

Mr. PATMAN. All right, sir. I think I would send them up every now and then if you do not get any action on those.

Mr. SURREY. The President has referred to those twice and as Secretary Fowler said yesterday we are hoping for consideration in the near future.

Mr. PATMAN. I understand you are going to send up a tax message in which, this would be involved?

Mr. SURREY. The President has said that would be the case.

Mr. PATMAN. Foundations today have tremendous influence on our economic, social, and educational lives. This vast accumulation of funds was made possible by the public (taxpayers and customers). But the public has nothing to say about their management even though the creators of these funds often escape Federal and State inheritance and estate taxes.

I have heard it said many times that, if there were no tax-exempt foundations, the Government would have to increase taxes in order to do the job that the foundations are doing. The answer is that, despite the work the foundations do, the Government seems to continually need more and more taxes and the public must, of course, make up what these foundations fail to pay and what their creators fail to pay.

Is it not true, Mr. Surrey, that tax-exempt foundations are subsidized by the people who do pay taxes?

Mr. SURREY. The Internal Revenue Code does allow a person to reduce his taxes by making contributions to philanthropic organizations, including foundations. Also, the Internal Revenue Code does exempt from income tax the income of philanthropic organizations along with other tax-exempt organizations and the philanthropic group does include foundations. These are conscious decisions by the Congress that in the United States our society is well served by this form of encouragement to philanthropy.

On the other hand, as is true with many activities, over time one sees that there are certain abuses which should be controlled and ended, and the Treasury Department study indicates that while Government encouragement to philanthropy, the kind that exists in the Internal Revenue Code and is found in the foundation area is desirable, nevertheless, there are patterns of abuse of that encouragement which should be ended.

Mr. PATMAN. I want to say something for the record briefly in connection with one of the statements made by Secretary Fowler on the balance-of-payments problem.

Yesterday I mentioned that the Agricultural Development Council, Inc., of New York City, a Rockefeller-controlled foundation, and the Pew Memorial Trust, of Philadelphia, had made certain overseas grants, among others, in dollars totalling \$533,950 during 1965 and 1966. I listed those grants, which indicate that, of the \$533,950, \$311,000 was spent in Japan by the Agricultural Development Council and \$100,000 was spent in Italy by the Pew Memorial Trust.

After I made my statement, Secretary Fowler attempted to explain by indicating that the underdeveloped countries of the world are exempt from the voluntary control measures respecting the balance-of-payments problem. I wish to point out that Japan and Italy, which is where the bulk of this \$533,950 went, can hardly be classed as underdeveloped countries.