

keep people from really sitting down and thinking?

**Debye:** Yes. It is overdone—overdone. There are too many conferences. Those people who go from one conference to another are not contributing very much. This is also true of university professors.

**Corson:** There is great pressure to get involved in a lot of extraneous activity, on committees in Washington, for example. Is this a good thing?

**Debye:** Well, if a man does what he really wants to do, and sacrifices his own research effort, then you should let him do it. But from the point of view of the community this is not so good, because he could do some better things.

**Bauer:** Well, sometimes it is necessary to get involved in this way. In order to make decisions regarding the allocation of funds politicians have recognized that they must have advisers. This takes the best people out of science and converts them to committees who sit and advise.

**Debye:** Yes, of course. The scientists who respond must have an inclina-

tion to do this. We should recognize that they are making a sacrifice, in that this keeps them from finding out something new. It is a loss.

**Salpeter:** There is a question here. Should one encourage a small number of scientists to take off, say, 5 years to become advisers in Washington?

**Debye:** Oh. You cannot take 5 years. Really, this is impossible. If a man is really interested in nuclear physics, he cannot just quit for such a long period.

**Salpeter:** Let me rephrase this question. Should one encourage a new profession of a smaller number of people who are scientists and have become professional government advisers, or should one encourage a much larger number of practicing university professors to spend a few days in a year in the process of advising?

**Debye:** I think the first is much better. If a scientist spends a few days a year, he cannot put in all his effort, but that's what he should do. It is better to have people who devote 100 percent of their time to this work, and then you will have people who want

to do it. There are those who have had a good feeling for physics and chemistry, and also want to work in administration.

**Bauer:** This last comment brought to mind a question regarding your procedures for doing research. I think you follow the principle that you work on only one problem at a time, and you devote yourself wholly to it.

**Debye:** Yes. Yes.

**Bauer:** Do you find that this really pays off?

**Debye:** Well, I don't know whether it pays off or not. I only know that it gives me fun. You see, I'm not talking about the community—I'm not doing things for the community—I'm doing things for myself. Now, you can say this is bad.

**Bauer:** I'm thinking more in terms of accomplishment. Do you find that this is a useful way to operate?

**Debye:** Yes. I think so. The main thing is that you're interested in whatever you are doing 100 percent, and then you regret and resent anything that takes you away from it.

**Bauer:** Thank you, Professor Debye.

## News and Comment

### Foundations: Patman Maintains Pressure for Tighter Regulation of Tax-Exempt Organizations

Congressman Wright Patman (D-Tex.), chief advocate of tightening both the law and federal supervision on the financial activities of tax-exempt foundations, late last month presided over 3 days of hearings on the subject before his Small Business subcommittee.

Patman, former chairman of the House Select Committee on Small Business, is now chairman of the House Committee on Banking and Currency, but has retained chairmanship of the Small Business subcommittee on "foundations—their impact on small business."

As a critic of the foundations, Pat-

man clearly sees himself first as a defender of the ordinary taxpayer. In his introductory statement at the hearings Patman referred to three reports produced by the committee staff and said, "More and more the 'cream' is slipping out of our tax system as the great fortunes go into tax-exempt foundations. Thus the 'skim milk' incomes of average, hard working families must shoulder an increasing part of the tax burden, both Federal and state."

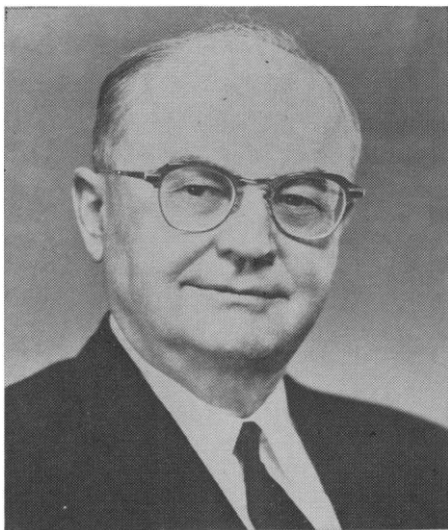
In addition, Patman finds fault with activities which put foundations in competition with private business, and he also sees serious implications in the large holdings of common stock by the foundations and in the management of these assets by some foundations.

However, discussion of specific

abuses of the present laws and of possible changes in the laws covering tax-exempt organizations dominated the 3 days of hearings, 21 through 23 July, at which the subcommittee heard star witnesses Treasury Secretary Douglas Dillon; former Commissioner of the Internal Revenue Service, Mortimer M. Caplin, who recently resigned; and Commissioner Manuel F. Cohen of the Securities and Exchange Commission, who is reportedly slated for chairmanship of the SEC.

The Patman subcommittee is an investigative group. Legislative powers in this area of foundation affairs are reserved to the tax-writing Ways and Means Committee in the House and the Finance Committee in the Senate. But Patman's harping on the sins of commission and omission of some foundations is likely, in the long run, to affect legislation just as it has, patently, invigorated IRS enforcement action in the foundation sector.

In the 2 years since Patman began close examination of the foundations, his staff has produced three reports. They dealt with more than 500 foundations (including many of the largest), carrying information on such things as receipts, net worth, liabilities, and accumulation of income, and also pro-



Wright Patman

viding case histories apparently selected to show examples of exploitation of foundation status for uncharitable reasons and, in some instances, to call in question IRS and Treasury handling of foundation matters.

The July hearings were significant less perhaps for any new information revealed than for an airing of the Administration viewpoint toward foundations by the official government witnesses.

Dillon, an imperturbable witness, said, "We certainly feel that the definite desire of the majority of the Congress and the big majority, is to continue the tax exempt privilege for private charity, including foundations, and as long as the foundations are operated properly, I don't think we will make any recommendations to end their exemption [or] limit it in any way."

Asked by Patman if he were not concerned about the "drift of wealth into foundations," Dillon replied, "No I am not, Mr. Chairman, since I think that income if it is properly used by these foundations is being used to support charitable purposes that should be supported, and which, if they were not supported privately, would have to either be supported by the government or abandoned, and I think that either of these would be something we would not like to see."

The Treasury Secretary also noted later that the flow of stocks into foundations was not so great as the flow into pension funds.

Dillon, however, did say, in relation to foundations, "we do think the problem is one of curing abuses which may have developed, and we are sure some

... have." He went on to say, "we would expect and hope that there would be a revision of the laws regarding foundations next year."

Just what these revisions might be Dillon declined to say, on the grounds that the Treasury is now conducting studies which should be completed by the end of the year and provide information on which to base recommendations to Congress.

From his testimony, however, it was apparent that the Treasury would like to see foundation law tightened in three general areas: (i) "unrelated business activities"; (ii) unreasonable accumulation of assets; (iii) "self dealing."

The self-dealing category covers a dazzling multitude of possible uses of the tax status of foundations for the benefit of their founders, contributors, or managers. The sale of securities through foundations to avoid capital gains taxes was one strategem mentioned several times during the hearings. Loans made by foundations on advantageous terms to borrowers and use of foundation-held stock in proxy fights were others. Overvaluation of gifts of property—art objects, for example—is one of the simpler ways to exploit the tax status of foundations.

Caplin, who as chief of the IRS has, ex officio, been one of Patman's primary targets, sought in his testimony to put in perspective the task facing the IRS in enforcing foundation law.

Until 1942, tax-exempt organizations were not required even to file tax returns once they had won exempt status. The first serious attempt to legislate against abuses by the exempts came in 1950. This act made "unrelated business income" taxable, but Caplin said that IRS had been unable to convince the courts that commercial activities were incompatible with an exemption grant, and he depicted the IRS as suffering "a series of judicial defeats when it attempted to enforce its interpretation of the law in the courts."

As Dillon noted, Congress in 1950 also turned down administration recommendations of a prohibition on dealings between a foundation and its donor or donor-controlled corporations.

The question of what constituted unreasonable accumulation of assets was also left cloudy, and as Caplin said at the hearings, the lack of precision in various parts of the statute has made its administration difficult.

The number and variety of tax-exempt organizations also contribute to the difficulty. In addition to foundations

and charitable trusts, the tax-exempts range from educational and religious organizations, through business leagues and civic and welfare organizations, to pension funds and cemetery corporations. Caplin estimated that there are 400,000 principal organizations and several hundred thousand additional subsidiary groups. About 12,000 new exemptions are granted every year, and some 10 percent of these go to charitable trusts and foundations.

The more than a quarter of a million tax returns a year from the exempt organizations represent a very small fraction of the \$100 billion-plus a year business of the IRS. And Caplin pointed out that there are only 14,000 revenue agents to handle everything.

Nevertheless, the IRS has made a special effort to give closer supervision to the foundations. A master file on foundations is being "computerized," and when this is done better answers should be available to many of the questions Patman has been asking. IRS is trying to give fuller information to the foundations and a booklet telling the exempts what they can and cannot legally do is in the works. Litigation has been stepped up, said Caplin, and so has auditing of the tax returns of the nonprofits. From February 1963 to 19 May of this year, 9552 returns including 1851 from private foundations and charitable trusts were specially audited, says Caplin. IRS field offices recommended more than 500 revocations of exemptions and more than 800 tax charges as a result.

Within IRS, an exempt organizations council has been formed with top officials of the agency serving on it. The council will consider policy matters relating to the foundations and, presumably, help fashion recommendations for changes in the law.

Representative of the leading questions that came up during the hearings are these:

1) Should the full contents of exempt organization tax returns be made public? Names of contributors do not now appear on portions of the forms available to the public.

2) In view of balance-of-payments troubles, what about controls on expenditures of foundations in foreign countries and loans to foreign businesses.

3) What of the possibility of a federal regulatory agency to supervise foundations?

These and other questions are sure to be raised in later Patman committee

hearings. The committee expects to hear more from government witnesses, and there are no plans so far for calling foundation officials. But Patman can be counted on to keep the subject open until he gets action.—JOHN WALSH

### Scientists in Politics: Council Founded by Szilard Brings Cash and Sophistication to Lobbying

In the past few months, the Council For a Livable World, a small lobbying organization directed largely by scientists, has been the subject of a series of hostile articles by a widely syndicated newspaper columnist, it has been debated on the Senate floor, and its financial support has been repudiated by one senator who formerly accepted the Council's rather substantial contributions to his campaign. Although its enemies have created the impression that the Council's powers and resources are exceeded only by those of the CIA, the fact is that the Council is a modest but clever organization which has used a unique fusion of intellectual argument and cold cash to attain a degree of influence on national politics fairly unusual for a "peace group" but not yet approaching the big time in the world of lobbies in general.

The Council was founded in 1962 when Leo Szilard, the Hungarian-born nuclear physicist who died 2 months ago, toured the country, repeating at nine colleges and universities an address entitled "Are We on the Road to War?" Szilard had been deeply involved in the wartime Manhattan Project—it was largely his effort that persuaded Einstein to write his famous letter to Franklin Roosevelt. His scientific contribution to the bomb project was equally significant—with Enrico Fermi he performed many of the basic experiments leading to the chain reaction. After the war, like many of his colleagues, Szilard became deeply convinced of the likelihood of nuclear conflagration, and after an unexpected recovery from cancer in 1959, he personally agitated in many ways for international measures to control the new weapons and reduce the risk of war.

At the time of his speech, Szilard was gloomy about the prospects of avoiding war and about the possibility of a single individual's having any influence on governmental actions. Joined with this dissatisfaction, however, was a special sensitivity to the political process. After

spending some time in Washington, he perceived that politicians were more responsive to logic if it was backed up by cash support and he tried to figure out a way to tie the two together.

Szilard's speech outlined a number of steps that the government could take to relax the mutually threatening military postures of the U.S. and the U.S.S.R. His ultimate objective was general disarmament and the abolition of war. But instead of advocating demonstrations and petitions in support of his utopian goals, Szilard proposed that all citizens in substantial agreement with his objective unite by pledging 2 percent of their annual income (or however much they could afford) to the campaign funds of candidates for political office who shared their sympathies.

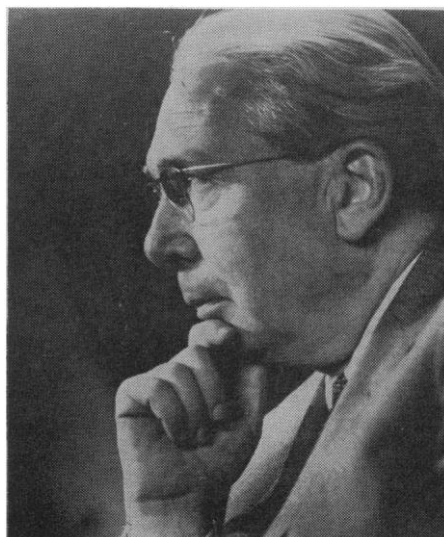
The idea was not exactly to create a "Peace Party" but to provide a national constituency for certain candidates who might not have, in their own localities, sufficient interest in or support for active stands on the questions that could be summed up as "issues of peace or war." What was envisioned was not so much the formation of a club as the creation of a movement. Supporters of the movement were to regard themselves as pledged to make decisions about candidates "disregarding domestic issues, solely on the issue of war and peace." Directing the overall strategy, providing information on candidates and issues, and generally lobbying, was to be a group of scientists and scholars.

After Szilard's speaking tour was over, letters went out to a large number of individuals—mainly at universities—thought likely to be interested. Szilard returned to Washington. And, somewhat surprisingly, the money started to come in. Within a few months the new organization, then called the Council for Abolishing War, had received \$55,000, enough to set up its operations and begin its work.

Early in the fall of 1962, an informal group consisting of 27 scientists was enlisted by Szilard to form an Advisory Scientists' Committee for a Livable World. Of these men, seven—Bernard Feld, Charles Coryell, and Maurice Fox of M.I.T., William Doering of Yale, John Edsall of Harvard, David Hogness of Stanford, and Szilard—became Fellows of the Committee and tended to the details required for giving the organization legal status. All except Szilard are still associated with the Council, which is now headed by Feld, a physics professor, and Allan

Forbes, a producer of documentary films in Cambridge, Massachusetts. The current Board of Directors is headed by Doering, who is professor of chemistry and director of the Division of Science at Yale. Other board members are Ruth Adams, managing editor of the *Bulletin of the Atomic Scientists*, Maurice Fox, associate professor of biology at M.I.T., Jerome D. Frank, professor of psychiatry at Johns Hopkins, Matthew Meselson, professor of biology at Harvard, James Patton, head of the National Farmers Union, and Charles Pratt, Jr., a New York photographer. Since November, 1963, the Council's day-to-day affairs have been handled by Colonel H. Ashton Crosby, a much decorated, retired army officer. He has recently been joined by Lois Gardner, a former associate editor of the *Bulletin of the Atomic Scientists*.

For a group so novel and so lately organized, the role of the Council in the 1962 elections was extremely gratifying to its backers. In September the leaders of the Council decided to concentrate their support on the Senate. They advised their supporters to give the bulk of their campaign contributions to two men, Joseph Clark, a Democrat running for re-election in Pennsylvania, and George McGovern, a two-term congressman and former director of the Food for Peace program, who was running for the Senate in South Dakota. "Both these men," said a Council bulletin, "are deeply concerned about the drift toward an all-out arms race and they understand what policies would need to be pursued in order to avert the dangers with which we are faced. If elected, the Council believes they could



Leo Szilard [Tita Binz, Mannheim]