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Organization

February 15, 1927

In re: Mr. Gates' Memoranda

Dear Mr. Rockefeller:

(returned to JDRH)

I have read the three papers prepared by Mr. Gates and while his arguments are fresh in my mind I should like to discuss two or three of his points.

(1) The advisability of "disendowment".

With the desirability of spending from principal whenever worthy objects appear - regardless of whether any sums remain for the next generation - no one can quarrel. But Mr. Gates' proposal to give all our money to university and college endowment strikes me as fantastic, particularly in view of the enormous sums which in the last twenty years have been poured from all sources into this field. The following table of endowments gives an idea of the tremendous sums now involved in higher education:

Columbia	\$69,000,000
Harvard	65,000,000
Chicago	54,000,000
Yale	45,000,000
Johns Hopkins	30,000,000
Leland Stanford	30,000,000
Washington University, St. Louis	20,000,000
Princeton	20,000,000

If one takes into consideration the state universities, the figures are even more impressive. This year the legislature of California will give \$9,000,000 to the University of California. This is income on \$180,000,000. The Illinois legislature will contribute \$7,000,000 to the University of

Illinois, or income on \$140,000,000. That is, the amounts of money involved in college and university education are now so enormous that the sums which we have at our disposal are relatively insignificant, and on a quantitative basis could scarcely affect the situation one way or the other.

Our money can be used, however, to affect the situation on a qualitative basis, and it was this decision that the Buckwood Inn conference arrived at three years ago when we agreed to turn our backs on the whole policy of stimulating the quantity of higher education and see whether something could not be done to improve its quality. Mr. Gates' proposal is to return to our old standards.

I believe that the last three years of the work of the General Education Board have been its best years. I am not at all sure that a good deal of our money that was given to college endowment in years gone by was not an actual disservice. What we are doing now is to raise standards in university work in a few selected centers - standards which will ultimately affect university teaching everywhere in the United States.

This policy does not mean that we intend to maintain our principal fund unimpaired. At the next meeting of the General Education Board a proposition in regard to the University of Chicago is coming up which will involve digging into our principal. However, the object of this particular gift is qualitative, and not merely the quantitative multiplication of the same old type of university education.

(2) Local charities should not be endowed.

With this point I concur. Nobody can see far enough into the future to justify endowment of a particular charitable enterprise.

(3) Conditional giving should be abolished.

I do not agree. I do not think that there ought to be any

general rule in regard to this matter. In times past conditional gifts have undoubtedly stimulated the flow of millions of dollars from other sources - millions that otherwise would never have been contributed. There are probably many cases where a conditional gift would be unwise, but a fixed rule on this matter would be even more unwise.

(4) The unwisdom of gifts to state universities.

This matter was thrashed out at the Gedney Farms conference when the proposition first came up to contribute to the medical school of the University of Iowa. You will recall that the vote was unanimous in favor of the gift, except for the vote of Mr. Gates. He stoutly opposed it and has never since ceased to deprecate it. My own belief is that that particular gift was one of the wisest that we have made and that time has more than justified our action.

(5) Usefulness of investment in industry.

Of course, everybody must concur in this point, and I assume that it is merely an endorsement of the existing situation. As far as the Foundations are concerned, I do not know of any stock or bond holding which does not represent a useful, social investment.

(6) An error was made in adopting the representative principle in the makeup of the General Education Board.

I presume that Mr. Gates means that the General Education Board is made up too largely of college presidents who are interested in getting something for their own institutions. This may be true in part, although I would be inclined to doubt it. Certainly, I know of no wiser men that could be gotten together than men like Alderman, Angell and Stokes.

(7) Another error lay in electing salaried officers to the General Education Board.



The new by-laws now limit positions on the Board to the President and one Director (Rose and Flexner). Mr. Gates was undoubtedly thinking of the old by-laws.

(8) Members of the General Education Board should be elected from residents of New York and vicinity doing business daily in New York.

I do not agree. I think it would make for a sectional narrowness that would be unfortunate.

(9) Another error lay in giving the authority of the Board to the Executive Committee.

Here, again, Mr. Gates was thinking of the old by-laws. The powers of the Executive Committee have been greatly curbed by Article XI.

(10) There is a centralization of power in the salaried officers which makes for bureaucracy.

Under the new by-laws the salaried officers no longer have the power, although they still have influence. Whether that influence makes for a bureaucratic attitude, I would seriously doubt, although this is a point that ought to be carefully watched. In this connection a comment in a letter which President Alderman wrote me recently is pertinent:

"I have spent my life dealing with Boards. I am a connoisseur of Boards. From the age of twenty-one until now, I have been working under and in cooperation with some sort of Board. I think I know something of the trustee mind and Board habits and tendencies. It is my deliberate judgment that the General Education Board is the best managed and the best administered Board I ever had to deal with, or the best Board I ever dreamed of. There is less waste of time in its processes, more common sense in its arrangements than any Board I have ever known. Assuming excellence in its directing personnel, which we may at this moment well do, I cannot think how its effectiveness could be much increased."

(11) There are specific countries to which help ought not to be given, i.e., Japan, China, Russia, the Mohammedan countries, the Latin peoples, etc.

With this point I am in complete and fundamental disagreement. It represents an expression of the exploded Nordic theory, which centers all the virtue in the world in the Anglo-Saxon race. I am equally unconvinced that our help should be centered on English speaking states and dependencies. Mr. Gates' point of view on this whole matter has no support in scientific circles and can be attacked on too many grounds to justify extended discussion in this letter. He evidently has been reading Madison Grant and Lothrop Stoddard, with liberal doses of Albert Wiggam on the side.

Very truly yours,

(Signed) Raymond B. Fosdick

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