

*Gates*

C O P Y

November 28, 1923.

Dear Mr. Rockefeller:

The multiplication of the number of the Rockefeller chartered philanthropies from one to many, the multiplication of the original endowment from less than fifty million to something like five hundred million, the income and inheritance taxes more recently enacted, both state and national, practically confiscatory in the higher figures, and giving to this and perhaps all the states and the national administration as well immense potential interest in the funds of these Boards, the tendency so alarming in the country at large to break down the constitutional barriers which have protected capital in English speaking countries since the thirteenth century, the very special prejudices of organized labor against heavily endowed philanthropies, the fact that life is short and the present disinterested personnel of these Boards will necessarily disappear shortly,- these and other considerations make necessary, in my opinion, a complete readjustment of the organizations composing the Rockefeller philanthropies, which were formed under wholly different conditions in almost all respects.

The reorganization should be directed by the thought of handing over to our unknown successors, by-laws, precedents, policies, which in all particulars shall conform to the experience of the world and which will protect so far as we can protect these organizations from successful

assault from without and from self-seeking maladministration from within.

My own suggestion would be that as rapidly as practicable we work toward the following:

1. Not more than one salaried officer should be an actual member of any board with power to make motions or with a vote, though other officers, secretaries, etc. may sit with the Boards, impart information and take part in discussions.
2. All the boards should have elected legal counsel, and all may and probably will choose the same counsel. He may sit with the Boards but should not be a member of any.
3. No person should be a member of more than one of these Boards, or of the Carnegie or Sage or any other great foundation.
4. Neither the Messrs. Rockefeller nor anyone salaried by either should be members of any of these Boards.
5. All the members should be men of distinction, for their cosmopolitan sympathies and breadth of mind, commanding, because of this rare quality, the confidence of the whole public. None of them should be the representative of a section of the country, a creed, a color, a sex, a profession, an art, a cult. Experts should be freely consulted but never made members of a Board.
6. No institution, philanthropy or cause should be eligible for monetary gifts so long as any of its officers or trustees or agents are members of the Board.
7. The Treasurer may be common to all the Boards.
8. The Treasurer's office may be common to all, preferably but not necessarily elsewhere than 26 Broadway.

9. The securities may be held in a common vault or distributed in several vaults in New York or elsewhere as may be from time to time directed by resolution. The important thing is that the place of deposit be formally fixed by resolution of the Board as legal custodian and the responsibility of the Boards at all times be thus accepted.

10. The Boards should name all proxies by formal vote of same or of the executive or finance committees, as may be determined, the important thing being that the action be official and of record.

11. A careful inquiry by counsel should be made as to whether the various Boards have actually assumed respectively legal ownership of all the cash and securities, and have and do exercise in practice all the rights of ownership and perform all its duties, and can sustain this ownership against any attack however ingenious. Any defensive suggestions of counsel should be adopted. I think this inquiry should be undertaken on the initiative of counsel, without unnecessary delay and without awaiting any action of any of the Boards.

12. The finance committees may be more or less common. I am not sure that they must always be Board members. Might they not be agents or financial institutions employed by the Boards and paid by the Boards? But no one of them should be permitted to have an interest direct or indirect in any purchase or sale of securities.

Other safeguards will doubtless be suggested. I have suggested these, as I said in the beginning, as precautions for the future - inevitable and not distant. I wish only to add that if adopted soon enough they will I am sure protect us against any present danger.

I do not here and now discuss any of these suggestions, because I have already done so in part on several occasions. These precautions or something like them will be necessary, for the security of the future at least. There are those who think we are in no present danger. I think otherwise, but I think the danger of legal attack in the near future will be averted if we now put ourselves in an impregnable position,

Very truly,

(Signed) F. T. Gates