders, 1999, 144; also see Marks, 1979).¹⁹³

Hence, it appears that the wealthy elite and their foundations were not only interested in controlling the American education system and the media, but they were also interested in funding research that would develop various technologies to control people’s thoughts and behavior.

Chapter 6: The tax-exempt foundations and their influence within the government

6.1 Foundations and the policy-making institutions

Certain large foundations such as the Rockefeller Foundation and the Ford Foundation have had a profound influence in the development of society. Professor Robert Arnove writes that these same foundations have contributed in various ways to the creation and preservation of the materialistic consumer culture that is prevalent within United States.¹⁹⁴ The foundations have played a key role within the establishment of the American education system, the media, and the entertainment industry, and the foundations have been quite influential in directing some of the informational content that is presented within them. In addition to this cultural influence, the foundations have also gained a substantial amount of power and influence within various levels of the government. The foundations have obtained this influence within the government through the creation and funding of policy research groups, which have been highly influential within the foreign policy-making establishment in Washington. An overwhelming majority of the United State's foreign policy can be traced back in its origin to many of these same policy research institutions. Moreover, many of the senior government officials who finalize the direction of government policy, have also served as chairmen, trustees, or researchers for either a large foundation or policy group.

The close relationship between the foundations and the policy research institutions strongly suggests coordination or collusion, because most of the high-level personnel and secretarial positions within various U.S. administrations come from both of these groups. Even if one were to assume that there are no networks of outright collusion, and that there will always be

disagreements between the members of these groups; the members of these groups will still maintain similar fundamental interests and goals, because most of them are representative of the same class, and its social stratum of privilege and wealth. Professor Edward Berman writes that within the United States, the representation of a certain 'privileged' class of elites have always been present within the entire membership personnel of the foundations, the financial institutions, the large business companies, and the foreign policy research groups. These four groups are highly interconnected, and they are dependent upon one another for both funding and leadership support, and their members continually intermingle. Berman writes:

The decision-making stratum within the United States foreign-policy establishment historically has come from the upper-class backgrounds. The same is true of the major foundations. Those recruits not from upper-class backgrounds are subjected to powerful socialization processes, both through their university training and particularly through their work experiences. However, much debate takes place over foreign policy issues and particulars of foundations programs, it is doubtful if the debate seriously questions the underlying principles of American foreign policy of the system of state capitalism that this policy attempts to further. To put this another way: it is probable that, internal wrangling notwithstanding, the shared fundamental interests of foundation personnel and foreign-policy architects insures that the programs of the foundations are supportive of the long-range objectives of the foreign-policy establishment. This establishment has, since 1945, followed a policy that assures continued American access to overseas markets and sources of raw materials in independent nations characterized by stability and predictability. 195

When examining the origins and sources of influence upon the final policy-making decisions in Washington; professor Peter Phillips has wrote that it is through the prestigious foundations and their policy-making groups that the wealthy 'power-elite' fund and direct their own political agenda to benefit themselves. He writes:

The American ruling class has long been determined to be mostly self-perpetuating, maintain its influence through policy-making institutions such as the National Manufacturing Association, National Chamber of Commerce, Business Council, Business Roundtable, Conference Board, American Enterprise Institute, Council on Foreign Relations, and other business-centered policy groups. These associations have long dominated policy decisions within the US government. 196

These institutions such as the Brookings Institution, the American Enterprise Institute, the Council on Foreign Relations, the Hoover Institution, RAND Corporation, and the Committee for Economic Development, are extremely influential. They have exercised a prominent role by either creating the preliminary rough drafts for what eventually becomes U.S. government policy or by providing upon request, ‘expert advice’ that directly affects the final policy decisions made in Washington. Many of these policy-making institutions have been created by various wealthy families, industrialists and international bankers, and a large portion of the funding for these institutions has come from tax-exempt foundations. Before proceeding further, it should be clarified that there are many policy research institutions that conduct studies, and create policy recommendations on a wide variety of issues. A prime example within Canada would be the Canadian Centre for Policy Alternatives. One of their more recent and ongoing research studies has been the “Climate Justice Project.”¹⁹⁷ The Canadian Centre for Policy Alternatives provides policy advice and recommendations from their research studies, but it is not a policy-making institution that creates policy or makes policy decisions for the Canadian Federal government.

Within the United States things are much different, and there exists certain prominent institutions that do much more than just conduct studies and give policy advice. At times, these institutions will also directly make policy for the U.S. Federal government, and often these institutions receive a permanent contract to make defense policy for the U.S. Department of Defense or agriculture policy for the U.S. Department of Agriculture, and these institutions are integrated with each cabinet department that work together in making policy for the nation. Many of the unelected personnel from these intuitions make the decisive decisions for the implementation of a policy or regulation from the department. In 1954, the Congressional investigations conducted under the Reece Committee found that during World War II, Carnegie

Endowment and the Council on Foreign Relations were integrated with the U.S. Department of State. ¹⁹⁸ In regards to the CFR and Carnegie Endowment, the report from the committee states:

The Council on Foreign Relations came to be in essence an agency of the United States government, no doubt carrying its internationalist bias with it. When World War II broke out, it offered its assistance to the Secretary of State. As a result, under the Council's Committee on Studies, The Rockefeller Foundation initiated and financed certain studies on: Security and Armaments Problems; Economic and Financial Problems; Political Problems; and Territorial Problems. These were known as the War and Peace Studies. Later this project was actually taken over by the State Department itself, engaging the secretaries who had been serving with the Council groups. A fifth subject was added in 1942, through the "Peace Aims Group."

There was a precedent for this. The Carnegie Endowment had offered its services to the Government in both World War I and World War II. There was even an interlock in personnel in the person of Professor Shotwell and many others, some of whom proceeded into the executive and consultative office in the Government. There can be no doubt that much of the thinking in the State Department and much of the background of direction of its policies came from the personnel of The Carnegie Endowment and The Council on Foreign Relations. ¹⁹⁹

In addition to this interlock with the U.S. State Department, there are examples in which the trustees from the foundations make the decisions for U.S. government departments, and control the public's money for government spending. One such example is provided by Rene Wormser, who provided legal counsel to the Reece Committee. Wormser states the following:

The following list of social-science consultants serving the Research and Development Board of the Defense Department at one time (1953) illustrates the frequency with which foundation executives are appointed as "experts" controlling the expenditure of government funds in research:

Leland De Vinney	Rockefeller Foundation
John W. Lardner	Carnegie Corporation
Pendleton Herring	Social Science Research Council (formerly, Carnegie Corporation)
Williams C. Menninger	Menninger Foundation
J. A. Perkins	Carnegie Corporation
Don K. Price	Ford Foundation

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As with the example provided by Wormser, it would not be of much concern if individuals from private foundations that represent private wealth were involved in controlling the spending of

private funds for their own activities. However, it is a major concern when individuals from the private foundations are in charge of controlling the use of the public's money and government spending. When unelected individuals representing the interests' of private foundations are in charge of controlling the expenditure of government funds, there then exists an opportunity for these individuals to use this control over public spending for the benefit of private wealth, and not for the benefit of the public.

6.2 The institutions

The formation of the Council on Foreign Relations was organized mainly by Colonel Edward M. House, a front man for a group wealthy industrialists and international bankers, with support from the Carnegie Endowment for International Peace. Colonel House wrote the Covenant of the League of Nations for President Wilson.²⁰¹ Moreover, we read that Colonel House was involved in drafting the plans for the Treaty of Versailles.

In 1917, House had assembled a group called 'The Inquiry,' consisting of about one hundred men. Under the direction of House's brother-in-law, Sidney Mezes, they developed the plans for the peace settlement, [The Paris Peace Conference of 1919 and Treaty of Versailles]. Some Twenty members of the Inquiry went with Wilson to Paris in 1919, as did House and the Bankers Paul Warburg and Bernard Baruch.²⁰²

It was Colonel House, and Lord Milner, as well as members of the group called, "The Inquiry" that later formed the British Institute for International Affairs in 1919, and the "American branch became incorporated in New York as the Council on Foreign Relations on July 29, 1921."²⁰³ Over the years, the CFR has been a prominent source for personnel that have served as top-level officials within various U.S. administrations. However, the Reagan Administration marked a pivotal point within American history, in which important personnel and foreign policy guidance was gathered from more unilateralist institutions. The Congressional investigations under the

Reece Committee found that the primary source of funding for the Council on Foreign Relations comes from Carnegie Endowment and the Rockefeller Foundation. 204

The Brookings Institution was formed in 1927, by the wealthy businessman Robert S. Brookings, who was a trustee of the Carnegie Endowment for International Peace, and a close friend of the international banker Bernard Baruch. 205 The Brookings Institution was the primary force behind the creation of “Roosevelt’s New Deal.” 206 Of Robert Brookings we read:

The Brookings Institution was founded by Robert S. Brookings born 1850, unmarried, a St. Louis merchant and head of the Cupples Co. which revolutionized the distribution of goods from railway stations. In World War I, Brookings was Baruch’s assistant at the War Industries Board, which had dictatorial powers over American industrialists, and Chairman of the Price Fixing Committee of WIB. An original trustee of Carnegie Endowment for International Peace, Brookings set up the Brookings Graduate School of Economics, which merged with the Institute of Government Research and the Institute of Economics in 1927 to form the present Brookings Institution. 207

More recently, both the Brookings Institution and the Council on Foreign Relations have been a primary source for providing foreign policy advice to the Obama Administration, especially in matters regarding the Middle East. In December 2008, the Saban Center at Brookings, in partnership with the Council on Foreign Relations published, “Restoring the Balance: A Middle East Strategy for the Next President.” 208 According to United Press International, this report “spells out in considerable detail what the Obama administration’s strategy and priorities for Iran and the Israeli-Arab peace process are going to be.” 209 The website for the Council on Foreign Relations lists that the report was “co-directed by Martin Indyk, Director of the Saban Center and Gary Samore, Director of Studies at CFR; and the board of advisers led by Brookings President Strobe Talbott and CFR President Richard N. Haass.” 210 It should be noted that Strobe Talbott was also deputy secretary of state in the Clinton Administration. 211

The American Enterprise Institute was established in 1943, and was “a partnership of top executives of leading businesses and financial firms Bristol Meyers, General Mills, Chemical Bank, and prominent policy intellectual Roscoe Pound of the Harvard Law School.”²¹² Today, most of the “American Enterprise Institute’s Board of Directors are CEOs of major companies, including ExxonMobil, Motorola, American Enterprise, State Farm Insurance, and Dow Chemicals.”²¹³ It was the American Enterprise Institute that created the domestic U.S. welfare policies that became “the Welfare Reform Act of 1996.”²¹⁴ During the administration of President George W. Bush, the American Enterprise Institute was “successful in placing its people in influential governmental positions.”²¹⁵ Moreover, the AEI has also been very influential in promoting the privatization of the American school system through the creation of “charter schools,” with particular success in New Orleans in the wake of Hurricane Katrina.²¹⁶ These non-union schools are called “charter schools,” which are “publically funded institutions run by private entities according to their own rules.”²¹⁷ Moreover, “before Hurricane Katrina, the school board had run 123 public schools; now it ran just 4. Before, the storm, there had been 7 charter schools in the city, now there were 31.”²¹⁸ Within areas of foreign policy, the AEI has frequently promoted militant-unilateralist interventions,²¹⁹ and many of the American Enterprise Institute’s members and scholars have also been working participants within the infamous lobbying group known as the Project for the New American Century (PNAC). One of the more notorious members of this institution is Frederick Kagan, a scholar at AEI, as well as a cofounder of PNAC, who continues to advocate the American invasions of Iran to gain further control over the oil resources of the Middle East.²²⁰

The Hoover Institution was created in 1919, by Herbert Hoover at Stanford University. Prior to becoming President, Herbert Hoover was appointed by “the Rothschilds who made him a

director of their firm, Rio Tinto,”²²¹ and later director of the Belgian Relief Commission. During this same time, Lord Milner was the Chairman of Rio Tinto,²²² who was one of the key figures in forming the Royal Institute of International Affairs, and its American offshoot, the Council on Foreign Relations. In 1964, “Wesley Glenn Campbell, the director of the Hoover Institution as well as other Hoover personnel were the chief advisors for Barry Goldwater,”²²³ during campaign as Republican nominee for the 1964 U.S. election. Moreover, the Hoover Institution has also had formidable interconnections with members from the American Enterprise Institute. In 1963, one of the directors of the Hoover Institution was William J. Baroody, “who had founded the American Enterprise Institute AEI, and was chairman of the Woodrow Wilson International Center for Scholars.”²²⁴ In 1980, one of the directors of the Hoover Institution was Willard C. Butcher, who was also a director of AEI, and the former chairman of Chase Manhattan Bank.²²⁵ Moreover, “The head of Reagan’s Presidential Transition on cabinet appointments in 1980 was W. Glenn Campbell, Harvard graduate and head of Hoover Institution; Reagan’s adviser on social security was his wife, Rita Ricardo Campbell. More than half of the Hoover Staff went to Washington with Reagan.”²²⁶

6.3 High-level government positions held by foundation trustees, and their representation of big-business

The policy-making elite in the U.S. federal government are chosen not only from the policy-making institutions, but also from the boards of the foundations. Further, there is substantial movement between foundations and institutions as well, with the same individuals serving in various capacities in both. Professor Berman writes that over the last fifty years, there have been many “top officials” from the foundations that have then been transferred into high-level positions within the U.S. government. Of the Ford and Rockefeller foundations he writes:

The architects of American foreign policy since 1945 have moved between Washington policy-making centers and New York foundation suites with a high degree of regularity. Most have also doubled as heads of major corporations or financial institutions or as prominent corporate lawyers. The Rockefeller Foundation alone has seen three of its top officials become secretaries of state since 1952: John Foster Dulles resigned as chairman of the Rockefeller trustees in 1953 to move to Washington, setting a precedent for Cyrus Vance, who did likewise in 1977. In 1961 Rockefeller Foundation president Dean Rusk resigned his position to become John F. Kennedy's chief foreign-policy architect.

Ford Foundation personnel also have been closely identified with the United States foreign-policy establishment, although no secretaries of state are numbered among its alumni. Trustees or officers of the Ford Foundation who have figured prominently in American foreign policy since 1945 include Paul Hoffman, one-time president of the Studebaker Corporation and the director of the Marshall Plan and of the first United States aid agency; John J. McCloy, assistant secretary of war, first high commissioner to Germany after World War II, president of the World Bank, chairman of the Rockefeller family's Chase Manhattan Bank, and a trustee of the Rockefeller Foundation; McGeorge Bundy, scion of a famous Boston family, dean of Harvard College, and national security advisor to President Kennedy and, briefly, to president Lyndon Johnson; Robert S. McNamara, one-time president of the Ford Motor Company, secretary of defense under presidents Kennedy and Johnson, and president of the World Bank. There is no reason to think that the perceptions held by these men of the role of the United States in world affairs altered perceptibly as they moved from New York-based foundations and/or corporate offices to Washington policy-making positions. 227

Within this list of "top officials" from the foundations, we see many of these same officials within various high-level government positions. Berman's list is just a small sample, and consists of a few prominent examples from only two foundations between the 1950's and 1980. This list would be much larger if it was to proceed to the present time, and if other major foundations were included such as the Carnegie Endowment, A.P. Sloan Foundation, Field Foundation, and Russell Sage Foundation. Berman writes that often many of the former personnel from the foundations will develop and endorse American foreign policy that expands "continued access to sources of raw materials." 228 Many of these same officials have also worked as employees or lobbyists for companies that are in the oil and gas industry, mining, international finance, engineering, as well as the arms industry. The design and implementation of a particular government policy can benefit certain business companies, as well as the shareholders and the foundations that own the companies. However, from a realist perspective, the United States is dependent on the strategic access to energy such as oil and gas in order to preserve its position

and stability as a world superpower. Therefore, an American foreign policy that is supportive to the oil companies will also be beneficial, and necessary for preservation of the United States. To this Berman further writes:

The point of view had been summarized a few years earlier by Paul Hoffman, Marshall Plan director and Ford Foundation president, when he noted that 'our own dynamic economy made us dependent on the outside world for many critical raw materials.' Any actions threatening to America industrial access to the sources of raw materials vital to the continual expansion of the American economy, he continued, would be viewed as detrimental to the United States. 229

When further examining the large foundations, such as the Rockefeller Foundation and the Ford Foundation, it does not take long to realize that that they embody the interests' of various global business companies, such as the oil companies, the petrochemical industry, the arms industry, or more simply put; the military-industrial-complex. These foundations and companies are also connected to various policy and research institutions, and together they form one large interconnected network. This network could be visualized as a triad. Each element and its function is a subset and extension of the other element, and like any large corporate conglomerate with many subsidiaries, the entire group is well organized, cohesive, and directed by a central core of senior personnel that preside over all three elements. Like any lobbying group, the purpose of this group is to persuade the U.S. government that their particular interests represent the national interest, and should serve as the guiding directives for foreign policy. In the United States, the Rockefellers have been the most notorious for using their wealth to direct U.S. foreign policy for the benefit of themselves and their oil companies, such as ExxonMobil.

In 1977, political scientist Thomas Dye presented a paper that discussed how the wealthy 'power elite' within America, finance and direct the Council on Foreign Relations to influence the foreign policy of the United States government. Thomas Dye wrote:

Political scientist Lester Milbraith observes that the influence of [the] CFR throughout the government is so pervasive that it is difficult to distinguish CFR from government programs: 'The Council on Foreign Relations, while not financed by government, works so closely with it that it is difficult to distinguish Council actions stimulated by government from autonomous actions. 230

Within this influential American 'power elite,' the Rockefeller family remains as one of the most prominent. The Rockefellers wanted to expand and protect their oil monopoly, and they created and directed their own tax-exempt foundations such as the Rockefeller Foundation and the Rockefeller Brothers Fund to divert a large portion of their wealth and the ownership of their oil companies into these foundations. Even after John D. Rockefeller's Standard Oil Trust was dismantled, the Rockefellers still attempted to rebuild their cartel, and they wanted to expand their oil business enterprise throughout the world. The Rockefellers as the trustees of their own foundations then provided the funding for various private policy-making institutions, particularly the Council on Foreign Relations, 231 and also the Brookings Institute. 232 The Rockefellers have pulled considerable weight in directing the policies advocated by these institutions, and David Rockefeller has held the position of both director and chairman of the CFR, and today he still serves as honorary chairman. 233 Amazingly, many of policies created by these institutions have become the official policies adopted by the United States government. Numerous members of the policy-making institutions have also at one time or another served as high-ranking government officials that have directed U.S. foreign policy in Washington, and many of these policies have also been beneficial in advancing the interests of the oil industry, as well as various U.S. engineering contractors.

6.4 The links between the foundation trustees and the board members of the policy-making institutions

In 1974, a highly revealing study on the connection and links between the foundations and their recipient organizations was conducted by the sociologist Mary Anna Culleton Colwell. According to the parameters of the research project, it contained a large sample of foundations with assets exceeding \$10 million. Colwell writes:

A sample of seventy-seven foundations was drawn from the 400 foundations with assets over \$10 million in 1974. The sample includes all the grantmaking private foundations over \$100 million in assets (twenty-six foundations), a 20 percent random sample of the foundations between \$25 million and \$100 million in assets (twenty-five foundations), and a 10 percent sample of the foundations between \$10 million and \$25 million (twenty-six foundations). The grants for all these foundations were examined for 1972 and 1975 and allocated to the usual categories (Arts and Humanities, Education, Health, Welfare, Religion, International, Science), and a special category of grants constructed for this research. This included what were considered public affairs, public interests, or policy-orientated programs and projects related to the operation of the political/legal or economic system—the political economy. ²³⁴

The research project conducted by Colwell indicated that there are “substantial overlaps,” and interconnected networks working at three levels: “Foundation to foundation; foundation to organization; organization to organization.” ²³⁵ Moreover, evidence gathered from the samples clearly showed that foundations were directing big-business; the goals of the trustees were the goals of the foundations; ²³⁶ in addition to the grants that came from the foundations to fund the policy-making organizations, the trustees of the foundations served as the directors of policy-making organizations. ²³⁷

One of the most important findings from this research study was that there is thorough and comprehensive communication between the foundations and the policy-making institutions, and both groups act together in unison. Colwell writes, “These overlapping board memberships provided a nexus for communication and interaction which influences grants and may influence

the programs and perspectives of the policy formation organizations.”²³⁸ Moreover, it is often the case that policy-making institutions will actively seek out to recruit trustees from the foundations to be leading members of the policy-making institutions. “Interviews conducted during the research revealed, and logic suggests, that many organizations seek trustees of foundations as members of their board of directors precisely because they improve their access to that foundation, and to the foundation sector as a whole.”²³⁹

Foundations also maintain ongoing communication with other foundations. On many occasions, when a policy-making institution is in need of additional funding, the members of the primary contributing foundation will approach another foundation, and request if the second foundation will provide additional funding to the institution. This partnership enables policy-making institutions to be in communication with multiple foundations, and it promotes the development of a network of many interlocking directories, with the movement and exchange of board members between the foundations and the policy institutions. One of the main reasons for the formation of this cooperative assistance between the foundations is because if a policy-making institution receives more than 33 percent of its funding from one specific foundation, then both the foundation and the recipient institution must provide an extensive detailed report for the purpose of the program. Hence, if funding from one source exceeds 33 percent, then Federal tax laws require that a detailed report must be completed. Colwell writes:

If a private foundation contributes more than 33 percent of an organization’s budget, it is required to assume what is called in the Tax Reform Act of 1969 ‘expenditure responsibility.’ Expenditure responsibility grants entail, as a minimum, greatly increased reporting requirements for most organizations and most foundations, and may involve the foundation in legal liability for the actions of the organization. Therefore, there is a strong incentive for foundations to share the funding of organizations. This effort requires communication between trustees of different foundation, especially if the trustees of one foundation have to agree to support certain organizations in return for support by another foundation of the organizations they are primarily interested in. These reciprocal grant arrangements may involve staff as well as trustees in the foundations which have staff, and, in any case, are the results of personal conversations and not formal agreements.

This situation generated by the tax law provisions increases the need and desirability of communication among trustees. 240

Funding from multiple foundations eliminates the requirement to provide a detailed report for any research program or project that is conducted by the institution. Hence, this multi-partnership of funding is beneficial because it hinders transparency, and it is conducive to concealing the programs that are funded, as well as their objective, and operations of the program.

During the time of Colwell's research, she found that many of the trustees who preside over a particular foundation were also currently or had previously been a trustee of another foundation.

For example, the twenty-one individuals associated with the Ford Foundation board included only eight who served on one or more other foundation boards, whereas the nineteen individuals who served on the Rockefeller Brothers Fund board included fifteen who served on other boards. The members of the Rockefeller family, in particular, each appear to serve on several of the boards of the foundations associated with the family. Laurence S. Rockefeller served on the A.P. Sloan board and six other foundations with which the members of the Rockefeller family are associated as donors. 241

Further investigation by Colwell revealed that there was considerable membership links between the foundations and the policy-making institutions. Many of the trustees for the foundations were also chairmen and directors of the policy-making institutions.

Ten of the foundations in the public policy sample are directly linked to eighteen of the thirty-one recipient organizations. Of the 225 individuals who serve or have served recently as trustees of the public policy foundations, forty-eight are now or were members of the board of these eighteen policy formation organizations. The Rockefeller Foundation has the largest number and percentage of trustees involved in these recipient organizations, as it has the largest number of trustees who were trustees of other foundations. A.P. Sloan and Ford have the next largest number of trustees involved in these recipient organizations. 242

Moreover, when examining the overlap among the foundation trustees, and their presence as board members of the policy-making institutions, Colwell's research "shows that over 50 percent of the board of directors of the Brookings Institution, the Council on Foreign Relations, and the Hoover Institution are foundation trustees." 243 This finding is very alarming, and it would

indicate that the foundation trustees are involved as active participants in the formation of policy that is generated by these institutions. It is easy to conclude that the policies created by these institutions will be influenced by the bias of the trustees, who all share an affluent background. The policies formed are likely to be beneficial to the interests' of the trustees and their businesses.

Colwell's study shows that there is an inseparable connection between wealth and power. Most of the individuals that are members of both the foundations and the policy-making institutions could be categorized as wealthy elites. During Colwell's investigation, she found that within the foundations and policy-making institutions that were sampled, over a third of all the members belonged to upper-class social clubs. Colwell writes:

During an interview conducted for this research an extremely knowledgeable former officer of one of these four foundations stated that there probably were more important decisions about national affairs made at the Century Association, an upper-class club in New York City, than in the White House. To test the relevance of this apparent exaggeration, social club memberships, and, separately, membership in the Century Association, were tallied for those trustees who listed this information in *Who's Who*. These incomplete data are summarized in Table 10. They show that over a third of the trustees of Carnegie, Rockefeller, and Russell Sage belong to the Century Association. If all the Ford trustees had listed club membership, it is likely a third of them would also belong to Century. ²⁴⁴

Within the research sample, a substantial proportion of the individuals that were both members of the upper-class social clubs and trustees of the foundations, were also in high-level positions of the government. This intersecting link between the foundations and the government is most disturbing, considering that the wealthy trustees of the foundations have often used the foundations to advance their own personal interests. What more could these same individuals achieve when holding high-level positions within the government? Colwell's research found "that 40 to 47 percent of the trustees of Carnegie, Ford and Rockefeller held or hold high level government positions." ²⁴⁵ Colwell further writes:

These include cabinet, subcabinet, presidential commission, ambassadorial, and head of major agency positions. Other trustees, not included in these percentages, were members of the Federal Reserve governing bodies at the regional or national level. Over half of the trustees in this entire group who listed membership in the Century Association also held or hold high-level government positions. Certainly, the potential exists for discussion and decision-making in a nonpublic environment among this group of trustees and their many associates in the foundations, the corporations, their present and former colleagues in high-level governmental positions in the Republican and Democrat administrations, and the policy-oriented recipient organizations. These data clearly support the view that there is a substantial connection between the ‘independent’ foundations and the social and governmental elite as well as the highest-level economic institutions. 246

The research conducted by Colwell is very important, because it shows that many of the trustees of Carnegie, Ford, and Rockefeller were board members of the policy-making institutions, and these same individuals also held high-level positions within the government. Colwell’s research is also indicative that both the private sphere of the foundations and institutions, and the public sphere of the government are occupied and influenced predominantly by people of the wealthy upper-class. Hence, the interests of the wealthy upper-class within the private sphere, will also be carried over and present within the public sphere.

6.5 The powerful influence of the Rockefellers within the government. The “Carter incident”

Over the last fifty years, there have been many political incidents, which reveal that certain wealthy individuals who are involved within the policy-making institutions have acted as a ruling oligarchy, which has been influential in directing U.S. foreign policy. One such event occurred during the Carter Administration and specifically involved the Rockefellers. With this particular example, I want to first highlight that even though many of the individuals involved were a member of the same policy-making institution, there was still disagreement and contention among them. However, regardless of this disagreement among the various members, the policy choice that prevailed was the one that was advocated by the most prominent wealthy individual.

After the initial discovery of oil in Iran (Persia) in 1908, the oilfields became controlled by the British-owned Anglo-Persian Oil Company—renamed Anglo-Iranian Oil Company in 1935, and then British Petroleum Company in 1954.²⁴⁷ In 1951, the Prime Minister of Iran Mohammed Mossadegh “argued that Iran should begin profiting from its vast oil reserves,”²⁴⁸ rather than a foreign company, and the British Government, “which acquired a 51 percent shareholding in the Anglo-Persian Oil Company in 1914.”²⁴⁹ Hence, in 1951, Mossadegh implemented a policy to nationalize Iran’s oil, and the “state-owned National Iranian Oil Company (NIOC) was incorporated by the Iranian government on April 30, 1951, as the corporate instrument of the government’s nationalization policy.”²⁵⁰ The British Government did not like this, and “they came up with the idea for a coup in 1952, and pressed the United States to mount a joint operation.”²⁵¹ In the summer of 1953, the CIA and MI6 (SIS), “planned, funded and implemented the operation,”²⁵² and Prime Minister Mossadegh was overthrown, and replaced with a dictatorship under the Shah, Mohammad Reza Pahlavi.

The dictatorship under the Shah was beneficial to the Western oil companies, because the nationalization policy was removed, and the Western oil companies were able to increase their involvement in “the production, refining, and export of Iranian crude oil and products.”²⁵³ Control over the former state-owned National Iranian Oil Company (NIOC) was transferred and divided among the Western oil companies. Of this we read:

In September 1954, an eight-member consortium called the Iranian Oil Participants (IOP) was formed. The arrangement was similar to others in operation in much of the rest of the Middle East. The shareholding was in the hands of the major Western oil companies. British Petroleum (BP) held 40 percent, Shell 14 percent, Chevron 8 percent, Exxon 8 percent, Gulf 8 percent, Mobil 8 percent, Texaco 8 percent, and Compagnie Française de Pétroles 6 percent. NIOC was recognized as the owner of Iran’s oil deposits and all of the installed assets of the Iranian oil industry, but actual control over the industry was placed firmly in the hands of the consortium members.²⁵⁴

Between 1953 and 1979, the Rockefellers had a close business relationship with the Shah, and during this same time, the Rockefellers had a profound influence over shaping U.S. foreign policy towards Iran. This unique business relationship was particularly beneficial to the banking magnate David Rockefeller, and his Chase Manhattan Bank. Foremost, both the Rockefellers and high-ranking employees of the family were personal advisors to the Shah. Of these men, Professor Peter Dale Scott writes:

The first was David Rockefeller's personal assistant, Joseph V. Reed, 'assigned to handle the shah's finances and his personal needs.' A second was Robert Armao, sent by his employer Nelson Rockefeller to act as the shah's public relations agent and lobbyist. A third, perhaps most important of all, was Benjamin H Kean, described as 'a longtime associate of Chase Manhattan Bank to chairman David Rockefeller,' and as David Rockefeller's 'personal physician.' 255

In addition to advising the Shah, the Rockefellers were also a part of the eight-member consortium called the Iranian Oil Participants (IOP) that controlled the National Iranian Oil Company, (NIOC), in which the Rockefeller controlled Exxon owned 8 percent of the shares within the IOP. Furthermore, with much delight to the Western oil companies, "a law in 1957 empowered it [NIOC], to enter into joint ventures with foreign oil companies to explore areas other than those leased to IOP." 256 Between 1957 and 1958, the NIOC formed two joint ventures, and one of these was with the Rockefellers. "In June 1958, a joint venture agreement was signed with Standard Oil Company of Indiana, which formed a company jointly owned with NIOC called the Iran Pan American Oil Company (IPAC). By 1961, both ventures were producing crude oil, with IPAC enjoying particular success." 257 Finally, when examining the Rockefeller's business relationship with the Shah, above all else, the most important connection between the Shah and David Rockefeller was that the Shah exclusively used the Rockefeller's Chase Manhattan Bank for all of Iran's major accounts and loans. "The Shah ordered that all his government's major operating accounts be held at Chase and that letters of credit for the

purchase of oil be handled exclusively through Chase. The bank also became the agent and lead manager for many of the loans to Iran. In short, Iran became the crown jewel of Chase's international banking portfolio.”²⁵⁸

January 1978 marked the beginning of the Iranian Revolution, and the Shah was eventually forced to leave his country in January 1979. This event represented a threat to the immense profits that the Rockefeller family had earned through its Iran operations. Not only were the Rockefeller's oil interests in jeopardy of being taken over, but the new revolutionary members of the Iranian government immediately announced their plans to withdraw all the assets that the Shah placed in the Chase Manhattan Bank.²⁵⁹ This was disastrous for Chase Manhattan Bank because it had given multiple loans to the Shah that still remained unpaid. With the Shah's eviction from Iran, the Rockefellers were desperate to maintain their business relationship, and they sought to arrange the Shah's exile in the U.S. However, there was fierce opposition from President Jimmy Carter, as well as Secretary of State Cyrus Vance, both of whom were adamant that the Shah should not be allowed to have permanent residency within the United States. In response to this opposition, David Rockefeller quickly organized a team of individuals to assist in a “special project, code-named Project Alpha,”²⁶⁰ and the purpose of this project was to place coercive pressure on President Carter so that he would allow the Shah to have permanent protection and asylum in the United States. The members of this team consisted of the following:

The Shah's inevitable departure in January 1979 was followed by increased pressures to admit him to the United States, from a ‘handful of powerful people inside and outside the government. Particularly intense were National Security Adviser Zbigniew Brzezinski, banking magnate David Rockefeller, former Secretary of State Henry Kissinger, and the esteemed elder statesmen John J. McCloy, a coterie which Brzezinski labeled ‘influential friends of the Shah.’²⁶¹

Within this team, only Zbigniew Brzezinski had a position within the government, but Henry Kissinger, John McCloy, and David Rockefeller did not. Nevertheless, David Rockefeller and his

team possessed a tremendous degree of political influence. In order to coerce the Carter Administration, Henry Kissinger threatened that he would withdraw his support for the nuclear arms treaty (SALT II) with the Soviet Union, if President Carter did not allow the Shah residency in the U.S. ²⁶² Meanwhile, both Brzezinski and McCoy would continually harass Jimmy Carter and key members of his Administration, and they also “pestered Vance, and his deputy Warren Christopher, the undersecretary of state David Newsom, and Carter’s UN ambassador Donald McHenry.” ²⁶³ Moreover, countermeasures were implemented to prevent the new Iranian government from withdrawing its assets from the United States. “Under the reorganization engineered by Brzezinski and his friend Samuel Huntington on July 20, 1979,” ²⁶⁴ new powers were transferred to the Federal Emergency Management Agency (FEMA) to freeze Iranian assets. This freeze on the assets was extremely beneficial to David Rockefeller and Chase Manhattan Bank, because it gave the bank vital time to seize the Shah’s entire assets, and take from them their loan claims.

Even after July 1979, President Jimmy Carter still would not allow the Shah to enter the U.S. This rift between President Carter and David Rockefeller’s team is quite interesting, considering that both President Carter and his opponents were all members of the same policy-making institution, but there still was an immense division and disagreement among them. Jimmy Carter was a member of the Council on Foreign Relations, as was Secretary of State Cyrus Vance. Moreover, before becoming Secretary of State, Cyrus Vance was a chairman of the Rockefeller Foundation. Moreover, both Henry Kissinger and Zbigniew Brzezinski were also members of the Council on Foreign Relations, as well as John McCloy. ²⁶⁵ Finally, David Rockefeller was also a member of the Council on Foreign Relations, however, his power and authority exceeded everyone within the entire policy-making institution, including President Carter. With this said,

we should recall the words of Admiral Chester Ward, a former member of the Council on Foreign Relations, who wrote:

CFR, as such, does not write the platforms of both political parties or select their presidential candidates, or control U.S. defense and foreign policies. But CFR members, as individuals, acting in concert with other individual CFR members do. 266

When taking note of the statement made by Ward, it is understandable to conclude that in many cases, individuals who have great wealth will also have a tremendous degree of power and political influence. David Rockefeller was chairman of the CFR, and his Rockefeller Foundation has been one of the primary sources of funding for the CFR, along with Carnegie Corporation, and the Ford Foundation.²⁶⁷ David Rockefeller and his brothers owned Chase Manhattan Bank,²⁶⁸ and with their combined personal holdings, and the majority of their family holdings held in trust within their various family directed foundations; the Rockefellers controlled the majority of the shares for ExxonMobil,²⁶⁹ as well as many other large business companies, in which their economic growth, and stability was integral to the overall stability of the U.S. economy. Furthermore, it was David Rockefeller and Zbigniew Brzezinski who selected Jimmy Carter as the candidate for the Democrat Party after profiling him at a dinner party,²⁷⁰ and it was David Rockefeller that mobilized the funds for Jimmy Carter's presidential campaign.²⁷¹ In the end, President Carter had to yield to David Rockefeller's demands, and allow the Shah entry into the United States. Peter Dale Scott writes, "In this matter Carter and Secretary of State Cyrus Vance were ultimately overruled, in support of a policy decision dictated and enforced by David Rockefeller."²⁷² Professor Scott further writes, "There can be no denying whatsoever, at least in this particular moment of truth, that the power of the Rockefeller overworld exceeded that of the man they had previously selected to be president of the United States."²⁷³ Hence, those who own and control the most capital in society will have the most power in directing the development of

society. Likewise, those who own and control the most capital within a nation, frequently have the most influence in directing the policies of a nation.

Chapter 7: Discussion and Conclusions

7.1 Discussion

There are still many unanswered questions concerning the activities and involvement of the foundations, and we might never know exactly how much power and influence the foundations have. What we do know is that the foundations are involved in almost every aspect of society. As Wolfgang Friedmann writes, “The major foundations function as public rather than private institutions. Inevitably they have become one of the major institutional forces of the modern state. In particular, their influence is of increasing importance in the determination of education policy, the goals of research in all fields, and the direction of thinking in international affairs.”²⁷⁴ Mary Colwell further reminds us that the “Foundations are involved in the policy-planning and ideology-formation process. In addition, key individuals from the sample foundations and policy organizations are involved in the candidate selection process.”²⁷⁵ These statements are very alarming, and they would suggest that foundations play a critical role in selecting and funding Presidential candidates, as well as directing the development of policies within the government.

In addition to the political and economic spheres, there are many other activities that the foundations pursue which are beyond the scope of this paper. Certain foundations and policy institutions have been involved in funding and directing special research for military applications. Some of this funding has been put into technologically advanced secret ‘black-projects,’ and waived ‘Unacknowledged Special Access Programs,’ that are beyond Congressional oversight, and off of the public record. Occasionally, evidence surfaces that there are links between the Rockefeller’s J.P. Morgan Chase Bank and defense contractors such as TRW, Lockheed Martin, Northrop, E-Systems, Bechtel and SAIC. In particular, there has been

extensive interlock of directories between the trustees of the RAND Corporation, and the trustees of the Ford Foundation, the Rockefeller Foundation, and Carnegie Corp. ²⁷⁶ The majority of the research conducted by the RAND Corporation involves national security issues, and the development of military technology. Moving onto other unexplored areas, many of the trustees of the Rockefeller Foundation and the Ford Foundation belong to highly elitist and semi-secrete groups such as The Pilgrims Society, 1001 Nature Trust/Club, and Le Cercle. When investigating the foundations and their activities, the path never ends, it only branches further into more places.

7.2 Conclusion

On May 14, 1913, when New York Governor William Sulzer approved the charter the Rockefeller Foundation, he probably did not foresee the long-term implications of this decision, and the extent to which the Rockefeller Foundation would influence American politics. Throughout the first part of the Twentieth Century, numerous charters were approved by various local State governments, and little consideration and foresight was given to the fact that most of these foundations would be used for profit-making purposes that would be exempt from paying taxes. In good faith, various government officials at the time might have believed that granting charters to form new foundations would be a benefit to society, and that the foundations would operate in a more traditional and altruistic manner providing developmental assistance to society. Even when the first Federal legislation was introduced with the Revenue Act of 1950, the legislation was inadequate because it still exempted many organizations from paying taxes on their unrelated business income.

Further, this legislation was inadequate because it underestimated the extensive political and economic influence that many of the foundations had attained within society. This influence was not made evident until the 1953-54 investigations of the Reece Committee, which was frequently interrupted, and then prematurely shut down by various senior figures of the U.S. government. These investigations were perceived as a threat because they revealed that a vast network of collusion and centralized control had developed between the Federal government and various powerful businesses. The investigations showed that there were many government officials that had worked previously for the foundations, and that many of these same individuals were still receiving some form of monetary benefit from the foundations even after entering government service. Hence, it should not come as a surprise that none of the recommendations provided by the Reece Committee to reduce the political influence of the foundations were implemented by the Federal government, and since the abrupt end of the Reece Committee in 1954, there has never been another investigation of the foundations. Further investigation would only expose more levels of government corruption.

It was the determined work of Texas Representative Wright Patman that helped draft the Tax Reform bill, which was then passed as a law by Congress. However, even after the new Tax Reform Act of 1969, there were no legislative bills introduced to diminish the political influence of the foundations. Prior to 1969, Patman had uncovered multiple cases of rampant corruption, ranging from tax evasion, to regulatory bribes and political payoff schemes. When investigating these cases, Patman received extensive criticism and threats from the directors of the large foundations. Moreover, the IRS and the Treasury Department were indifferent to the findings that he presented, and a few congressmen advised Patman to stop investigating.

During the earlier part of the Twentieth Century when charters were being given to various foundations, we could in good faith presume that the government did not perceive that many of the foundations would be used by business companies for tax evasive purposes, and to influence the policies of the government. When the government made rules concerning the activities of the foundations, the rules were based on a static model. This analysis did not take into account various dynamic changes within society that would precipitate a rapid change in the function of the foundations, and their increasing power and political influence.

Today things are much different. There are many people who are aware of the dynamic changes that have occurred within society, and that this social system will continue to change. Many people understand that since the early 1950's, various financial institutions, foundations, business companies, and policy-making groups have developed into powerful political and economic forces, which hold immense influence within the U.S. federal government. Over the years, there have been various Congressmen and Congressional Committees whom have provided recommendations, and drafted legislative bills that would attempt to limit this influence. However, most of these committee recommendations have been ignored, and various bills presented in Congress have been voted down. In many cases, any attempts made by certain government officials to investigate their own government, and its relationship on any level with various business companies, financial institutions, and foundations have all been in some way obstructed or sabotaged by other officials and departments within the government. Despite what most Americans believe, there are certain powerful business companies and financial institutions that have gained a permanent stronghold within the U.S. government. There has been extensive reluctance from members of the U.S. Senate to support a Congressional bill that would allow the Government Accountability Office (GAO) to audit the Federal Reserve, ²⁷⁷ as well as

prominent American financial institutions such as Goldman Sachs. There is also reluctance from most politicians to support any form of legislation that would place more stringent restrictions on corporate lobbying, especially further restrictions on the monetary size of campaign contributions. There is also much reluctance to make tax-exempt organizations more transparent and accountable for the various projects, research and institutions that they fund.

American democracy has become highly intertwined and dependent on the acquisition and expenditure of money. Politicians are not going to turn against the people and institutions that fund their political campaigns. Most politicians are not going to poke criticism or rally for an investigation into tax-exempt organizations. The influence of the foundations has become a permanent fixture within society. Their ownership of business companies, financial institutions, and media groups has given them great economic power. Their involvement with the funding of education programs, and all forms of scientific and social-science research has given them great power over the development of technological knowledge. Their funding of prominent policy-making institutions and their participation within the creation of policy has given them great political power over both the nation, as well as within international affairs. The power of the foundations is directed and controlled by a coterie of wealthy elites and families. These families have become dynasties, and their power continues to endure, as it is passed on from generation to generation. This preservation of their wealth and power has enabled these families to become a ruling plutocracy within society. The power of these families is concealed, and dispersed throughout an interlocking consortium of tax-exempt foundations, policy-making institutions, financial institutions, and business companies. It is these same families that control the majority of the wealth and capital within the nation, which also control the policies of the nation and its government.

7.3 Recommendations

In order to decrease the negative misuse of tax-exempt organizations, there have been many researchers who have recommended that a limited lifespan and termination point should be placed on all foundations. Texas Representative Wright Patman had recommended that there should be placed a “twenty-five-year maximum life on all existing charters.”²⁷⁸ In regards to this William McIlhany further writes:

In support of this position, Patman made references to the Julius Rosenwald Foundation. Prior to his death in 1932, Chicago industrialist Rosenwald had specified that the fund which would bear his name must be limited in duration to twenty-five years, fearing that longer terms would create bureaucracies.²⁷⁹

This recommendation for a limited lifespan would inhibit large foundations from gaining excessive political and economic influence within society. However, this restriction might still be circumvented. The trustees could transfer the value of the endowment into another newly formed foundation before the older one is terminated, which would allow the trustees to continue their programs and goals. However, if this became a problem, it would not be difficult to add a further reform to the tax laws so that they would prohibit the transfer of the remaining value of an endowment into another foundation.

In addition to a limited lifespan, further accountability could be placed upon the foundations, if every five years they were subject to an audit by the Government Accountability Office. Doing this would require a new regulatory bill to be passed in Congress, and be approved by the Senate. Hypothetically, such a bill would establish that all foundations, and tax-exempt organizations registered under 501(c)(3) be audited every five years. One criticism against such a bill would be that it is a further intrusion of government regulation within the grant making activities of private foundations, and public charities. However, the provision for a regular audit would

reveal which Political Action Committees (PAC), private policy-making institutions, and organizations, are funded by the foundations. This audit would also require foundations to provide a detailed explanation for the grants they had given, and the audit would record the foundation's relationship with other recipient organizations and benefactors. This would make the foundations more politically honest. If a foundation typically only gave grants to organizations and policy-making groups of a certain ideological leaning, the audit would show this. The provision for a regular audit would also make the foundations more transparent and more accountable for any misconduct, such as the giving of grants by the trustees to companies they own.

The power and influence of foundations could be further reduced if a new federal law was passed that would restrict a foundation from owning a private company or owning any shares in a publicly traded company. A law such as this would break the link between foundations and big business. However, within the United States the political obstacles to passing such a bill would be formidable. The existing foundations and those who benefit from them would mobilize against it, including many among the elite business community, who would characterize the move as excessive state interference in the economy.

A more innovative and radical strategy to eliminate the current benefits of tax-exempt foundations would be to reform the system of taxation that makes them so attractive. Instead of focusing on the foundations, we should perhaps focus on the taxes. As has been discussed, some foundations were created to circumvent income tax and inheritance tax. By eliminating both of these taxes, there would no longer be any substantial benefit to having a private tax-exempt foundation or public incorporated charitable organization. If no one had to pay income tax and inheritance tax, then the super-rich would not have an incentive to use foundations, public

charities, and offshore banking and trust accounts to circumvent paying these taxes. As an alternative, there should be a progressive graduated luxury tax, as well as a value added tax combined with a consumption tax. This form of tax system would make the rich pay for their excessive taste for commodious living. There would also be fewer means to evade taxes. However, things such as, food, childcare and healthcare products, and both prescription and non-prescription medication would remain exempt from the value added tax and consumption tax, so as to assist the segment of the population that is poor.

7.4 Further Research

Further research is needed to examine the intricate biography of the trustees and other key members of the foundations, as well as the ongoing activities of the foundations and their relationship with other institutions. Additional research is needed to examine the political influence of the foundations within the events of more recent Presidential administrations. More critical research is needed to be done on the activities of the Bertelsmann Foundation. The Bertelsmann Foundation has been influential in directing foreign policy during the Obama Administration, particularly in regards to broad issues such as increased ‘transatlantic’ cooperation and policy integration with the European Union on matters such as the environment and climate change. Furthermore, thorough research must be done to examine the activities of the Rockefeller Foundation, and the connection and relationship of its trustees with privately owned institution known as the Federal Reserve.

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