

## Chapter Seventeen

# THE ROCKEFELLER GROUP

*A biographical sketch of John D. Rockefeller, Sr., and his crusade against free-enterprise; the beginning of Standard Oil; the entry of the Rockefellers into investment banking; their influence in the pharmaceutical industry and international politics.*

It would be a serious mistake to categorize the international cartel that has been the subject of these chapters as strictly German. The leaders of its component parts, regardless of their nationality, consider themselves as internationalists—or more accurately, supra-nationalists—with little or no loyalty to the country of their birth. Their patriotism is directed toward the giant multi-national industrial and financial organizations that protect and sustain them.

Robert Stevenson, former vice-president of the Ford Motor Company, was an excellent specimen of these new citizens of the world. *Business Week* on December 19, 1970, quoted Stevenson as saying: “We don't consider ourselves basically an American company. We are a multi-national company. And when we approach a government that doesn't like the U.S., we always say, “Who do you like? Britain? Germany? We carry a lot of flags.”

During a television interview in the fall of 1973, a top executive of Mobil Oil was even more explicit when he said:

I've never been faced with the situation where I'd say to myself I'm only going to be a good citizen of one country, because if I do that I'm no longer a multi-national oil company.<sup>1</sup>

We must keep in mind that a cartel is a *grouping* of interests. While they may act in unison in those areas that serve their

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1. “Snake Oil From the Oil Companies,” *Consumer Reports*, Feb. 1974, p. 126.

mutual goals, and while there usually is investment interlocking, and while the trend is toward the creation of a single industrial and financial complex that will dominate the entire planet, nevertheless, its component parts represent groupings within the structure, and often there is competition between them for a more favorable position.

The largest and most powerful of these today is centered in New York City and is known as the Rockefeller group.

The Rockefeller interest in the profit potential of drugs can be traced all the way back to John D. Rockefeller's father, William Avery Rockefeller. "Big Bill," as he was known to his friends and neighbors in upstate New York, had been a wandering vendor of quack medicines made mostly from crude oil and alcohol. He had never received medical training, yet he advertised himself as "Doctor William A. Rockefeller, the Celebrated Cancer Specialist" and had himself listed as a physician in the local directory. His advertising posters read: "All cases of cancer cured, unless too far gone, and they can be greatly benefited."<sup>1</sup>

"Doc" Rockefeller was a con artist. He cheated anyone and everyone any time he could—and boasted of it. In 1844 he was accused of horse theft. He had been suspected of bigamy. And in 1849, he was accused of raping the hired girl in the Rockefeller household. To avoid prosecution, Big Bill moved to Oswego, outside the court's jurisdiction.<sup>2</sup>

John D. Rockefeller, in later years, recalled with pride the practical training he had received from his father. He said:

He himself trained me in practical ways. He was engaged in different enterprises; he used to tell me about these things . . . and he taught me the principles and methods of business.<sup>3</sup>

What were these principles and methods of business that John D. learned from his father? Biographer, John T. Flynn, in his book *God's Gold; The Story of Rockefeller and His Times*, provides the answer:

Big Bill was fond of boasting of his own smartness and how he bested people. . . . The man had practically no moral code. He would descant on his own cunning performances for anyone's entertain-

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1. John T. Flynn, *God's Gold; The Story of Rockefeller and His Times*, (New York: Harcourt Brace and Co., 1932), p. 53.

2. Hoffman, David; *A Report on a Rockefeller*, *op. cit.*, p. 24.

3. Mathew Josephson, *The Robber Barons*, (New York: Harcourt Brace and Co., 1934), pp. 45, 46.

ment. . . . He was what was later called a “slicker,” and he was fond of doing what he could to be sure his sons would be “slickers” like himself.

“I cheat my boys every chance I get,” he told Uncle Joe Webster. “I want to make ‘em sharp. I trade with the boys and skin ‘em, and I just beat ‘em every time I can. I want to make ‘em sharp.”<sup>1</sup>

And make ‘em sharp, he did—especially John D. who went on to become one of the most ruthless and most successful monopolists of all time.

Once again, we must remind ourselves that, in spite of all the rhetoric to the contrary, monopoly is not the product of free-enterprise capitalism, but the escape *from* it. John D. Rockefeller himself had confirmed this many times in his career. One of his favorite expressions was “Competition is a sin.”<sup>2</sup>

But there was more to it than that. John T. Flynn explains:

His entry into business and his career after that would be, in a large measure, the story of American economic development and the war on *Laissez faire*. . . .

Rockefeller was definitely convinced that the competitive system under which the world had operated was a mistake. It was a crime against order, efficiency, economy. It could be eliminated only by abolishing all rivals. His plan, therefore, took a solid form. He would bring all his rivals in with him. The strong ones he would bring in as partners. The others would come in as stockholders.... Those who would not come in would be crushed.<sup>3</sup>

The ascendancy of the Rockefeller empire is proof of the success of that plan. John D., Sr., had a number of close business associates. Some originally were partners. Most were defeated rivals who had been brought into the structure. These men became multi-millionaires, and most of their descendants have remained closely linked with the Rockefeller family. Whether intermarriages were arranged as “unions of convenience,” as were common among the ruling classes of Europe, or were the result of romance, the result has been the same. The Rockefeller biological (and stockholder) strain has intermingled in an almost unbroken line through half of the nation's wealthiest sixty families and back again. Throughout it all, the aggregate is controlled, economically at least, by the *one* family that is the descendant of John D. Rockefeller, Sr.

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1. Flynn, *op. cit.*, p. 58.

2. Hoffman, *op. cit.*, p. 29.

3. Flynn, *op. cit.*, pp. 23, 221.

It is nearly impossible for an outsider to estimate the true wealth and power of the Rockefeller family today. But even a casual survey of the visible portion of its empire is enough to stagger the imagination.

The Rockefellers established an oil monopoly in the United States in the 1870's. In 1899, this oil trust was reorganized as the Standard Oil Company of New Jersey. In 1911, as a result of a decision of the Supreme Court, Standard was forced to separate into six companies—supposedly to break up the monopoly. This act did not accomplish its objective. The many “independent” companies that resulted continued to be owned—and in many cases even run—by the same men. None of them ever engaged in serious competition between themselves, and certainly not against Standard Oil of New Jersey, which continued to be Rockefeller's main holding company.

In the years following 1911, the Rockefellers returned to their original policy of acquiring other oil companies that, in the public eye, were “independent.” Consequently, the Rockefeller family obtained either control over or substantial financial interest in such vast enterprises as Humble Oil (now called Exxon), Creole Petroleum, Texaco, Pure Oil, and others. These companies control a staggering maze of subsidiaries that operate in almost every nation of the world. All together, Standard Oil of New Jersey *admits* to outright control over 322 companies.<sup>1</sup> In addition, Rockefeller established cartel links through investments in many foreign “competitors.” These included Royal Dutch (Shell Oil) and a half interest in the Soviet Nobel Oil Works.

What influence the Rockefellers exert through their oil cartel, as impressive as it is, is peanuts compared to what they have accomplished in later years through the magic of international finance and investment banking.

That part of the story begins in 1891 when the First National City Bank of New York, under the presidency of James Stillman, became the main bank of the Rockefeller family. With the addition of the Rockefeller deposits, the bank became the largest in the country.

The Rockefellers soon became interested in banking and banking monopolies as a means of making money with even greater potential than oil monopolies. Two sons of William

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1. Hoffman, *op. cit.*, pp. 151, 152.

Rockefeller, John's brother, married daughters of James Stillman, and the Rockefeller-Stillman interlock was forged. Later, the family of John D. Rockefeller moved most of its financial interests to a bank of their own, but the descendants of William Rockefeller became, and continue to be, the majority shareholders in the First National City Bank, which eventually became one of the largest financial institutions in the world.

When the family of John D. Rockefeller left the First National City Bank, it was not because of dissatisfaction or an internal struggle for control. It was merely to absorb the competition—the hallmark of all monopoly business moves. First they established their own bank known as the Equitable Trust. Then they bought up the Chase National Bank. Meanwhile, the International Acceptance Corporation, a bank owned by Kuhn, Loeb and Company, had merged into the Bank of the Manhattan Company. And it was this that was absorbed in 1955 by the Rockefeller's Chase National Bank resulting in the largest banking firm in the world: The Chase Manhattan.

How big is the Chase Manhattan Bank? No one on the outside really knows. We *do* know, however, that it is more like a sovereign state than a business firm. It has far more money than most nations. It has over fifty-thousand banking officers serving as ambassadors all around the world. It even employs a full-time envoy to the United Nations, for whom it serves as banker.<sup>1</sup>

The words “investment bank” or “investment house” have been used several times within this discourse, and it is advisable to clarify their meaning. Before 1933, banks in the United States operated in two areas of activity. They handled the commercial checking accounts and deposits of individuals and corporations, an area of activity known as *commercial* banking. They also represented clients who were buying or selling stocks and bonds in various corporate enterprises, an area of activity known as *investment* banking.

In 1933, however, in response to public alarm over the growing concentration of economic power into the hands of fewer and fewer banking dynasties, a law was passed which required commercial banks to divest themselves of all investment

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1. The U.N. always has been a pet project of the Rockefeller family. They donated the land on which the U.N. building now stands. It's likely that they view the U.N. as the ultimate mechanism for the enforcement of monopoly power throughout the entire world, a role for which it is admirably structured.

banking operations. (This law has been reversed in recent years, and once again we see banks handling both kinds of transactions.) The banks complied, but the result was not what the voters had in mind. Separate investment banking firms *were* established, but they were owned by exactly the same people who also owned the commercial banks. As a result of the mergers that took place in the wake of this legislation, there were fewer firms, and thus, greater concentration of power than ever before.

For the Chase Manhattan group there was now an investment firm called the First Boston Corporation. And for the National City Group there was Harriman, Ripley & Company and Blyth & Company. Others—such as Dominick & Dominick and Dillon, Read, & Company—soon were added to the interlock as the power of the Rockefeller empire expanded. With the formation of the First Boston Corporation, the powerful Mellon family threw in its lot with the Rockefeller family, and the only substantial block that was not yet united into the monolithic banking structure was the family of J.P. Morgan, although they cooperated in many joint projects, including formation of the Federal Reserve System.<sup>1</sup>

With the growth of these investment-banking institutions in the United States, New York became the new focal point of world finance. Switzerland, in spite of the unique role it plays because of its bank secrecy and numbered accounts, cannot compare with the money volume and power centered in the United States. Even London, which was the wellspring of financial power through the Rothschild and Morgan empires, has since fallen to second place. The American assets of any one of the multinational corporations built around Standard Oil, ITT, Ford, or General Motors, exceed the total assets of many nations. ITT has more employees overseas than does the State Department. Standard Oil has a larger tanker fleet than the Soviet Union. IBM's research and development budget is larger than the total tax revenue of all but a handful of countries. While it is true that a great deal of foreign money does find its way into Swiss banks, there still is more

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1. Contrary to popular belief, the Federal Reserve System—the entity that controls the creation of money in the United States—is neither owned nor run by the government. It is a cartel comprised of the banking interests that are the subject of these passages. For the complete story, see *The Creature from Jekyll Island: A Second Look at the Federal Reserve* by G. Edward Griffin, (Westlake Village, CA: American Media, 1995).

money and real wealth inside the United States than in most of the rest of the world combined. Furthermore, a substantial portion of this wealth is concentrated into the hands of the financial and industrial cartelists in New York.

One percent of the population owns more than seventy percent of the nation's industry, and ten percent own *all* of it.<sup>1</sup> About half of this, in turn, is held in trust by the ten leading Wall Street banks, which, in turn, are heavily influenced, if not controlled outright, by a group so small that they could be counted on the fingers of one hand. This, stated in plain English, represents the greatest and most intense concentration of wealth and power that the world has ever seen.

How did this come about? Was it the product of free-enterprise? Was it the result of providing needed goods or services at competitive prices, thus capturing a larger share of the free market? Was it the consequence of mass production and distribution methods that drove down the selling price of goods to the point where they became attractive to more and more consumers? Each of these factors may have played a small part in the process, but to whatever extent they did, it was infinitesimal compared to the larger role played by the guaranteed super profits that resulted from simply eliminating the competition.

Apologists for cartelized industry and finance usually attempt to refute this fact by citing the profit figures for these enterprises each year. The picture they draw is modest, indeed, showing an average profit of from three to seven percent. This isn't enough even to keep up with inflation, so obviously, the *finpols*, somehow are doing a lot better than that. But how?

The answer is in something known as *profits of control*—the profits that fall, not to those who own an enterprise, but to those who control it. These are *not* the same as the modest return-on-investment typically paid to stockholders. The profits of control are derived from such things as inside information that makes it possible to anticipate movements in the stock market, attractive stock options, handsome fees for consultation, commissions and royalties from crossbreeding contracts with affiliated companies, multimillion dollar loans at artificially high or low interest rates (depending on the direction of the advantage), and similar devices.

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1. Lundberg, *The Rich and the Super Rich*, *op. cit.*, p. 461.

Many people are of the opinion that it takes fifty-one percent ownership to control a corporation. While this may be true of small companies whose stock is held by a handful of people, the multi-billion dollar companies can be—and *are*—controlled by as little as five to ten percent of the total stockholders.<sup>1</sup>

The mechanics by which it is possible for an extreme minority to hold control—and thus the *profits* of control—of the super-giant industries are fascinating. They include all the usual tricks of business—such as proxy battles and social pressure on members of the board—plus most of the tactics of all-out war as well. They also include use of hidden allies from other countries who may own small but substantial blocks through numbered accounts in Swiss banks. But the greatest weapon of all is the powerful leverage they can obtain through their control of large blocks of stock that are held indirectly by them as part of the investment portfolios of the financial institutions they also control.

A large insurance company, for example, is the repository of billions of dollars that come from policyholders. The money that is held in reserve for potential claims is invested in a broad spectrum of securities, but most of it is put into the stocks and bonds of large corporations. The stocks carry voting rights. They do not belong to the owners or managers of the insurance company. They belong to the policyholders. Nevertheless, the minority who *control* the company exercise the right to vote that stock just the same as if they owned it. In this way, a few people in control of a financial institution can multiply their influence by a factor hundreds of times greater than their own capital investment would suggest. They also can influence the price of the stocks they hold merely by buying or selling huge blocks of them. The profit potential of controlling and *anticipating* such transactions is enormous. This is the “magic” of investment banking, and it explains why the leaders of Wall Street’s great financial cartels are, historically, at the summit of the industrial empires of the United States.

The Rockefeller group has become the nation’s leading practitioner of this kind of magic. In addition to the billions of dollars worth of other people’s industrial stocks which it controls

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1. This is the unanimous opinion of experts in the field of high finance. See the *New York Times*, Nov. 7, 1955; also Lundberg, *op. cit.*, p. 270; also Hoffman, *op. cit.*, pp. 6, 7; and others.



through the trust departments and trust companies affiliated with its commercial banking operations; in addition to the billions controlled in the same way through its investment banking firms; and in addition to the megalithic blocks of stock held in trust by the various Rockefeller foundations; it also has control over the vast stock holdings of both the Metropolitan and Equitable life-insurance companies, the first and third largest in the United States. The Traveler's and Hartford insurance companies, likewise, came under Rockefeller control largely through its chief executives, such as J. Doyle DeWitt and Eugene Black, both directors of the Chase Manhattan Bank.

Reaching downward through this pyramid of power, the Rockefeller group has managed to place its representatives into controlling positions on the boards of a wide cross-section of industry. These include the following better known firms: Allied Chemical, American Tobacco, Anaconda, Armour and Company, AT&T, Bethlehem Steel, Bulova Watch, Burlington Industries, Commercial Solvents Corporation, Continental Can, Cowles Publications, Data Control, Florida East Coast Railroad, Ford Motor, General Electric, General Foods, General Motors, Getty Oil, B.F. Goodrich, Hearst Publications, Hewlett-Packard, IBM, International Harvester, ITT, Kennecott Copper, Litton Industries, Minute Maid, National Lead, New York Central Railroad, Pan American Airways, Penn Central, Polaroid, RCA, Sears, Shell Oil, Singer, Southern Pacific Railroad, Time-Life Publications, U.S. Rubber, U.S. Steel, Virginian Railroad, Western Union, and Westinghouse—to name just a few!

In the field of drugs and pharmaceuticals, the Rockefeller influence is substantial, if not dominant. When David Rockefeller spoke before the Investment Forum in Paris, he said that it was wise to invest in “life and risk insurance companies, business equipment companies, and companies benefiting from research into drugs.”<sup>1</sup>

That he has followed his own advice is a matter of record.

The Rockefeller entry into the pharmaceutical field is more concealed, however, than in most other categories of industry. The reason for this appears to be two-fold. One is the fact that, for many years before World War II, Standard Oil had a continuing cartel agreement not to enter into the broad field of chemicals

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1. Hoffman, *op. cit.*, p. 185.

except as a partner with I.G. Farben which, in turn, agreed not to compete in oil. The other is that, because of the unpopularity of Farben in this country and its need to camouflage its American holdings, Standard had concealed even its partnership interests in chemical firms behind a maze of false fronts and dummy accounts. The Chase Manhattan Bank, however, has been the principal stock registrar for Farben-Rockefeller enterprises such as Sterling Drug, Olin Corporation, American Home Products, and General Aniline and Film. When Farben's vast holdings were finally sold in 1962, the Rockefeller group was the dominant force in carrying out the transaction. One may assume, therefore, that, if there was any way to benefit from inside information or to place a minority into a position to reap the profits of control, the Rockefeller group did so. Consequently, it is difficult for an outsider to separate the *pure* Rockefeller control from that which is shared by I.G. Farben or its descendants. That it constitutes a major power center within the pharmaceutical industry, however, cannot be denied.

The profit potential in drugs is enormous. The very nature of the product lends itself to monopoly and cartel manipulation. When a person is ill or dying, he does not question the price of a drug offered to him for relief. This is especially true if the drug is available only through a prescription. The mystique of that procedure eliminates competition between brands. Profits can be extremely high—not for the physician or the druggist—but for the firms that manufacture the drugs.

This is the primary reason for the FDA's on-going drive to require all but the weakest-potency vitamins to be available only through prescription. Price and brand competition simply has to be stopped. Pharmaceutical firms support this measure because they know that their control over drug-store distribution would give them a monopoly. They also know that, if prescriptions are required, vitamins will be covered by insurance. Consequently, prices can be raised without consumer complaint. (Never mind that the cost eventually must be paid by the consumer, either in higher insurance premiums or higher taxes.) And so this is merely another example of using the power of government to eliminate competition and increase costs to the consumer.

Here again is one of those road signs along the way reassuring us we have not become lost in a maze of meaningless information with no bearing on cancer therapy. Although many

otherwise well informed persons are totally unaware of it, cartels *do* exist. They have completely dominated the chemical industry for decades. The pharmaceutical industry, far from being exempt from this influence, has been at the center of it from the beginning. We are travelling this long path of historical inquiry for the reason that one simply cannot evaluate the broad opposition to vitamin therapy without an awareness of this cartel.

It has been observed that almost every head of state that visits the United States pays a personal visit to the head of the Rockefeller empire. This has included visits to David Rockefeller by such personages as the Emperor of Japan and the Premier of the Soviet Union. And when Rockefeller travels to foreign lands, he always is accorded a royal welcome of the caliber usually reserved for heads of state. Yet, the American people generally do not consider the Rockefellers to be that important. As Ferdinand Lundberg observed:

There apparently is a difference of opinion between foreign leaders ... and the American public about the precise status of the Rockefellers. Can it be that the foreign political sharks, as they muster out the palace guard and the diplomats to greet them, are mistaken? My own view of them accords with that of the foreigners. The finpols (financial politicians) are ultra bigwigs, super-megaton bigshots, Brobdingnagian commissars of affairs. In relation to them the average one-vote citizen is a muted cipher, a noiseless nullity, an impalpable phantom, a shadow in a vacuum, a subpeasant.<sup>1</sup>

Perhaps the reason Americans do not regard the Rockefellers as the “Brobdingnagian commissars” that they really are is because, like their Farben counterparts in Nazi Germany, they have wisely chosen to stay in the background. They are seldom in the news and are overshadowed by the public appearances and pronouncements of the nation's politicians. The men who sit at the pinnacle of this world power prefer to leave the publicity-seeking to their political subordinates who, by temperament, are more suited to the task. The amount of power held by a John or a David Rockefeller may not be as great as that held for a single moment by a president of the United States. By comparison, however, the president is but a passing comet streaking toward oblivion.

Political figures come and go. Some are revered in the history books of their nation. Some are tried as war criminals. Others are

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1. Lundberg, *op. cit.*, p. 21.

assassinated. Most merely are cast aside and forgotten when they have outlived their usefulness. But the power of the Rockefellers is handed down from generation to generation as a title of nobility and has become a living, growing, nearly immortal reality of its own.

## Chapter Eighteen

# THE CHARITY PRESCRIPTION

*The drug cartel's influence over the nation's medical schools; the drug-oriented training given to medical students; and the use of philanthropic foundations to obtain control over educational institutions.*

As we have seen, the Rockefeller group, in conjunction with the hidden hand of I.G. Farben, has become a dominant force in the American pharmaceutical industry. One of the consequences of this reality is that one almost never finds consumer price competition among prescription drugs and patent medicines. Generally, the only competition we see is along the lines of vague advertising claims such as “Laboratory tests prove Bayer is better,” or “Research has shown that Anacin is faster.” Over the years, the pharmaceutical houses have lived up to an agreement to stay within the narrow field of their specialty and to refrain from trying to cut into the established markets of their rivals. It is, as they say, an “orderly” industry.

One of the reasons for this non-competition is that most drugs are patented and are available only from one manufacturer. Another reason is that the prescription is made by a physician who is more concerned with the effectiveness of a drug than with its price. But, in addition, there is the fact that the drug houses bombard the market with so many new drugs each year that the physician often does not *know* how effective the drugs are that he prescribes. All he knows is that he has seen them advertised in the *AMA Journal*, has been handed a “fact sheet” by a field representative from the company which manufactures them, and may have had some success with them on previous patients. Because he is a *practitioner*, not a *researcher*, he cannot conduct controlled experiments to determine the relative effectiveness of the new

drugs as compared to older or similar drugs available through another firm. All he knows is that they seem to help some of his patients. If the first drug does not bring about the desired results, then he will issue a new prescription and try something else. The result is that it is not unusual for a patient to buy multiple drugs from different manufacturers with everybody getting a piece of the financial action.

This point was brought home rather bluntly at a conference sponsored in 1963 by Johns Hopkins University. One of the featured speakers was Dr. George Baehr of New York, who stated:

As a consultant for many years to physicians in private practice, it has been my experience that many general practitioners and specialists have acquired the habit of shifting repeatedly and needlessly from one drug to another. They are usually motivated to change their prescribing habits by the persuasive propaganda of advertising literature and of visiting detail men.<sup>1</sup>

There is nothing about this procedure that is improper from the physician's point of view. He is doing only what he can to help his patients by making available to them what he has been told is the latest technology in the field of drugs. Remember, it is not he who makes a profit from writing the prescription.

There is no questioning the fact that the doctor functions as a salesman for a multi-billion dollar drug industry, but he is not paid for this vital service. He *has* been trained for it, however. Through the curricula of the nation's leading medical schools, students are exposed to such an extensive training in the use of drugs (and practically none in the field of nutrition) that, upon graduation, they naturally turn to the use of drugs as the treatment of choice for practically all of man's ills.

How the medical schools of the nation came to adopt these uniform curricula is the subject to which we now turn our attention.

The key to unlock this particular door of cartel intrigue is the tax-exempt foundation. The scope of this study does not permit more than a cursory review of the origins and early history of such foundations, but the salient points are these:

The Federal Reserve System, the income tax, and the tax-exempt foundation all were conceived and foisted onto the American people by the same financier-politicians whose story

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1. Omar Garrison, *The Dictocrats*, *op. cit.*, p. 21.

has been traced in the preceding pages. In fact, the Federal Reserve System was first introduced as legislation in 1913 by Senator Nelson Aldrich, and was known as the “Aldrich Plan.” Aldrich was brought into the inner circle when his daughter married John D. Rockefeller, Jr. The senator's son, Winthrop Aldrich, became chairman of the Chase National Bank. Senator Aldrich was viewed as Rockefeller's personal representative in the Senate and, as a result, he wielded far more power and influence in Washington than any other senator of the era. One thing is certain. He would not have introduced income-tax legislation if there had been even the remotest chance that it would apply to such fortunes as those held by the Rockefellers, the Morgans, the Carnegies, or the Mellons.

The plan was both simple and ingenious. They would transfer the bulk of their visible assets to something called foundations. They would appoint hand-picked and loyal underlings to administer these foundations. They would require that a portion of their assets be dispersed under the appearance of charity or philanthropy. They would design most of those gifts, however, to benefit themselves, their business enterprises, or to further their political objectives. They would retain full control of their assets and use them just as freely as if they remained directly in their name. They would avoid the payment of any significant inheritance tax upon the death of the “donor,” thus insuring that the fortune remained intact and in the hands of family or corporate control in perpetuity. And they would use the supposedly charitable nature of the foundation as a means of avoiding the payment of most, if not all, of the income tax they then were advocating to be paid by everyone else.

Once again it must be noted that the “socialist” or “communist” nostrums allegedly designed to pull down the rich and elevate the poor—such as the progressive income tax<sup>1</sup>—always work to eliminate the middle class and, ultimately, to produce just the opposite of their advertised objective. That this has been true in the United States is obvious. The progressive income tax has not hurt the *finpols* one bit. Their wealth expands at an increasing rate each year. The business and professional people who fall into the middle class, however, now are increasingly

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1. The progressive income tax was specifically called for in *The Communist Manifesto*.

blocked from rising into the selected ranks of the super-rich. With each passing decade since the enactment of the income tax, the gap widens between the top and the bottom. Again, government becomes the instrument for preventing competition and for preserving monopoly.

And make no mistake about it, it was planned that way.

Ferdinand Lundberg explains:

Recipients of the money must be ideologically acceptable to the donors. There is a positive record showing that, by these means, purely corporate elements are able to influence research and many university policies, particularly in the selection of personnel.... The foundations are staunch supporters of the physical sciences, the findings of which have many profit-making applications in the corporate sphere....

Whether or not these various effects were sought by the foundation creators, they are present, and the realistic observer must suppose they were what the realistic founders had in mind.<sup>1</sup>

What has been true in university research is equally true in government research. In both cases, the pharmaceutical interests are able to benefit commercially from drug research programs paid for wholly or in part by tax dollars. This reality was confirmed in 1972 by Dr. Frank Rauscher, director of the National Cancer Institute, when he said:

We test about 30,000 compounds a year for anti-tumor activity in animals at the National Cancer Institute alone. Each year, for the past four or five years, an average of about three new drugs have reached the physician's bag for application to the patient.

The program currently costs about 75 million dollars per year, and can be expected to generate six or seven clinically effective drugs each year. That means we're spending tax money at about the rate of 10 million dollars per drug.... My colleagues, Dr. Gordon Zubrod and Dr. Saul Schepartz, operate probably the nation's biggest pharmaceutical house at the National Cancer Institute.<sup>2</sup>

In recent years, the private physician has represented a constantly shrinking portion of the total medical profession. As his influence wanes, he is being replaced by group clinics, HMOs, state-supported institutions, and research centers. Many of these are the recipients of large grants for specific medical projects and they become very sensitive to the ideological or scientific prefer-

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1. Lundberg, *The Rich and The Super Rich*, op. cit., p. 469.

2. "New Gains in War Against Cancer," *U.S. News and World Report*, Dec. 4, 1972, p. 41.



ences of those who give the money. It's not that the donors tell them specifically what to do or what to find, it's just that the recipients know in advance that, if they stray too far outside the unstated but clearly understood objectives of those who make the grant, then that will be the last time their name is on the roll call when the free money is given out.

There is the celebrated case, for instance, of the \$15,000 grant from the Carnegie Endowment for International Peace to the American Bar Association to study the United Nations Genocide Convention. When the ABA had the gall to *condemn* the convention, the Carnegie Foundation was enraged and demanded an immediate stop to the project or its money back.<sup>1</sup>

Another example of the influence of foundations over the world of academia is the way in which the nutrition department of Harvard has been converted into the public relations department of the General Foods Corporation. For years the head of this department at Harvard was Professor Stare, known within health-food circles as the "Cornflakes Professor." One of the Professor's dubious achievements was to defend "enriched" white bread and other miracle products of the processed-food industry. He dismissed as "rubbish" and "nutritional quackery" all suggestions that chemical additives to foods may not be safe or that processed supermarket foods are not just as nutritious as anything fresh from an organic garden. On one occasion he condemned Dr. Carlton Fredericks for his support of vitamin B6 and challenged him to produce even *one* authoritative reference to support its value. Whereupon Dr. Fredericks sent Stare's own report on B6 written years before he had come under the influence of Harvard and foundation money.<sup>2</sup>

Omar Garrison gives further insight into how this influence came to be decisive:

Perhaps it is without significance that Dr. Stare is a board member of a large can company, and that his department at Harvard has been the recipient of substantial research grants from the food industry. For example, in 1960, the Harvard president announced what he called a "momentous" gift of \$1,026,000 from General Foods Corporation, to be used over a ten-year period for expansion

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1. "Bar Group Accused by Carnegie Fund," *New York Times*, Oct. 15, 1950, pp. 1, 66. Also "Bar Group Denies Peace Fund Misuse," *New York Times*, Oct. 20, 1950, p. 30.

2. Details given in a lecture by Dr. Carlton Fredericks at the National Health Federation Convention in Los Angeles, Jan. 16, 1972.

of the nutritional laboratories of the university's school of public health, where Dr. Stare is professor of nutrition. The seductive question is: Can any scientific research remain wholly objective and untainted by loyalty when it is so generously endowed by big corporations whose commercial future will be influenced by the outcome of such research?<sup>1</sup>

Joseph Goulden, in his authoritative study of foundations entitled *The Money Givers*, explains how foundation control has been extended to the medical profession:

The medical profession does quiver excitedly when it hears the fast rattle of thousand dollar bills. Since Ford [through the Ford Foundation] began nationwide operations in 1950, it has spent more than a third of a billion dollars on medical schools and hospitals....

Foundations are popular with the medical establishment because they do so much to preserve it. A well-endowed regional foundation—Kellogg in Michigan, Moody in Texas, Lilly in Indiana—can be as influential in hospital affairs as is the state medical association, through grants for construction, operating expenses, and research.<sup>2</sup>

Bearing in mind that the foundations are precision tools designed to further monopolies and cartels, it follows that they will be used, not only for expanding the wealth of those who control them, but also for expanding the size and reach of government, for *total* government is the ultimate monopoly and the final goal.

This has been a conspicuous aspect of foundation grants since their inception. The majority of foundation-supported projects in the social and political sciences have resulted in the promotion of expanded government power as the solution to the problems and injustices of the nation and the world. Plush grants have gone to scholars, researchers, schools, dramatists, churches, theater groups, mass-action organizations, poets, and ivory tower think-tanks. They have been given to those within the Establishment, to those who are anti-Establishment, to those who claim to be in the middle, and to those who plot violent revolutions to overthrow the government. They have been bestowed upon Republicans, Democrats, New-Agers, militants, pacifists, socialists, and Communists. The apparent divergence of these groups leads the casual observer to the erroneous conclusion that the foundations

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1. Garrison, *op. cit.*, pp. 195, 196.

2. Joseph Goulden, *The Money Givers*, (New York: Random House, 1971), pp. 145, 149.

are not selective or that they are promoting a kind of melting-pot democracy of ideas. But, upon closer examination, the one thing that *all* of these recipients share in common is that they promote the growth of government; and *that*, in fact, is why they have been smiled upon by the forces of monopoly.

There are a thousand examples that could be cited in support of this proposition, but let us limit ourselves only to the field of medicine which is the area of our present interest. Recent studies of socialized medicine in England and Sweden have turned up an interesting fact. Because prescription drugs in these countries are “free” (paid through taxes), the per-capita use of these medications is much higher than in the United States. The statistics show that, when an individual has no financial interest in his medical bill, he tends to overuse medical services just to make sure that he is getting all the benefits to which he thinks he is entitled.

Doctors, also, tend to write prescriptions in marginal cases of need just to “process” the patient through his office more quickly. The result is that, under socialized medicine, the drug manufacturers are rewarded with an automatic and maximum market saturation for their products. The pharmaceutical cartel that controls the medically oriented foundations has not overlooked this fact, and we can be certain that the history of foundation pressure for socialized medicine in the United States is no accident.

The Milbank Fund was created by Albert G. Milbank who was Chairman of the Borden Company and also the leading partner in the Wall Street law firm of Milbank, Tweed, Hope, Hadley and McCloy. Milbank was no stranger to the cartel. John J. McCloy, one of his partners, was Chairman of the Chase National Bank, trustee of the Rockefeller Foundation, chairman of the board of the CFR (Council on Foreign Relations), and a member of the Executive Committee of Squibb Pharmaceutical. The significance of the Milbank Fund is not that it has been the kindly sponsor of projects supposedly to upgrade the quality of public health, but that it was one of the first foundations to use its resources openly to promote government expansion via socialized medicine.

Richard Carter, in his devastating attack against the AMA, entitled *The Doctor Business*, recounts the story:

During the Coolidge and Hoover administrations, organized medicine encountered little legislative difficulty. Its worst problems were those posed by the Committee on the Costs of Medical Care

and the philanthropic foundations which financed the CCMC's work. The Milbank Fund was regarded as particularly virulent. Despite protests from local medical societies, it continued pilot studies in New York State which illustrated the advantages of publicly organized preventive medicine. Worse, its secretary, John A. Kingsbury, was an advocate of federal health insurance and so was its president, Albert G. Milbank. With the election of Franklin D. Roosevelt, such advocacy became formidable. It was expected that Roosevelt would include compulsory health insurance in his Social Security laws.<sup>1</sup>

The entry of the Rockefeller group into the foundation arena is of paramount importance to the subject of this treatise, for no other single force has been as influential in shaping the contours of modern medicine in America. One of the first moves in that direction was made when John D. Rockefeller retained the professional services of a public-relations expert by the name of Ivy Lee. When Lee was called before the Congressional Committee to Investigate Foreign Propaganda and Other Subversive Activities,<sup>2</sup> he testified reluctantly that he had been retained by I.G. Farben to give professional advice to most of the top Nazi leaders, including Goebbels, the Minister of Propaganda, and Hitler himself.

Lee became famous in later years for accomplishing what seemed to be an impossible task—improving the popular image of John D. Rockefeller. He had advised the old tycoon to give away a small percentage of his wealth each year in the form of gifts to hospitals, libraries, schools, churches, and other charities, but to do so in the most conspicuous manner possible, usually with a public building to bear his name as a continuing testimony to his generosity and benevolence.

To obtain favorable press coverage, he advised Rockefeller to carry rolls of shiny dimes with him at all public appearances so he could hand them out to any youngsters that might be present. It was largely through following this kind of advice that John D. Rockefeller gradually lost the old (and earned) reputation for cunning and ruthlessness and became increasingly portrayed as a kindly philanthropist who loved children.

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1. Richard Carter, *The Doctor Business*, (New York: Doubleday, 1958), pp. 203, 204.

2. This later became known as the Dies Committee after Martin Dies, but in 1934 its chairman was John W. McCormack of Massachusetts.

The public-relations value of philanthropy did not originate with Ivy Lee. Rockefeller himself had observed how the negative image of George Peabody had been changed almost overnight by conspicuous acts of public charity, and the same thing with his close friend Andrew Carnegie. Shortly after Carnegie proclaimed his famous “Gospel of Wealth” in which he stated that men of great fortune had an obligation to further humanitarian objectives through philanthropy, Rockefeller wrote to him and said: “Be assured, your example will bear fruits.”<sup>1</sup> Later, when the first Rockefeller general philanthropic board was created, Carnegie was made a trustee and served for eleven years. Rockefeller and Carnegie, applying the typical philosophy of industrial cartels, agreed not to compete or overlap in their philanthropic endeavors, and operated their respective foundations as though they were one; a fact which, through the years, has given each of them an economic leverage even greater than would be indicated by their separate vast resources.

The one man who probably deserves more credit than any other for advancing the profitable science of foundation philanthropy was a “modernist” minister by the name of Fred Gates. Gates was far more of a businessman than he was a man of God. In fact, he openly acknowledged that he held an aversion to fundamentalist religion, and that he entered the ministry in order to promote the “social” principles which, in his view, were implied in Christ’s teachings. He explained: “I wanted to side with Him and His friends against the world and His enemies. That, frankly, was the only ‘conversion’ I ever had.”<sup>2</sup>

Fred Gates had attracted the attention of John D. Rockefeller as a result of his effective service to the flour magnate George A. Pillsbury. Gates had shown Pillsbury how to dispose of a portion of his estate in such a manner that, not only did he receive maximum public approval, but he also was able to capture control of money from other sources as well.

This was the Gates formula: Pillsbury gave the Owatonna Baptist Academy \$50,000 *on condition that the Baptist community at large would raise an equal amount*. Gates then took on the job of raising the additional funds. The result was that \$100,000 was

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1. Warren Weaver, *U.S. Philanthropic Foundations; Their History, Structure, Management, and Record*, (New York: Harper & Row, p. 35.

2. Allan Nevins, *John D. Rockefeller*, (New York: Scribner & Sons, 1959), v. 2, p. 271.

raised in all, and it was done in such a way that the entire business community, through its own financial share in the venture, was led to personally identify with Mr. Pillsbury and his “noble” project.

Pillsbury put up only half, yet he obtained the same public credit and private influence over how the funds were used as he would have if he had financed the entire venture. That was getting *double* mileage out of one's philanthropy!

John D. was quick to appreciate the usefulness of such a man as Fred Gates, the creator of this concept, and soon made him a key figure in his business enterprises. Rockefeller, himself, later described Gates in these glowing terms:

Fred Gates was a wonderful business man. His work for the American Baptist Education Society required him to travel extensively. Once, as he was going south, I asked him to look into an iron mill in which I had an interest. His report was a model of clarity!

Then I asked him to make some investigation of other property in the west. I had been told this particular company was rolling in wealth. Mr. Gates' report showed that I had been deceived.

Now I realized that I had met a commercial genius. I persuaded Mr. Gates to become a man of business.<sup>1</sup>

One of the first foundations established by Rockefeller and Gates was the General Education Board. The objective of this “philanthropy” was not to raise the general level of education, as many thought at the time, but to convert the American people into a docile herd of content and uncomplaining workers. In the first publication of the General Education Board, Gates wrote:

In our dreams we have limitless resources, and the people yield themselves with perfect docility to our molding hands. The present educational conventions fade from our minds, and unhampered by tradition, we work our own good will upon a grateful and responsive rural folk. We shall not try to make these people or any of their children into philosophers of mental learning or of science. We have not to raise up from among them authors, editors, poets, or men of letters. We shall not search for embryo great artists, painters, musicians, nor lawyers, doctors, preachers, politicians, statesmen of whom we have ample supply. The task we set before ourselves is very simple as well as a very beautiful one: To train these people as we find them to a perfectly ideal life just where they are. So we will organize our children into a community and teach them to do in a

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1. John K. Winkler, *John D.—A Portrait in Oils* (New York: Blue Ribbon Books, 1929), pp. 176, 177.

perfect way the things their fathers and mothers are doing in an imperfect way, in the homes, in the shop, and on the farm.<sup>1</sup>

John D. Rockefeller had a passion for efficiency—not only in business, but in the administration of his philanthropic funds as well. In the mind of this man, the word “efficiency” meant more than merely the absence of waste. It meant expending the money in such a way as to bring about the *maximum* return to the donor.

The Gates “matching funds” formula developed for Pillsbury was refined even further for Rockefeller and soon evolved into a pattern in which John D. often controlled a philanthropic venture with as little as one-fourth of the total capitalization. Scores of volunteer fund-raisers could be recruited to raise the balance from the public at large. But since the largest *single* contribution came from Rockefeller, he received the credit and was able to place control of the *entire* fund into the hands of trustees who were subservient to his will. This was the pattern that produced such profitable ventures as the Charity Organization Society, the State Charities Aid, the Greater New York Fund, and many others.

The New York Tuberculosis and Health Association was a classical example. Originally established by a group of physicians dedicated to a crusade against T.B., it soon fell captive to the financial domination of Rockefeller money. Rockefeller put in charge of the program a relatively unknown social worker by the name of Harry Hopkins.<sup>2</sup> Under Hopkin's direction, the T.B. Association grew to international proportions and, by 1920, was collecting many millions of dollars each year.

Rockefeller controlled the operation, but most of the money came from the public through contributions and the purchase of Christmas Seals. One of the great scandals of 1932 centered around the accusation made by New York City Health Commissioner Lewis I. Harris, in a letter to the *New York Times* of June 8, and by the subsequent admission of the fund's officers, “that all its money had been expended on salaries and overhead.”

The philanthropy formula worked so well that it was decided to expand. A multitude of similar agencies were established to

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1. “Occasional Paper No. I,” General Education Board, 1904.

2. Hopkins, like most Rockefeller protégés, moved into government work. He became WPA director, U.S. Secretary of Commerce, Lend-Lease Administrator, and personal advisor to FDR. He even took up residency in the White House. Later it was learned that he had been a member of the Communist Party.

exploit the public's dread of other diseases as well. Within a few years there sprang into being such organizations as The Heart Association, The Social Hygiene Association, The Diabetes Association, The National Association for the Prevention of Blindness, The American Cancer Association, and many others.

The American Cancer Society, incidentally, was formed officially in May of 1913 at the Harvard Club in New York. In later years its orientation has been determined by such personages sitting on its board of directors as Alfred P. Sloan (General Motors), Charles D. Hilles (AT&T), Monroe Rathbone (Standard Oil), and Frederick Ecker (Metropolitan Life). The American Cancer Society holds half ownership in the patent rights to 5FU (5 fluorouracil, one of those drugs considered as an "acceptable" treatment for cancer.<sup>1</sup> The drug is manufactured by Hoffman-LaRoche Laboratories which is within the I.G.-Rockefeller orbit. Many donors to the ACS would be outraged to learn that this organization has a vested interest in the sale of drugs and a financial tie-in with the drug industry.

The ACS denies that it has ever received any money for its share of the patent. When the author wrote to Hoffman-LaRoche suggesting that this was strange in-as-much as such payments would help to fund ACS "humanitarian programs," Mr. Samuel L. Welt, Assistant Vice President and Chief Patent Counsel replied: "We do not feel that we are in a position to comment on what payments, if any, the American Cancer Society received on account of the patent."<sup>2</sup>

Rockefeller's first entry into philanthropy on a grand scale was in 1890 when, following the formula established by Gates, he pledged \$600,000 to the Baptist University of Chicago on condition that the meat packers and dry-goods merchants of the city also contribute a minimum of \$400,000.

Biographer John T. Flynn describes the reaction:

When the news of Rockefeller's princely gift was made known, the National Baptist Education Society Convention was being held in Boston. The announcement of the gift was received with cheers.... When the gift was named and the actual sum of money pronounced, the audience rose and sang the Doxology. Men burst out into exclamations of praise and joy. "The man who has given this money is a godly man," chanted one leader. Another rose and exclaimed:

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1. See Jones, *Nutrition Rudiments in Cancer*, op. cit., p. 17.

2. Letter to G. Edward Griffin, January 11, 1977; Griffin, Private Papers, op. cit.



"The coming to the front of such a princely giver! A man to lead! It is the Lord's doing. God has kept Chicago for us. I wonder at his patience."

On the following Sabbath throughout the country, sermons of thanksgiving were preached in almost all Baptist pulpits. "When a crisis came," intoned one minister, "God had a man to meet it." "God," cried out another, "has guided us and provided a leader and a giver and so brought us out into a large place." In scores of pulpits the phrase: "Man of God!" was uttered. A writer to the *Independent* said: "No benefaction has ever flowed from a purer Christian source."<sup>1</sup>

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1. Flynn, *God's Gold*, *op. cit.*, pp. 305, 306.

## Chapter Nineteen

# HE WHO PAYS THE PIPER

*The low state of medical education in the U.S. prior to 1910; the role of the Flexner Report in dramatizing the need for reform; the role played by the Rockefeller and Carnegie foundations in implementing the Flexner Report; and the use of foundation funding as a means of gaining control over American medical schools.*

There is an old saying: “He who pays the piper calls the tune.” This is one of those eternal truths that exist—and always will exist—in business, in politics, *and in education*.

We have seen how John D. Rockefeller captured the hearts of Baptist ministers with a mere \$600,000 granted to Chicago University. What remains to be demonstrated is that he also captured control of the university.

Within a year after the grant, Rockefeller's personal choice, Dr. William Rainey Harper, was named president of the institution. And within two years, the teaching staff had been successfully purged of all anti-Rockefeller dissidents. A professor of economics and a professor of literature distinguished themselves by proclaiming that Mr. Rockefeller was “superior in creative genius to Shakespeare, Homer, and Dante.”<sup>1</sup>

In contrast, a Professor Bemis was expelled from the staff for “incompetence” when he repeatedly criticized the action of the railroads during the Pullman strike of 1894. A few years later, after the Rockefeller family, through the “philanthropy” of John Archbald, had gained parallel influence at Syracuse University in western New York, an economics instructor by the name of John Cummons was dismissed by the Chancellor for similar reasons.

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1. Josephson, *The Robber Barrons*, *op. cit.*, p. 324.

In 1953, Representative B. Carroll Reece of Tennessee received the authority of Congress to establish a special committee to investigate the power and influence of tax-exempt foundations. The committee never accomplished much due to mounting pressure from multiple sources high within government itself and, eventually, Reece was forced to terminate the committee's work. During its short period of existence, however, many interesting and highly revealing facts were brought to light. Norman Dodd, who was the committee's director of research, and probably one of the country's most knowledgeable authorities on foundations, testified during the hearings and told the committee:

The result of the development and operation of the network in which the foundations (by their support and encouragement) have played such a significant role, seems to have provided this country with what is tantamount to a national system of education under the tight control of organizations and persons little known to the American public.... The curriculum in this tightly controlled scheme of education is designed to indoctrinate the American student from matriculation to the consummation of his education.<sup>1</sup>

Using the unique talents of Fred Gates, Rockefeller set out consciously and methodically to capture control of American education and particularly of American *medical* education. The process began in 1901 with the creation of the Rockefeller Institute for Medical Research. It included on its board such politically oriented "medical" names as Doctors L. Emmett Holt, Christian A. Herter, T. Mitchell Pruden, Hermann M. Briggs, William H. Welch, Theobald Smith, and Simon Flexner. Christian Herter was slated for bigger things, of course, and became Secretary of State under President Eisenhower. Simon Flexner also was destined for larger success. Although his name never became as well-known as that of Herter, he and his brother, Abraham Flexner, probably influenced the lives of more people and in a more profound way than has any Secretary of State.

Abraham Flexner was on the staff of the Carnegie Foundation for the Advancement of Teaching. As mentioned previously, the Rockefeller and Carnegie foundations traditionally worked together almost as one enterprise in the furtherance of their mutual goals, and this certainly was no exception. The Flexner brothers were the lens that brought the Rockefeller and the

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1. As quoted by Weaver, *U.S. Philanthropic Foundations*, *op. cit.*, pp. 175, 176.

Carnegie fortunes into focus on the unsuspecting and vulnerable medical profession.

Prior to 1910, the practice of medicine in the United States left a great deal to be desired. Medical degrees could be purchased through the mail or obtained with marginal training at understaffed and inadequate medical schools. The profession was suffering from a bad public reputation and reform was in the air.

The American Medical Association had begun to take an interest in cleaning its own house. It created a Council on Medical Education for the express purpose of surveying the status of medical training throughout the country and of making specific recommendations for its improvement. But by 1908 it had run into difficulty as a result of committee differences and insufficient funding. It was into this void that the Rockefeller-Carnegie combine moved with brilliant strategy and perfect timing. Henry S. Pritchett, the president of the Carnegie Foundation, approached the AMA and simply offered to take over the entire project. The minutes for the meeting of the AMA's Council on Medical Education held in New York in December of 1908 tell the story:

At one o'clock an informal conference was held with President Pritchett and Mr. Abraham Flexner of the Carnegie Foundation. Mr. Pritchett had already expressed by correspondence the willingness of the Foundation to cooperate with the Council in investigating the medical schools. He now explained that the Foundation was to investigate all the professions: law, medicine, and theology.<sup>1</sup>...

He agreed with the opinion previously expressed by the members of the Council that while the Foundation would be guided very largely by the Council's investigation, to avoid the usual claims of partiality no more mention should be made in the report of the Council than any other source of information. The report would therefore be, and have the weight of, a disinterested body, which would then be published far and wide. It would do much to develop public opinion.<sup>2</sup>

Here was the "philanthropy formula" at work again: (1) have others pay a major portion of the bill (the AMA had already done most of the work; the cost to Carnegie was only \$10,000),

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1. This is not the subject of the present study, but the reader should not pass over the fact that the same strategy for control over education was being executed in other key areas as well.

2. Morris Fishbein, M.D., *A History of the AMA*, (Philadelphia & London: W.B. Saunders Co., 1947), pp. 987, 989.

(2) receive a public-image bonus (Isn't it wonderful that these men are taking an interest in upgrading medical standards!), and (3) gain control over a vital sphere of American life.

This is how that control came about.

The Flexner Report, as it was called, was published in 1910. As anticipated, it *was* “published far and wide,” and it *did* “do much to develop public opinion.” The report correctly pointed out the inadequacies of medical education at the time. No one could take exception with that. It also proposed a wide range of sweeping changes, most of which were entirely sound. No one could take exception with those, either. The alert observer, however, would note that the recommendations included strengthening courses in *pharmacology* and the addition of *research* departments at all “qualified” medical schools.

Taken at face value, the Flexner Report was above reproach and, undoubtedly, it performed a service that was much needed. It is what followed in the *wake* of the report that reveals its true purpose in the larger plan. Rockefeller and Carnegie began immediately to shower millions of dollars on those medical schools that were susceptible to control. Those that did not conform were denied the funds and eventually were forced out of business by their well-funded competitors.

A hundred and sixty schools were in operation in 1905. By 1927, the number had dropped to eighty. Most of those that were edged out had been sub-standard, but excellence was not the sole criterion for determining which ones would receive funding. The primary test was the willingness of the school administration and faculty to accept a curricula geared to drug research. That is how the money would come back to the donors—plus a handsome profit. Historian Joseph Goulden describes the process this way:

Flexner had the ideas, Rockefeller and Carnegie had the money, and their marriage was spectacular. The Rockefeller Institute for Medical Research and the General Education Board showered money on tolerably respectable schools and on professors who expressed an interest in research.<sup>1</sup>

Since 1910, the foundations have “invested” over a billion dollars in the medical schools of America. Nearly half of the faculty members now receive a portion of their income from foundation “research” grants, and over sixteen percent of them

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1. Goulden, *The Money Givers*, *op. cit.*, p. 141.

are entirely funded this way. Rockefeller and Carnegie have not been the only source of these funds. Substantial influence also has been exerted by the Ford Foundation, the Kellogg Foundation, the Commonwealth Fund (a Rockefeller interlock created by Edward Harkness of Standard Oil), the Sloan Foundation, and the Macy Foundation. The Ford Foundation has been extremely active in the field of medical education in recent years, but none of them can compare to the Rockefellers and the Carnegies for sheer money volume and historical continuity.

Joseph C. Hinsey, in his authoritative paper entitled "The Role of Private Foundations in the Development of Modern Medicine," reviews the sequence of this expanding influence:

Starting with Johns Hopkins Medical School in 1913, the General Education Board supported reorganizations which brought about full-time instruction in the clinical as well as the basic science departments of the first two years of medical education at Washington University in St. Louis, at Yale, and at Chicago. In 1923, a grant was made to the University of Iowa in the amount of \$2,250,000 by the General Education Board and the Rockefeller Foundation. Similar grants in smaller amounts were made to the following state-supported medical schools: University of Colorado, University of Oregon, University of Virginia, and University of Georgia. An appropriation was made to the University of Cincinnati, an institution which received some of its support from municipal sources. Howard University and the Meharry Medical School were strengthened, the latter by some eight million dollars. The General Education Board and the Rockefeller Foundation later made substantial grants to the medical schools at Harvard, Vanderbilt, Columbia, Cornell, Tulane, Western Reserve, Rochester, Duke, Emory, and the Memorial Hospital in New York affiliated with Cornell.<sup>1</sup>

It is necessary to add to this list the medical schools of Northwestern, Kansas, and Rochester; each heavily endowed, either by Rockefeller money or by the Commonwealth Fund which is closely aligned with Rockefeller interests.<sup>2</sup>

After Abraham Flexner completed his report, he became one of the three most influential men in American medicine. The other two were his brother, Dr. Simon Flexner of the Rockefeller Institute, and Dr. William Welch of Johns Hopkins Medical School

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1. Article reprinted in Warren Weaver's *U.S. Philanthropic Foundations*, *op. cit.*, pp. 264, 265.

2. *Ibid.*, p. 268.

and of the Rockefeller Institute. According to Hinsey, these men, acting as “a triumvirate”:

... were not only involved in the awarding of grants for the Rockefeller Foundation, but they were counselors to heads of institutions, to lay board members, to members of staffs of medical schools and universities in the United States and abroad. They served as sounding boards, as stimulators of ideas and programs, as mediators in situations of difficulty.<sup>1</sup>

The Association of American Medical Colleges has been one of the principal vehicles of foundation and cartel control over medical education in the United States and Canada. Organized in 1876, it serves the function of setting a wide range of standards for all medical schools. It determines the criteria for selecting medical students, for curriculum development, for programs of continuing medical education after graduation, and for communication within the profession as well as to the general public. The Association of American Medical Colleges, from its inception, has been funded and dominated by the Commonwealth Fund, the China Medical Board (created in 1914 as a division of the Rockefeller Foundation), the Kellogg Foundation, the Macy, Markle, Rockefeller, and Sloan foundations.

By way of analogy, we may say that the foundations captured control of the apex of the pyramid of medical education when they were able to place their own people onto the boards of the various schools and into key administrative positions. The middle of the pyramid was secured by the Association of American Medical Colleges which set standards and unified the curricula. The base of the pyramid, however, was not consolidated until they finally were able to select the teachers themselves. Consequently, a major portion of foundation activity always has been directed toward what generally is called “academic medicine.” Since 1913, the foundations have preempted this field. The Commonwealth Fund reports a half-million dollars appropriated for this purpose in one year alone, while the Rockefeller Foundation boasts of over twenty-thousand fellowships and scholarships for the training of medical instructors.

In *The Money Givers*, Joseph Goulden touches upon this sensitive nerve when he says:

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1. *Ibid.*, p. 274.

2. *Ibid.*, pp. 267, 268.

3. *Ibid.*, pp. 265, 266.

If the foundations chose to speak, their voice would resound with the solid clang of the cash register. Their expenditures on health and hospitals totalled more than a half-billion dollars between 1964 and 1968, according to a compilation by the American Association of Fund-Raising Counsel. But the foundations' "innovative money" goes for research, not for the production of doctors who treat human beings. Medical schools, realizing this, paint their faces with the hue desired by their customers.<sup>1</sup>

Echoing this same refrain, David Hopgood, writing in the *Washington Monthly*, says:

The medical school curriculum and its entrance requirements are geared to the highly academic student who is headed for research. In the increasingly desperate struggle for admission, these academically talented students are crowding out those who want to practice medicine.<sup>2</sup>

And so it has come to pass that the teaching staffs of our medical schools are a special breed. In the selection and training process, emphasis has been put on finding individuals who, because of temperament or special interest, have been attracted by the field of research, and especially by research in pharmacology. This has resulted in loading the staffs of our medical schools with men and women who, by preference and by training, are ideal propagators of the drug-oriented science that has come to dominate American medicine. And the irony of it is that neither they nor their students are even remotely aware that they are products of a selection process geared to hidden commercial objectives. So thorough is their insulation from this fact that, even when exposed to the obvious truth, few are capable of accepting it, for to do so would be a blow to their professional pride. Generally speaking, the deeper one is drawn into the medical profession and the more years he has been exposed to its regimens, the more difficult it is to break out of its confines. In practical terms, this simply means that your doctor probably will be the last person on your Christmas card list to accept the facts presented in this study!

Dr. David L. Edsall at one time was the Dean of the Harvard Medical School. The conditions he describes at Harvard are the same as those at every other medical school in America:

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1. Goulden, *op. cit.*, p. 144.

2. "The Health Professionals: Cure or Cause of the Health Crises?" *Washington Monthly*, June, 1969.



I was, for a period, a professor of therapeutics and pharmacology, and I knew from experience that students were obliged then by me and by others to learn about an interminable number of drugs, many of which were valueless, many of them useless, some probably even harmful.... Almost all subjects must be taken at exactly the same time, and in almost exactly in the same way by all students, and the amount introduced into each course is such that few students have time or energy to explore any subject in a spirit of independent interest. A little comparison shows that there is less intellectual freedom in the medical course than in almost any other form of professional education in this country.<sup>1</sup>

Yes, he who pays the piper does call the tune. It may not be possible for those who finance the medical schools to dictate what shall be taught in every minute detail. But such is not necessary to achieve the cartel's goals. It is certain, however, that there is *total* control over what is *not* taught, and under no circumstances will one of Rockefeller's shiny dimes ever go to a medical college, to a hospital, to a teaching staff, or to a researcher that holds the unorthodox view that the best medicine is in nature. Because of its generous patron, orthodoxy always will fiddle a tune of patented drugs. Whatever basic nutrition may be allowed into the melody will be minimal at best, and it will be played over and over again that *natural* sources of vitamins are in no way superior to those that are synthesized. The day when orthodox medicine embraces nutrition in the treatment of disease will be the day when the cartel behind it has succeeded in also monopolizing the vitamin industry—not one day before.

In the meantime, while medical students are forced to spend years studying the pharmacology of drugs, they are lucky if they receive a single course on basic nutrition. The result is that the average doctor's wife knows more about nutrition than he does.

Returning to the main theme, however, we find that the cartel's influence over the field of orthodox medicine is felt far beyond the medical schools. After the doctor has struggled his way through ten or twelve years of learning what the cartels have decided is best for him to learn, he then goes out into the world of medical practice and immediately is embraced by the other arm of cartel control—The American Medical Association.

So let us turn, now, to that part of this continuing story.

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1. Quoted by Morris A. Bealle, *The New Drug Story*, (Wash. D.C.: Columbia Publishing Co., 1958), pp. 19, 20.

## Chapter Twenty

# HE WHO CALLS THE TUNE

*AMA influence over the practice of medicine in America; how the leadership of the AMA keeps control away from its members; AMA funding by the drug industry; and examples of interlock between the two.*

The American Medical Association climbed into bed with the Rockefeller and Carnegie interests in 1908 for the praiseworthy purpose of upgrading American medicine. Like the young lady who compromised her virtue “just this once” to pay for a needed operation for her ailing mother, the AMA has been sharing the sheets ever since.

The impact of this organization on the average physician is probably greater than even he recognizes. First of all, the medical student cannot obtain an M.D. degree except at a school that has been accredited by the AMA. He must serve an internship only at a hospital that meets AMA standards as a teaching institution. If he decides to become a specialist, his residency must conform to AMA requirements. His license to practice is issued in accordance with state laws worked out by AMA leaders. To prove his standing as an ethical practitioner, he must apply to and be accepted by his county and state societies in conformity with AMA procedures. AMA publications provide him with continuing education in the form of scientific articles, research findings, reviews and abstracts from medical books, question-and-answer discussions of clinical problems, evaluations of new drugs, foods, and appliances, authoritative essays, editorials, letters to the editor, and a hundred similar appeals to his intellectual understanding of the profession he practices. At the AMA's week-long convention each year, the physician is exposed to what is called “a complete post-graduate education under one roof.” If he has

the interest and the stamina, he can attend his choice of hundreds of lectures, exhibits, and demonstrations; see medical videotapes; and carry home a suitcase full of pamphlets, books, and free drug samples.

As Richard Carter explained in his critical work entitled *The Doctor Business*:

On the national level, the AMA extended its authority far beyond the medical schools. As custodian of medical standards, it began determining the eligibility of hospitals to train new physicians. It gave authoritative advice on the training of nurses and technicians. It was influential in the passage of pure food and drug legislation, exposure of unscientific remedies, and stigmatization of cultism and quackery.<sup>1</sup>

The AMA spends millions of dollars per year for television programs to affect public opinion, maintains one of the richest and most active lobbies in Washington, spends many millions in support of favored political candidates, is instrumental in the selection of the Commissioner of the Food and Drug Administration, and ... well, let us just say that the AMA is a substantial force in American medicine.

Who controls the AMA? Most people would assume that the dues-paying members control their own association, but nothing could be further from the truth.

The AMA was founded in 1847 primarily through the efforts of three men: Dr. George Simmons, Dr. J.N. McCormack, and a Dr. Reed. Simmons was really the driving force behind the organization in those early days, acting as general manager, but McCormack and Reed shared in a great deal of the association's work including legislative lobbying. Simmons is particularly interesting because he headed the AMA's drive against so called diploma mills, yet, it is said that he had obtained his own medical degree through the mail from the Rush Medical School.

One does not have to be a good physician to run a medical association. In fact, a man with a busy personal medical practice seldom becomes involved with the leadership of the AMA simply because he doesn't have the time to spare. Furthermore, the temperament that is required for success in the practice of medicine is not the same as that required for success in running a large membership organization. For this reason, the AMA, from

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1. Richard Carter, *The Doctor Business*, (New York: Doubleday & Co., 1958) pp. 78, 79.

its inception, has been dominated by atypical physicians: men who enjoy the limelight and the thrill of accomplishment through medical politics. The typical physician, by comparison, is not only baffled by the intrigue and maneuvering for position behind the scenes, but wants no part of it for himself. He is more than content to leave the affairs of his association in the hands of those who enjoy the game.

The deceptive appearance of democracy is preserved through the AMA House of Delegates, which meets two times a year. Reference committees are formed for the purpose of making recommendations on the various resolutions submitted by state delegates or by the National Board of Trustees. But, following the pattern of political parties, the leadership maintains firm control over these resolutions by having the members of the reference committees appointed by the Speaker of the House, not by the delegates. The committees are stacked to carry out the will of the leadership. Those occasional innocents who are appointed for protective coloration usually are bewildered and overwhelmed.

One delegate who found himself lost in the maze complained:

It's difficult to make a sensible contribution to the work. If you're on a reference committee, all those resolutions are tossed in your lap and you can't make head or tail of the situation because you don't have time. The committee has not met before, has had no opportunity for advance study of the major issues, and is disbanded right after the convention, so the whole thing is kind of ephemeral. Your problem is solved, though, because a member of the Board of Trustees is always present at the committee meeting to "clarify" the issues for you. In the old days it used to be even worse. Until a few years ago, none of the resolutions was presented in writing. You had to sit and listen to every word, and there were times when you found yourself voting for the exact opposite of what you thought you were voting for.<sup>1</sup>

The president of the AMA is a figurehead. He has no administrative or executive duties. His primary function is to deliver talks to various groups around the country explaining the program and goals of the Association. The position is honorary and is not part of the AMA's permanent leadership.

If any members or delegates should become dissatisfied with their leadership, there is practically no way for them to make a change. In order to do so would require a concerted campaign

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1. *Ibid.*, pp. 73, 74.

among the other delegates to support a whole new slate of executive officers. But even that remote possibility has been effectively blocked. There is a standing rule, adopted in 1902, that reads,

The solicitation of votes for office is not in keeping with the dignity of the medical profession, nor in harmony with the spirit of this Association, and ... shall be considered a disqualification for election to any office in the gift of this Association.

It is through tactics like these that the AMA perpetuates dictatorial control over its members while wearing the mask of democratic response to the will of the majority.

Not all physicians are blind to these facts. The AMA dictatorship was pointed out as long ago as 1922 in the December issue of the *Illinois Medical Journal*, the house organ of the Illinois Medical Society. In a scathing article entitled "The AMA Becomes An Autocracy," the journal charged that the AMA had become a dictatorship organization run by one man, that it had ignored the democratic will of the membership, that it concerned itself with building a financial empire to benefit those who control it, and that it does not serve the doctors who support it with their dues and reputations.

Since 1922 the state medical journals have become financially interlocked with the *AMA Journal*, so there no longer is any possibility of publishing such harsh views. But the discontent continues. Doctors may not realize exactly who controls the AMA or why, but they increasingly are becoming aware that the organization does not represent *them*. By 1969, the AMA membership had stopped growing, and by 1970, it actually had declined. By 1971, less than half of all physicians in the United States were paying dues.

If AMA members or delegates do not control their organization, then who does? Who constitutes this "dictatorship" to which the *Illinois Medical Journal* has referred?

The structure and operating procedures of the AMA were well conceived to put total control of that organization into the hands of the one man who occupies the chief full-time staff position. Although supposedly hired by the AMA as its employee, actually he is beyond reach of the general membership because of his inside knowledge, his ability to devote unlimited time to the task, and his powerful influence in the selection of members of the self-perpetuating Board of Trustees. But he holds

even a mightier sword than that over the head of the organization because he also is the man who is responsible for bringing in the money. The AMA could not survive on membership dues alone, and without the income secured by him, the Association would undoubtedly founder.

The key to financial solvency for the organization has been its monthly publication, the *AMA Journal*. It was begun in 1883 by Dr. Simmons as a last-ditch effort to save the infant association from bankruptcy. Its first press run was 3,500 copies and sold at a subscription rate of five dollars per year. But it was anticipated that the bulk of the revenue would be derived from advertisers. By 1973, under the tight control of Managing Editor Dr. Morris Fishbein, it had a print run of almost 200,000 copies each month and had extended its publication list to include twelve separate journals including the layman's monthly, *Today's Health*.<sup>1</sup> Altogether the AMA now derives over ten million dollars per year in advertising, which is almost half of the Association's total income.

Who advertises in the *AMA Journal* and related publications? The lion's share is derived from the Pharmaceutical Manufacturer's Association whose members make up ninety-five percent of the American drug industry.

Morris Fishbein became a lot more to the AMA than his title of Managing Editor would suggest. He was its chief executive and business manager. He brought in the money and he decided how it was spent. His investments on behalf of the Association were extremely profitable, so the grateful membership could not, or at least dared not, complain too bitterly. One of the reasons for this investment success was that over ten-million dollars of the organization's retirement fund had been put into leading drug companies.<sup>2</sup>

In later years, much of the executive control of the AMA was wielded by Joe Miller, the Assistant Executive Vice President. Formerly an administrator of the government health program for Kentucky and an influential associate of the Lyndon Johnson-Bobby Baker group, Miller is viewed by many as a man

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1. This magazine has been particularly vicious in its attack against vitamin B17 cancer therapy. See "The Pain Exploiters; The Victimization of Desperate Cancer Patients," *Today's Health*, Nov., 1973, p. 28.

2. "AMA Says It Owns \$10 Million in Drug Shares," (UPI), *News Chronicle* (Calif.), June 27, 1973, p. 4.

who is devoid of political ideology, merely playing his role for whatever personal gain he can derive. As such, he was a perfect choice for the pharmaceutical cartel with its extensive financial support of AMA programs. Either way, the success of the AMA and those who direct it depends on the prosperity and good will of the pharmaceutical industry.

Item: In 1972 the AMA's Council on Drugs completed an exhaustive study of most of the commonly available compounds then in general use. The long awaited evaluation hit like an unexpected bomb. The Council reported that some of the most profitable drugs on pharmacy shelves were "irrational" and that they could not be recommended. And to add insult to injury, the chairman and vice-chairman of the Council stated before a Senate subcommittee that the large income derived from the various drug manufacturers had made the AMA "a captive arm and beholden to the pharmaceutical industry." The AMA responded by abolishing its Council on Drugs. The reason given was "an economy move."<sup>1</sup>

Item: AMA spokesman, Dr. David B. Allman, clarified one of the prime directives of his organization when he said:

Both the medical profession and pharmacy must shoulder one major public relations objective: to tell the American people over and over that nearly all of today's drugs, especially the antibiotics, are bargains at any price.<sup>2</sup>

Item: While placating its member physicians with press releases and public gesturing against government intervention in the field of medicine, the AMA has been one of the most effective forces behind the scenes to bring about just the opposite. Under the beguiling excuse of "Let us defeat *total* socialized medicine by promoting *partial* socialized medicine," it has provided the model legislation for the nation's largest single step toward total government control ever taken in this area.

The legislation was known as Public Law 92-603, passed by Congress and signed by President Nixon on October 30, 1972. It was more commonly referred to as PSRO, which stands for Professional Standards Review Organization. PSRO authorized the Department of Health, Education and Welfare to create a national and a series of regional boards for the purpose of

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1. "Crossing the Editor's Desk," *National Health Federation Bulletin*, Oct., 1973, p.30

2. Carter, *op. cit.*, p. 141.

“reviewing” the professional activities of all doctors in the United States. The men on these boards are to be doctors, but they will be selected or approved by the government and they must follow standards set down by government agencies. These government boards are authorized to compel all doctors to standardize their procedures, treatments and *prescriptions*, to conform with those federal standards. All previously confidential patient records are to be available to the government for inspection. Doctors who do not comply can be suspended from practice.

This scheme was drafted by the AMA Legal Department, submitted to Congress as part of its “Medicredit” bill, and never approved by the AMA House of Delegates or its membership.

There are many more equally revealing items, but time and space call us back to our point of departure. The foundations and the financial-industrial forces behind them have performed a great service in helping to elevate the American medical profession above the relatively low level of prestige and technical competence it endured in 1910. It is probable, however, that the profession, in time, would have done so by itself, and it is certain that it would have been far better off if it had. The price it has paid for listening to the siren call of money has been too high. It has allowed itself to be lured onto the reef of a new medieval dogmatism in medicine—a dogmatism that forces all practitioners into a compliance with holy pronouncements of scientific truth—a dogmatism that has closed the door on the greatest scientific advance of the twentieth century.