

1948

vert. file

Second semester  
4/1? 1948-9  
(Ref to Torgue  
1947-8  
Spring  
Shaw)

SCHOOL OF ECONOMICS AND POLITICS

Academic Organization

STEWART, W.

Biographical

RIEFLER, W.

RBW

Report, School of Economics and Politics.

Filed in Vertical File under S, School of Economics and Politics.

This was perhaps an explanation of Scm for R.O. as the  
precipitated crisis of decision by WWS taking leave after  
his plans for working up a collaborative effort with WALTER HILLSIDE  
received into R.O. Certainly WWS drew heavily from his  
memo for me.

Connected by WWS - his writing

S File, Sch. of Econ. & Pol. (R & M) 1947-8

S-3  
April 1, 1948??

MEMBERS:

From the first, the School of Economics has taken a wide giew of its range of interests. Economics describes mankind in the act of making its living; but mankind engaged in making a living is a complicated being. He makes his living within the framework of social culture and a given political system. On the other hand, specific economic functioning is highly technical. Furthermore, economics involves certain relations to space and time; no economy is exclusively national, and economic institutions have deep roots in the past. Hence, we have considered as belonging to our field such <sup>diverse</sup> ~~divers~~ studies as those of Hickman and Durand on the measurement of changes in interest rates--a technical subject; Blackmur's biography of Henry Adams--cultural history; Cooper's work in air law--which involves the relation of a new form of transportation to contemporary society; and Lindberg's study of the theory of social equilibrium--which, although metaphysical in approach, centers upon an economic theme: the utilization of economic surplus. At first glance these subjects seem remote from each other; it was believed, and events have demonstrated, that they were integrated. The American educational system contains no other institution purposively expressing this theory of integration, but the School is persuaded that its concept is sound.

hist

1946-8 pubd 1953 They  
Survival  
Surplus

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The School has never had <sup>a large</sup> the number of members which seemed desirable. This is attributable to two obvious reasons, and one which is less obvious. First, during the war, the government, one way or another, drew heavily on potential membership. Second, since the war, most colleges have been unable liberally to grant leaves of absence. The third reason is more lasting. Maturity comes late in the social sciences, and we have sought members of a certain maturity. But such qualified persons are often difficult to transplant. They commonly hold responsible departmental positions

2

and usually have more or less heavy family responsibilities. For that reason, our stipends have been comparatively flexible, but averaging higher than the other Schools. If we are to continue our criteria<sup>a</sup> of membership, stipends will have to be still higher in the future.

The type of member we seek has a bearing upon the facilities we try to offer. We must offer secretarial assistance; and we should offer office space providing privacy, and even a certain amount of comfort. While memberships have usually been proposed for one year, it has been found that in a majority of cases, two years is required to carry the task, and then, sometimes, not to completion.

On the experience of the past, it seems likely that: (a) our membership will never be large; (b) that it will require a fairly large space; (c) that the scale of stipends will be relatively high, and (d) that the turn-over will be rather slow.

Outside Interests:

The School has always been involved in a certain number of outside interests, of a collateral character. Some of these have been determined by the times, as Dr. Riefler's two-year absence as Minister to England during the war. Others are of a more "normal" character. For example, Dr. Stewart has been Chairman of the Board of Trustees of the Rockefeller Foundation; Dr. Riefler was formerly very active with the National Bureau of Economic Research, and subsequently with a committee studying the economic consequences of the atomic bomb. Mr. Warren has been, since the beginning, a member of the Committee on Economic History. Activities of this kind are fitful in incidence, but they seem definitely germane to the functioning of the School.

Handwritten notes on the left margin: "Fair", "Chairman", "Secretary", "Secretary of the Board?"

Handwritten signatures at the bottom: "JC", "EAG", "LWSon"

Visitors:

Beside members, the School has developed a practice of inviting "visitors". A visitor is defined as a person qualified to be a member, but who either comes for a period too brief to justify the term membership-- such as Professor Toynbee who came for a few days last spring--or who comes at periodical or irregular times for a single day, or for a few days. Visitors do not usually involve stipends; sometimes they require small amounts of expense money; usually there is no cost. It is believed that this type of association is mutually helpful, and we should like to expand it. Visitorships of some duration are predictable; the briefer ones are not. For that reason, the School needs a limited amount of space and secretarial service contingently at its disposal.

*Intellectual atmosphere - see last announcement*

*R.M.  
S. Sem - Pr. 1947-8*

5/13/40

THE AMERICAN COMMITTEE FOR INTERNATIONAL STUDIES

The outbreak of war in Europe has brought to the stage of acute crisis those issues of international relations which have grown steadily more grave in recent years and which have been of increasing concern to American scholars and to the American people. The interests, the opportunities, the obligations of the United States in this situation - these questions have become the most urgent in American public affairs. They require not only objective appraisal of the more immediate issues of American neutrality in Europe and the Far East, but also a reexamination of the basic interests of the United States and of methods for safeguarding those interests during the course of the war and post-war settlement.

Under such circumstances social scientists in the United States, as elsewhere, are confronted with an increasingly urgent task in relation to the democratic formulation of public policy. If American scholarship is to discharge its social responsibilities, it must discover and evaluate those profound dislocations and maladjustments in international relations now accentuated by war, must search the record for the lessons of experience, and must relate these facts to the problems of peace and international order. On the whole it is the position of the United States in all this which American scholars are best equipped to analyze, although problems which seem to be primarily or exclusively American can only be dealt with on the basis of an approach which is broadly international in character.

In a country as large as the United States, this intellectual responsibility runs far beyond the confines of any single agency. International studies cut across several academic disciplines - notably history, economics, politics, international law, sociology, and, more recently, anthropology, and psychology. The resources already applied to international studies, or available for this pur-

Scope  
↑  
Cover

pose, are widely dispersed among scores of colleges and universities, research institutions, foundations, financial and business corporations, government agencies, and educational organizations. In the past two decades these resources have multiplied as public interest in international affairs has grown. To draw them together in a single pattern of study would be out of the question and, in any case, undesirable. Regional differences in American interests and attitudes on world affairs are commonly exaggerated by foreign observers, but they do exist. Moreover, such differences, coupled with the diversity in viewpoint of various groups and organizations, private and official, are an aid to the many-sided and democratic study of public issues.

*Co-ordinating* Nevertheless, there is clearly a need for some degree of coordination through a central agency charged with the responsibility for an over-all view and a certain degree of over-all planning. Particularly is this true today. The outbreak of war in Europe has impelled many individuals and institutions towards a new examination of the problems of international relations, particularly post-war reconstruction as viewed in the light of experience. If each set to work with ignorance or only casual regard for what others are doing there would be fruitless duplication, and, more serious, a failure to realize the benefits which might come from a clearing of plans, a combination of effort, and the exercise of some measure of group consultation.

*24th page* To deal with some of these acknowledged problems the American Committee for International Studies has recently inaugurated a two-year program, with the advice and endorsement of a representative group of scholars assembled at a weekend conference at Rye, New York, in the autumn of 1939. This Committee (formerly known as the American Coordinating Committee for International Studies) has been for some years the American member of the International Studies Conference and will

continue to act as such. With the aid of the Rockefeller Foundation, which has provided the administrative expenses, it will broaden its activities in the direction of planning and stimulating American studies in international relations. In other words, its participation in the study program of the Studies Conference will now extend beyond the preparation of specific monographs under its own auspices to the establishment of a representative American agency for information and consultation and for planning and recommendation in this field. By such informal means it hopes to enlist the varied resources of American scholarship in a decentralized but integrated program of research.

The qualifications of the American Committee for this task are suggested by its representative membership. Edward Mead Earle of the Institute for Advanced Study at Princeton, is the Chairman and will direct the research program. Other members of the Committee are as follows: Frederick V. Field, American Council of the Institute of Pacific Relations; Frank R. McCoy, Foreign Policy Association; Whitney H. Shepardson, Council on Foreign Relations; James T. Shotwell, National Committee of the United States on Intellectual Cooperation; J. B. Condliffe, University of California; Alvin H. Hansen, Harvard University; Calvin B. Hoover, Duke University; Philip C. Jessup, Columbia University; Chester Lloyd Jones, University of Wisconsin; C. F. Remer, University of Michigan; Jacob Viner, University of Chicago; Henry M. Wriston, Brown University. The secretary of the Committee is William W. Lockwood, formerly of the American Council of the Institute of Pacific Relations. Its headquarters are at the Institute for Advanced Study, Princeton, New Jersey.

A program such as that outlined above must have some focus, some criterion of selection. It has been decided, therefore, to center it upon subjects which, broadly interpreted, relate to the interests and policies of the United States as affected by the world crisis in both Europe and the Far East. These

questions will, of course, necessitate some consideration of the terms of a durable peace, and particularly the terms upon which the United States might participate and the contributions which it might make to international order. It is possible, furthermore, that American experience with federalism, Pan-Americanism, Canadian-American relations, and such economic agencies as the Tennessee Valley Authority may be of significance abroad in reconstituting international relations on a more stable and prosperous basis.

Within this field the American Committee will lend its efforts to bringing about the most effective utilization of American scholarly resources. This will be done by informal consultation with scholars, officials, and laymen in the United States and abroad, by reviews of progress, exploration of new fields, promotion of collaborative work, and the continuous exchange of information. As a first step the Committee is making an inventory of research already in progress and plans in process of formulation. Where needs and opportunities are found to exist, the Committee will call them to the attention of interested and competent scholars and will endeavor to further promising projects by suggesting personnel and attempting to locate suitable research and conference facilities.

It is intended that the Committee will have advisory and informative rather than operating responsibilities. It will work through existing agencies, whether it be a matter of a study group on commercial policy, a monograph on a legal question, or the collection of war documents by American libraries and scholars. The result will not be a uniform series of studies under single auspices, nor an all-inclusive program of research. It is hoped, however, that the Committee, in cooperation with other agencies, will be able to lend its support where it will count the most and in a number of ways give a forward impetus to American thought upon this range of problems during an extremely critical period. The Committee has no funds to finance research projects itself and does not propose to undertake studies under its own auspices except as its commitments to the



International Studies Conference may require. It will not be directly concerned with the crystallization of public policies or with popular education, although it will not be disinterested in relating scientific research to questions of policy. The general objective is the widest utilization of existing data and the stimulation of new and constructive approaches to the study of international affairs.

It will be evident that this undertaking, if successful, will contribute directly to the program of study adopted by the International Studies Conference at Bergen. The reorganization of the American Committee and the adoption of these new activities represent an effort to contribute more effectively to the purposes of the Conference by helping to guide American studies, under whatever auspices, broadly along I. S. C. lines. It represents an effort to adapt American participation in the Conference both to the exigencies of the war situation and the characteristics of the American institutional setting.

Mr. William W. Lockwood, the Secretary of the Committee, is now actively engaged in the field making a survey of work already in progress in universities and research institutions. Professor Earle, the Chairman of the Committee, is maintaining liaison with foundations and individuals who in the past have supported research in international relations and who have expressed an interest in the activities in which the Committee is now engaged. As soon as it is possible to obtain a bird's-eye view of the situation as a whole, a more definitive program will be evolved and further recommendations made. The exact procedure will necessarily have to be devised in the light of experience. In other fields, experience indicates that a useful service can be performed by the stimulation of personal contacts and cooperation--of "intellectual trade"--between scholars here and abroad, and between scholars and other interested persons. By such "clearing-house"

activities, much can be done to eliminate (or encourage) duplication, to fill existing gaps, to suggest new approaches, and to bring about new contacts and collaborative efforts. There is reason to be skeptical of the value of formal lists of research projects and bibliographies, but the Committee will welcome suggestions as to any procedures likely to be fruitful.

One specific problem to which the Committee has already given attention is that of facilitating the collection of war documents for the use of libraries, research institutions, and scholars. A sub-committee has prepared a plan for the establishment of a centralized agency to describe the available documentary materials, which, despite their unsystematic and ephemeral form, are of both immediate and permanent interest to students of international affairs. It is hoped that funds may be provided by one of the foundations for the purpose of making it possible for scholars and libraries to obtain the essential war documents at a minimum of effort and expense.

Inasmuch as no individual or group of individuals can claim omniscience in work of this character, the Committee will welcome information, advice, and suggestions from interested persons. Communications should be addressed to:

Edward Mead Earle, Chairman  
American Committee for International Studies  
Princeton, New Jersey

AMERICAN COMMITTEE FOR INTERNATIONAL STUDIES

		<u>Term Expires</u>
Edward Mead Earle, Chairman	Institute for Advanced Study Princeton, New Jersey	1941
William W. Lockwood, Secretary	American Committee for Inter- national Studies, Princeton, New Jersey	--
J. B. Condliffe	University of California Berkeley, California	1940
Frederick V. Field	American Council Institute of Pacific Relations 129 East 52nd Street, New York City	*
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March 18 , 1943

Dr. Earl Hamilton  
Department of Economics and  
Business Administration  
Duke University  
Durham, North Carolina

*26 June*

Dear Hamilton:-

The descriptive and analytic part of your report I like very much. It is a highly informative summary of how such work has been developed in other countries and has failed to develop in this country. As you know, I do not think that the war training programs are going to give the opportunity for developing centers of regional study. I do not think that the Committee should address itself to them at all, these being clearly ad hoc teaching arrangements hastily improvised under the pressure of necessity. It would be most fortunate to consider these as the seedlings of future research.

With the recommendations that you offer you know that I am, in general, not in accord. My attitude is that physical institutes should not be founded until it is proven that a certain group at a certain place has the imagination and the viability that demands such recognition. I fear the ease with which one becomes a regional specialist, provided material rewards are offered. I fear also the discouragement of the actual workers who do not have the good fortune to be included in such an organization. I fear the probable "mushrooming" of regional courses in the event of such establishment of courses that are invented ahead of the development of sufficient scholarship. We have plenty of illustrations of this evil in our universities where fields of instruction were formed in advance of sufficient investigation, and especially is this true in the social sciences. What we need to do is to stimulate exploration of the content, function, and values of cultures.

Our first job, therefore, is to build an organized body of descriptive material. For Latin America, for instance, I should like to know a great deal more about the history of population and changes in its racial composition. I should like to know the facts of its material culture throughout time, - such as the crops and tillage, the herds and their management, the winning and processing of metals, the forms and routes of transport, the nature of commerce, the concepts of property, the structure and organization of communities, the relation of the state to the citizen, and so on. And, of course, always in terms of my interest, the quality of the use of the area by the group, whether destructive or constructive. Let us get the same type of enthusiasm that natural history has had about the collection and classification of data, and we will be going places. Now natural history in terms of geology, botany and zoology, for instance has required no more physical centers for its development than museums and herbariums, and these have been formed out of the enthusiasm of collectors and organizers. They weren't pre-fabricated. We are still inclined to shy away from descriptive work in the social sciences unless it can wrap itself in the robes of statistics. I suppose a part of that hang-over is due to narrative history which has refused to become a systematic study. Another part obviously derives from our ancestor, moral philosophy. If we once get over this squeamishness about building descriptive social science, which then in the hands of its more talented contributors becomes explanatory and evaluative, we are face to face with the obligation of being regional cultural specialists.

I come back, therefore, to my basic idea that we have got to come up against the question of methodology before we can have anything but chaos in the matter of regional studies. And then my second idea that before we can have a body of intelligently descriptive literature, we must provide limited means for helping get such studies done and for seeing that they get published. The treasure the scholar lays up on earth is largely the printed page. There are at least two ways of doing this, and perhaps both are necessary. The more important is the principle of the Zwanglose Hefte. The other is the collaborative handbook and/or atlas by which a considerable number of workers may explore the status of knowledge of a large field. I am not so enamoured of that device, but it has occasionally worked

well in stimulating inquiry. I can imagine, for instance, that with sufficient vision and energy a cultural atlas of Latin America could start up a lot of studies that would show how bad the present condition of our knowledge is.

Carl O. Sauer

Hist Amer Cwd.

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March 16, 1943

Dr. Earl J. Hamilton  
Department of Economics  
and Business Administration  
Duke University  
Durham, North Carolina

Dear Hamilton:

Your communication of March 11 finds me in the happy state of complete disagreement. I have been saying more or less that the quick establishment of a series of university centers of regional study would be a disaster. Now you are making a direct proposal of such a series of establishments. Fortunately, no foundation or group of foundations could contemplate anything that costly. Only the Government could do so and then, of course, we should have politics in regional study, and what my geneticists would call a "horrible F1 cross."

I think these six pages that you sent along are very interesting reading. I think I could fight with you about every sentence in them, and I suspect that you don't want this sort of thing any more than I do.

In most of the universities that I know, the announcement of such a regional institute would mean a rush of the "gravy train" boys to get aboard. Anybody can be a regionalist if there is a "cut" in prospect, and I know few administrations tough enough to prevent the "go-getters" from trampling over the poor souls who have been working in such cultural study. I love my fellow man, but I am pretty sceptical of my fellow professors (or some of them) if a nice windfall turns up.

I think it is the wrong way to start. In time certain centers will show that they have formed a working association on a particular culture and that they have need for certain funds which they cannot supply in their institution. The important thing for us is to think, rather about ways in which culture students anywhere can be aided in getting ahead with whatever aspect of whatever culture concerns them. It is a problem of research by the individual, not of organization of physical institutes or teaching programs.

I subscribe myself a member of your loyal opposition.

Sincerely yours,

Carl O. Sauer

COS:c

COPY

March 8, 1943

Dr. Earl Hamilton  
Department of History  
Duke University  
Durham, North Carolina

Dear Hamilton:

Herewith some musings on your statement of February 25th to the second meeting of the Committee on World Regions. My previous letter which dealt with the possible classification of the world as to regions has, I hope, gotten into your hands.

There's some sort of a worm in the apple. You didn't put it there, but the first page of your statement makes it clear that it is there, and we might as well look at it. Why should we be interested in the cultural regions of the world? We are interested now because we are worried, because there are military and administrative problems coming up about parts of the world that we are identifying from newspaper maps. That is, however, not a matter of intellectual interest, and it might help to admit that at the outset. If I can get a preliminary acceptance of that statement it will make it easier for me to go on.

I agree very heartily with what you say concerning the lack of attention, academically, to the parts of the world that lie offside with regard to our great historical tradition. I agree also that too many of the people who work on a regional basis have been poor second-raters. The answer to this situation raises unanswered questions about the academic tradition in this country, in humanity and social science. I have often wondered about it. I can ask some of the questions, but I am not sure that I have any of the answers.

In the first place there is a limited tolerance of curiosity about American life. In most university departments of English it is notorious, though usually not talked about, that a student devoting himself to American letters is considered as selecting a minor branch of the field, and it is known that he will have greater difficulty in becoming a senior professor than if he worked with the English classics, or with Anglo-Saxon philology.

American history seems to me to have remained held almost by a mythology. The role of New England and Virginia in political matters may be as dominant as usually considered. One need not go far in studying the development of American economic institutions or society, however, without becoming aware of the great influences flowing out from the Middle Colonies. New York and Pennsylvania are rarely credited with the dynamism that belongs to them in the fashioning of the country. Of late years a few revisionists have made themselves felt somewhat, and they bear such names as Wertenbaker, Schlesinger, and Shryock. Turner's famous thesis of the frontier was strangely unaffected by the cultural enrichment brought by immigrant stocks; and its view of cultural innovation was largely restricted to politics. Even in local history the cultural pattern is overly simplified. California is portrayed as Californios, overlain by American miners. Yet San Francisco and central California owe much of their fabric to the English, Irish, French, and Italians coming directly and fusing into a culture containing marked individuality and originality. How many people know, for instance, that our horticulture has almost no borrowing from Mexico and Spain, or that the western sheep industry spread from this area primarily through sheep farmers from the British Isles?

These, I think, are not casual remarks. We have imposed upon ourselves an excessively simplified historical interpretation of ourselves. The first major question I should like to raise, therefore, is why we are so backward in evaluating the

regional diversity and quality of our own civilization. I admit that the situation is changing somewhat, that the South and the Middle West are producing historians who are finding ample sustenance in their own soil. I don't know that much of this sort of thing is going on outside of history. Some of the rural sociologists have been breaking away from a priori concepts of a general frame of rural living. In spite of a goodly number of regional studies on the part of geographers, few of these have disclosed an insight into cultural transfers, fusions, and growths. On the whole we lack, still, curiosity about cultural patterns and processes as intellectually worthwhile, and in this respect it seems to me that our educational institutions are pretty different from many of the best in Europe, at least if we go back something like ten years.

I think we need a healthy intellectual concern with regional growth of culture in our own country before we are likely to get it with regard to the rest of the world. Perhaps the business of absorbing the large immigrant groups has set up, unbeknownst to us, a sort of defense mechanism and we elaborate, therefore, a unitary or monogenetic philosophy of American history which emphasizes the inculcation of a great historical theory, rather than stimulates observation of the polyphyletic qualities of American life.

Partly because of our vigor and possibly because of some insecurity about ourselves, when we turn our thoughts abroad, we are in some danger, quite unconsciously, of casting ourselves into the role of exporters of American ideas and institutions. You know this situation better than I do in the none too flattering picture of the generalized American in Latin America. Disinterested and intelligent curiosity about a foreign land and culture is not only not common among the Americans there resident; it is felt by them to be somewhat queer. I think you will agree with me that our American communities in Latin America consider as unfavorably divergent a countryman who is interested in learning something intimate about the foreign land and ways, provided the interest has no ulterior aim. From the other side, we are likely to be regarded as missionaries, salesmen, and engineers of exploitation. This is so trite that we are likely to forget it. Yet there remains a substantial part of the shadow of the "Colossus of the North" over the minds of the Latin Americans, even after all fear of political imperialism is cancelled out. This, I think, breaks down into two elements: (a) The American as the vehicle of penetration of American capitalism, and (b) the American as the apostle of his culture, most simply represented by the Protestant missionary. These qualities are, of course, not exclusive to us, but I think they are more dominant with us than with others. You know the mixed reaction in these lands to the many American emissaries who, lately, have been going south bearing tidings. The natives don't mind some instruction and inculcation, but they are greatly pleased when an American comes who is interested in learning instead of imparting.

You have probably had the same experience that we have had here on the campus. For the past half-dozen years there has been a rush into Latin American studies by people whose sustaining interest was not curiosity about the content and quality of Latin American life, but who wanted to do something about pulling Latin America closer to us, and, who saw the prospect of jobs in government and commerce. Now that Latin America has ceased to be a hot spot, these people are rushing to specialize on the Orient, western Europe, or Russia. I can't see a sound interest in and learning of other cultures coming out of the dominant stimulus of international politics or business. Their reality and importance I admit, but it is a poor basis on which to get scholars.

Perhaps fortunately, the needs of our nation have out-distanced anything that your Committee can do. I see that the Army is proceeding rapidly with the organization of foreign administration training courses. We are setting up two here, one for the Orient and one for Central Europe and the Balkans. Stanford, I believe, is also setting up two programs, and apparently the whole allocation is being made in these weeks. These, obviously, will be teaching programs providing information and indoctrination. I do not think that they show much prospect of becoming nuclei for future research

institutions, any more than I think that any of the courses we are giving in engineering, and meteorology for men in the Services will form the basis for developing scholars. If we do well in these courses we can give the young men some practical training, and we can keep the University afloat through the war. But we are practitioners, increasingly occupied in putting over information by short cuts, and therefore increasingly less able to develop or maintain the atmosphere of research.

This does not mean that the direct action which the Army has taken destroys the opportunity for your Committee. I think it means, rather, that we now have leisure to think about the problem of cultural regions in the social sciences. Your report to the second committee meeting is, therefore, a prologue to the long-term consideration of cultural regions. The Committee, and you in particular, should watch what is happening in these war training programs, but I think we may assume for the present that our estimates of intellectual, individual, and institutional long term values will coincide only casually with these temporary training centers.

I think we are still as far removed as before from the time when we need to consider regional research institutions as appropriate to specific university centers. In my view our problem shapes up somewhat like this:

- (1) The role of Kulturgeschichte in general is the differentiation of mankind into major cultural groups, the comparative morphology of those cultures and their functional behaviour. This comparative study of what institutions and values constituent groups of the human race have fashioned for themselves is perhaps a common end of all the social sciences. Systematically, it is still very poorly developed, though especially the anthropologists, and to some extent the geographers, have begun a methodology of analytic description that can be extended widely. Social psychology may become increasingly useful, but in the main the understanding of cultural elements and attitudes will have to be retrospective. In other words, a few of us may be psychologists, but all of us will have to be historians, and from time to time we should have, if we are fortunate, among us some who can grasp, - if only in passing review, - the rise and decline of some culture rather than an empire.
- (2) For the present, the academic fields most largely involved are the ones directly concerned with the geographic differentiation of groups of mankind, - history, anthropology, and geography. Increasingly, however, economics, political science, and sociology may develop the comparative historical method by reason of which cultural pluralism will win a place that will restrict the universalizing tendencies of logical and psychological theory. I am not depreciating the work that has been done in theoretical social science, but I think that its validity is mostly neither timeless nor placeless. Few economists, for instance, can look at the economic problems of a foreign culture beyond the generalized phenomena of money, and those who can are economic historians who have become aware of the plurality of cultural options.
- (3) There should be some, but not too much, encouragement of occasional discussion of what reality given culture areas have in terms of their core and structure, rather than in attempts to invent cartographic limits for them. (This is the blind alley that geographers usually get into when they talk about regions.)
- (4) We need to discover what workers are concerned with the studies of a given culture. The Committee on Latin American Studies, for instance, has done valuable service in this respect, and the ACLS has been much more aware of personnel than has the SSRC. In fact, the humanities know much more what the problem of the cultural region is than do the social sciences.
- (5) Meetings of participants in the study of a culture are important. For instance,



the numerous congresses of Americanists have had large influence in stimulating and developing studies. In a more intimate fashion I think it would be excellent if from time to time a small group of workers on a particular cultural area could be brought together around a colloquium that might run for a quarter or a semester.

(6) The formation of institutes should proceed slowly and with caution. Where the ambition exists to build structures, collect libraries, and found museums, there probably also can be found local funds to do so. I do not see either the prospect or the desirability of concentrating Orientalists or Latin Americanists at specific centers. The important thing is rather that wherever an individual may be who is absorbed in learning about culture, that he may be aided in working at his problems. This aid can be given much more effectively and more economically than by building regional institutes. It involves, as you have stressed, aid in getting to the places where materials have been collected and in making field observations in the particular culture area. It is a matter of well distributed grants for field and archival study. We are facing an impoverished world, including our own, and that may be all to the good, for it may tend to eliminate the folks who do research for profit. The most we can hope for is to give a good man an occasional chance to get into field or archive. If he has drive enough about his problem he will contribute as much as he can of his own resources.

As I have often stated, one of the most important needs for funds will be for the publication of studies that are neither short articles nor salable books. We shall need series, as we need one now for Latin America, so that monographic studies can be properly printed and distributed. The most successful organization of regional culture studies that I know is the Zentralkommission für wissenschaftliche Landeskunde von Deutschland. It was a by-product of the Deutsche Geographen Tag, a quite loose organization that for many years has held an annual meeting consisting mostly not of papers, but of excursions and discussions in the field, the principal discussions following in some Ratskeller. Years ago this annual camp meeting of the geographers set up a small committee which founded the so-called Forschungen zur Deutschen Landes- und Volkskunde, which has published to date some two hundred monographs, securing varying subventions. This has been kept going on very little money and is by no means restricted to professional geographers. The assurance that a worthwhile study will find a place in this series has been perhaps the principal single cause for the flourishing condition of a great diversity of regional studies in that country. It has no institute and no home beyond the office of the editor.

Sincerely,

Carl O. Sauer

COS:c

CASE, POMEROY & COMPANY  
INC.  
120 WALL STREET  
NEW YORK

May 10, 1938

Dr. Abraham Flexner  
care SS QUEEN MARY  
West 50th Street  
New York, N.Y.

Dear Dr. Flexner:

This morning I read to you some excerpts from a memorandum prepared by Sir William Beveridge at the request of Fosdick. The statement seems to me so useful that I have had a copy made of it and asked Fosdick if I might send it on to you which, of course, he was glad to have me do.

The fellow passenger on the Queen Mary is Mr. Wm. S. Robinson, who is in cabin M-53. I have told him about you and I am sure you will enjoy talking to each other.

I wish you a good voyage and look forward to seeing you in London about the middle of June.

Sincerely yours,

*Walter N. Stewart*

## A PROGRAMME FOR THE SOCIAL SCIENCES

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The fundamental assumptions underlying this programme are those set out in my address on "The Place of the Social Sciences in Human Knowledge" (Politica, September 1937). The Social Sciences are, or should be, sciences of observation, not of deduction from a few first principles. In terms of the spectrum they are, or should be, not infra-mathematics, but ultra-biology. Observation of facts should be the predominant element in them, both as the basis of general propositions and for verification of deductions. The practical problem is that of developing the technique of observation in the social sciences appropriate to the special conditions and difficulties of their subject matter, namely the impossibility of bringing the subject matter directly into laboratories for dissection, and the impossibility of conducting controlled experiments. In general terms, the technique dictated by these limiting conditions is a combination of statistics (using large numbers to compensate for impurities in the subject matter) and of field work (as the alternative to laboratory dissection and in order to interpret the statistics). It should be admitted at once that this practical problem has not, in any adequate sense, been solved in the Universities of Britain. The social sciences, in the terms described above, are still in their infancy and very largely have still to be made.

The unsatisfactory condition of the social sciences to-day has a simple explanation - that broadly speaking the Universities have no organs for research and advanced teaching in social science comparable to the laboratories of natural science. What is involved in

giving them such organs?

(1) More research time among members of the permanent staffs of Universities. This means both the endowment of professorships, fellowships etc. specifically for research, and (in Collegiate Universities like Oxford and Cambridge) making some of the income of College teachers depend on their having not more than a certain amount of teaching. Social science will not advance unless a sufficient number of men with first class brains and training give to it a sufficient proportion of their time.

(2) Library and Statistical Laboratory Facilities, such as exist to some extent in the London School of Economics and Political Science, but hardly at all elsewhere.

(3) A Field Work Organisation, comparable, say, to that of the Ministry of Labour (whose department of statistics is able to organise in turn enquiries as to wages, cost of living, unemployment, leisure, or any other matter) or to the organisation built up for the New Survey of London Life and Labour, but now disbanded.

(4) Specialisation. Natural reaction against the former tendency to treat advancement of social science as a matter for cerebration by solitary thinkers in armchairs, leads many people today to attach primary importance to co-operation as forming economists, political scientists, anthropologists, biologists, into a research group.

Ultimately, the subject matter of the social sciences is one - mankind in society - and all the social sciences have points of contact; so that in theory there is much to be said for co-operation and cross-fertilisation. But fruitful cross-fertilisation assumes a certain age and stature in a science as it does in a plant or in an animal. Merely putting diverse studies together will not cause them to breed

results; neither animals nor sciences can breed viable progeny unless they are themselves grown up. I doubt whether any of the social sciences have yet reached the stature making cross-fertilisation their most important need. The natural sciences were built up by specialisation; in separate laboratories of physics, chemistry, biology, botany, etc., not in a single laboratory of 'natural science'.

(5) A Tradition of Research by Observation. Research time and facilities are of no avail unless they are going to be used to give the social sciences, and economics in particular, the new start that is required. The development of economics as a science has been affected and hampered by the two special conditions of the nature of undergraduate work in it, and of the growth of interest in it leading to a perpetually rising demand for teachers. It is commonly held that at the undergraduate stage, economic teaching must be largely theoretical, a discussion of the meaning of terms, clearing away of superficial misconceptions, giving the habit of logical thought. There may be justice in this: certainly clever students are apt to find economic analysis more interesting than descriptive economics. With the perpetually rising demand for teachers of economics, those who have done best in undergraduate work have been apt to start teaching at once, and have naturally continued on the theoretical line in which they were trained. What is needed is some means of giving future teachers of economics an interval of observational research before they start teaching. If by such research they could obtain practice and interest in other things than theoretical analysis, they would be able to interest their students also in these other things. The vicious circle of pure theorists would be broken.

More research time for men of the academic quality required of University teachers, library and statistical laboratory facilities, field work organisation, specialisation, and a tradition of research by observation

are the considerations preliminary to setting the social sciences on their feet. All five conditions must be satisfied, not some of them only. The practical way of satisfying them all is by securing the establishment in Universities of Research Institutes specialising in particular social sciences, as the laboratories of natural science are specialised for physics or chemistry or biology.

In the social sciences there is a new thing to be done, and it can only be done by setting up new organs to do it; these organs should not, however, be apart from the Universities but parts of the Universities. They should take from the Natural Sciences, not only the general practice of observation, but many other lessons: in particular the lessons of specialisation; of detachment; of enquiring not what is happening but why it is happening; and, in relation to research students, of treating them as apprentices to do what the master requires and not as people capable themselves of deciding on their subjects of research.

## NOTE ON ROCKEFELLER FOUNDATION POLICY

More research time among University teachers, library and statistical laboratory facilities, field work organisation, specialisation, and a tradition of research by observation, are the five requirements named above as the conditions of assured advance in social science. In the light of these conditions it is easy to see why the various methods adopted by the Rockefeller Foundation in the field of social science (in Britain) have in some ways missed the mark.

Fluid research grants to Universities presuppose leisure among University teachers (more than exists in Britain) and are at best means of enabling Universities to go forward on old lines; they do not encourage or compel a fresh start; they may be spread thinly and unproductively over a wide field. By contrast with fluid research grants, the recent policy of the Foundation, of limiting help to projects within defined fields, has the advantage of specialisation and of making it possible to ask for something new. But it also presupposes leisure and taste for the particular project named among men of the right ability; it is apt to produce a race of project-hunters of inferior ability.

There remain grants made to non-academic institutions like the Royal Institute of International Affairs and the projected National Institute of Economic and Social Research.

The former does quite admirable work in bringing about the informal discussion of practical issues of the day. But its social field of interest is particularly difficult for anything like scientific treatment. The Institute has remarkable success in getting men

busy with other affairs to serve on research groups. But the breaking of new ground in science needs more than the spare time of busy persons, however eminent and however they may be supported by full time research secretaries. It needs to become the whole or the main interest of some of the best brains in the country.

I should expect the Royal Institute to advance the arts of government rather than the science of society.

The latter project, into which I have come at a late stage of its development, will, I believe, be valuable in proportion as it secures the co-operation of Universities and encourages and assists them to move in the right direction. The Institute will probably be able advantageously to spend about half its guaranteed income on central research by its permanent staff, but the Institute will not be able to attract away from Universities to itself the first class brains to make new departures in science. It must aim in the main at giving help to people in Universities and temporary research fellowships to people already assured or nearly assured of University careers. If it is strong enough both to set an example to the Universities and to mould their policies it may be of immense value. But unless it is strong enough to do this, it will do hardly anything.

The Rockefeller Foundation at an earlier stage of its history brought about a great and beneficial re-organisation of medical studies in the United States. In the social sciences I should like to see them adopt a programme no less ambitious, of bringing about in Universities the establishment of Research Institutes corresponding to the laboratories of natural science.



They need not attempt this everywhere, all at once. But for many reasons I hope that they would devote substantial resources to such a programme in Britain, as well as in the United States. In social sciences comparative study is all important.

Nor, again, is it necessary that in regard to research in social science each University should be encouraged from the outset to try to cover the whole field. Accidents of personnel or other local conditions may make one University particularly favourable ground for the establishment of an Institute concerned with Population problems, while another is more favourable ground for Anthropology and Colonial problems; a third for Economics and Statistics, a fourth for a Municipal Research Bureau.

In breaking new ground it is desirable to choose the most favourable ground to start with.

Stewart - 5103  
Ripke 5-8

October 6, 1938

Dear Walter:

Thank you for sending me Ripke's manuscript. I have talked a lot with him about it. I think it is excellent. He has managed to get out on paper much of what was in his soul.

I judge from events, or rather the lack of them, that you are not yet in possession of your driver's license.

Sincerely,

FA

Mr. Walter Stewart  
Case, Pomeroy & Company  
120 Wall Street  
New York City

CASE, POMEROY & COMPANY  
INC.  
120 WALL STREET  
NEW YORK

October 4, 1938

Mr. W. W. Riefler  
Institute for Advanced Study  
20 Nassau Street  
Princeton, New Jersey

Dear Win:

Here is a memorandum on the need for new approach to social sciences. Your friend, Röpke, is one of the joint authors. I have also sent a copy to Dr. Flexner. Parts of the memorandum seem to me quite close to some of the things we have talked about.

As time passes and I work my way down the corridor, I can begin to see light at the end of the passage. We have a great many things to talk about but there is not much use starting until the discussion can have our undivided attention.

Sincerely,

*Walter*

A NOTE ON THE URGENT NECESSITY OF  
RE-ORIENTATION IN SOCIAL SCIENCE.

I.

It is no use shirking the fact that all problems of society - be they economic, social, political, juridical or spiritual ones - are to be traced today to deep-set structural changes affecting our economic, social, political and cultural system in its entirety and constituting a major "historical crisis" of a secular character. Neither is it of any use shirking the further distressing fact that Social Sciences are still very far from having grasped this situation with sufficient clarity, let alone from having developed the promising methods of attack, though the feeling of standing on shattered and insecure ground becomes more and more widespread until even those most tenaciously sticking to traditional lines of approach sense the pressing need for re-orientation. On the other hand, it is difficult to find in the array of centuries a moment where the responsibility of Social Sciences has been greater and living up to this responsibility more gratifying than today.

Since this historical crisis finds its first, its most painful and its most conspicuous manifestation in the economic sphere and since the 19th century has accustomed us to treating the economic problems as central ones, it is easy to understand why the crisis is being conceived primarily as an economic crisis, and why, therefore, the traditional approaches of Economics have been relied upon so far. If not the inner conviction of scholars and statesmen, at least the character of the overwhelming part of of scientific activity in our field betrays this traditional

conception. To this end, men and means have been mobilized, during the last ten years, on an unprecedented scale. Facts have been piled up sky-high, conferences have been held in endless procession, economic analysis has been brought to an ever greater degree of refinement (and, incidentally, to an ever greater degree of unreality), vast and detailed programmes of research are being elaborated, complicated machineries of institutionalized science set up and questionnaires sent to almost every country and to every section of the population. It would surely be no pessimistic overstatement to say that nobody has the feeling of having been brought, by this hectic activity, nearer to the fundamental diagnosis which could serve as the base for effective therapy.

The real cause of this deficiency of Social Sciences seems to be found exactly in the narrow economic conception and in the lack of courage and ability in really synthetic interpretation which is connecting up the economic phenomena with the wider aspects of society.<sup>1)</sup> There is, in fact, increasing evidence that the real epicentre of the earthquake does not lie by any means in the strictly economic sphere, that the economic disturbances are only the repercussions of a deeper organic disease, and that the over-emphasis of economic matters is, as a legacy of the 19th century, only one of the many symptoms of the trouble. If that is true, then it becomes clear that the traditional approach must fail and that a new departure has to be found.

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1) In current literature, there is already some evidence that the understanding of the scientific situation as outlined above is under way. For the matter of illustration see: E.F.M. Durbin, Methods of Research - A Plea for Co-operation in the Social Sciences, Economic Journal, June 1938.

Every researcher going below the surface of things is, in fact, making the daily experience that it has become impossible to analyse a single problem of present-day economics - be it money, crises, international relations, social relations and what not - without being brought very quickly to the wider contexts of economic activity and behaviour. Stopping, therefore, before these wider aspects means missing the real points. A few examples may make this clearer.

The radical dissatisfaction and unrest of the labouring classes is surely one of the main disintegrating factors which, in turn, has been a principal cause of the recent dislocations of the economic machinery (wage rigidity and therefore cost rigidity with all its well-known consequences). Laissez-faire in social policy, being acknowledged as untenable, has been turned into Social Reform which tries to solve the problem by wage fixing, shortening of the working day, social insurance and labour protection. Much has been done in this field which everybody will regard, in principle, as a real progress compared with Laissez-faire. But not only does this policy of Social Reform easily develop into a heavy burden for other sections of the population, which happen to be less well organized, and into very serious impediments of the economic process: The real trouble is that this policy has increased rather than diminished the menacing dissatisfaction of the labourers, and that it offers only palliatives but no solution of the challenging problem of the proletariat which, in the last resort, is a human (vital) not an economic one. We are realizing more and more today that the real cause of the labourer's discontent is to be sought in the de-vitali-

zation of their existence, so that it is incapable of being cured by bigger wages and better cinemas. To be herded together in giant factories like sheep or soldiers, to spend the vitally important of life devoted to work under heteronomous regimentation and without fully realizing the sense and dignity of the individual work, to be uprooted from all natural bonds, to return to gloomy slums and to seek recreation in amusements as senseless, mechanized and devitalized as the work itself, to be dependent at every minute on the anonymous forces of society, to live from one pay-day to another, - these and many other facts constitute the real problem of the proletariat. In order to see it in the right perspective, comparisons should be made with the existence of the peasant, the craftsman and even many rural "home workers" who all, generally, earn less, work longer but are leading a fuller, more dignified and human life than the proletarian labourer under present conditions. This diagnosis of the disease called "proletariat" opens a vast field of research which almost entirely has to be made from the beginning. Classification of the vitally balanced forms of work and existence, fact-finding studies on the extent of the disease, analyses of the causes of proletarianization and devitalization, study of the means of de-proletarianization and of preserving non-proletarian forms of existence and work, appraisal of the functions of small property and of the necessities de lege ferenda, researches on the place of peasant agriculture under modern conditions and on the technological possibilities of industrial decentralization (made easier by the electromotor and the internal combustion engine), - these and other suggestions may indicate the direction of this line of research

The foregoing problem stands in close connection with the formidable problem of economic stability. Here the recent advances in purely economic analysis have done much to make us understand better the mechanics of economic oscillations. But here again refinement in detail has been bought at the price of blindness towards the extra-economic contexts which constitute the problem of reality. The economic crises of today, in their severity, in their tendency towards reiteration and in their tenacity, cannot ultimately be understood but as the manifestation of a world which has been proletarianized and deprived largely of its regulatory forces and of the appropriate psychological climate of security, continuity, confidence and balanced judgement. Any attempt at neutralizing these deep-set structural disturbances by monetary tricks and public works will only end in disaster or, to be more specific, in the totalitarian State, where all policy of giving coherence to society without giving it inherent and spontaneous stability must inevitably end. Worse still: The increasing boldness not to say cynicism in prescribing remedies only for the market process itself is apt to increase the forces of spiritual dissolution. If there is agreement on the deficiency of private and spontaneous investments being the root of a depression it has to be stated that investing is just that economic activity which, as anticipating the uncertain future, is most dependent on a minimum of security, continuity and on the undisputed rule of certain norms and principles in the behaviour of men and in the policy and jurisdiction of governments. This again is the real point where the true problem begins, but it would be difficult to find, in the whole literature on crises and cycles, on saving and investment, on the



"marginal propensity to consume" etc., any reference to it. It is easy to understand, therefore, why anybody looking beyond these technical discussions must feel very intensely the narrow range of the present scientific activity in this field and therefore its disquieting degree of irreality. With all the stupendous intelligence of this literature, we are simply drifting along to unknown chasms. But this is by no means all. It seems that, at the present moment, all formulae of business cycle policy have been tried out: The German, the English, the American and the Swedish method (if the latter was any method at all and not sheer luck). The paradise of economic stability, however, has not come into sight, only the greater or smaller limits of each and every method. Barring the extreme cases of ill-guided business cycle policy, there are many useful elements in most of these methods, but it seems certain that, with the world as it is, the phenomenon of crises leaves an irreducible remainder, and it is just this remainder which represents an essential, if not the most important, part of the problem. What to do with this remainder? Driving smoothly in a car depends on two conditions: on the smoothness of the road and on the quality of the springs. If there is no prospect of having a perfectly smooth road, then we must look for better springs. Now, in the matter of economic stability, the prospects of achieving a fairly smooth road are worse than ever. It offers good chances of becoming even bumpier than before. If that is so, the economic and social system itself must be made more bump-proof, i. e., more capable of absorbing shocks. What this means may be deduced from the example of France which, owing to its social structure (peasant agriculture, strength of family bonds, anchorage of labourers in small property, prevalence of small-size

business units etc.) has shown an amazing strength in enduring the series of economic and political shocks during the last twenty years. A country of uprooted and proletarianized nomads soon reaches the boiling point in a time of a long depression while a country with a more wholesome social structure possesses large reserves of adaptability and resilience. The better vital structure reveals itself at the same time as the better economic structure.

Or let us look at the tremendous problem of international economic disintegration including its monetary-financial aspects. What can Social Science usefully do in this field where, for obvious reasons, the Great Crisis has become most clearly visible? Collect new data, make new measurements? Refine the theory of international trade? Restate the fundamental truth that, under certain assumptions, protectionism means less national wealth and worse international relations? By all means, but the point is that all these activities are today in great danger of becoming rapidly of marginal importance in view of the fact that also the international<sup>1)</sup> economic disintegration is only one of the symptoms of the Great Crisis. Consequently, the traditional research activities have become unequal to the task of revealing the real cause of the disease and the remedies for it. International economic integration and disintegration are phenomena intimately connected with international political and social integration and disintegration. World economy in general and the gold standard in particular cannot exist without a definite framework of respected norms and principles in the relations between nations, without a network of long-term treaties and the undisputed will to keep them, without a minimum of fairness and mutual regard, contractual loyalty and inter-

1) See the article of the co-author, Wilhelm Röpke, on "International Economics in a Changing World", The World Crisis, London 1938, pp. 275-292. He is engaged, at present, in organizing, under the auspices of the Rockefeller Foundation, a research programme on the base of the general philosophy of this paper.

national security. They cannot exist either without a minimum of elasticity of the national economic systems and without a prevailing competitive character of the economic process. That are the real problems in this field, but they lead us back again to the fundamental issues from which this paper started.

International economic disintegration by protectionism is leading us to the more general problem of the degeneration of competitive capitalism by monopolism and interventionism. Though it is impossible here to give an adequate idea of the researches awaiting us in this field the fact should be stressed that this development is largely the result of the disintegration of the State by sectional interests and pressure groups exploiting weak governments whereas it has become quite clear today that the working of competition supposes a strong State providing, with severity and impartiality, the necessary legal and institutional framework of the competitive market. It is difficult to see how this situation can be changed without changing society and State themselves, and this cannot be done without analysing first the causes of the present weakness, - a task which, again, brings the fundamental problem of the structure of society into the forefront. What is the right integration of society based on the fundamental forces of social coherence without which society is crumbling into atomistic masses, interest groups and irresponsible parties until it becomes an easy prey of dictatorships? That is the crucial problem on the solution of which everything else hinges. In this respect, it should be noted that traditional Liberalism not only committed the error of ignoring the legal and institutional conditions

of competition but also of overlooking its sociologically negative effects. The automatic self-regulation of the competitive system with its unconscious tendency towards equilibrium is a fact which cannot be disputed and the discovery of which signifies an immense achievement of classical Economics. That this order is invisible and not brought about by a conscious effort of the individuals is one of the reasons of its tremendous advantages over any other economic system as far as the production of material wealth is concerned. But at the same time it must be stressed that, much as competition is economically a highly satisfactory and even indispensable arrangement, it does not breed social integration. It is no principle on which society as a whole can safely be based. It supposes that there is enough integration elsewhere outside of the competitive market unless society in general and competition in particular are to collapse. That is more or less what we are witnessing today. Traditional Liberalism, for a number of comprehensible reasons, has been totally blind to these problems, but the future of Liberalism - in its widest sense of Anti-Totalitarianism - depends on our ability to realize them and to act accordingly. Otherwise, the advance of Totalitarianism, Autarky, Collectivism and the rest will not be arrested. The combination of a working competition not only with the corresponding legal and institutional framework but also with a re-integrated society of freely cooperating and vitaly satisfied men is the only alternative to Laissez-faire and to Totalitarianism which we have to offer. Working out this alternative in all its details and its ramifications is a formidable task where studies on the spiritual forces (religion, rationalism, ideologies, etc.) would play a

prominent part if it is to yield real results.<sup>1)</sup>

## II.

The foregoing examples may suffice, for the moment, in order to indicate the general direction in which the necessary re-orientation of Social Sciences is to be sought. It is because Social Sciences are still far from having grasped the real nature of the problem of present day reality that the situation in this science, which is responsible for the world of tomorrow, is so lamentably unsatisfactory. It has, indeed, become largely almost a fact-recording machinery or an intellectual amusement park. What is to be done about it?

Without belittling, in any sense, the value of traditional activities which, in their proper context, are of great service, it has to be said that what we need now is the broad and intelligent synthesis which sees society as that whole that it is in reality. Specialization in Social Sciences, after having rendered immense services, has now become dangerous. It belonged to that stage of the development of modern society when the sound constitution of the whole body could be safely assumed so, that the treatment could be confined to specific parts. Everybody could peacefully work on his own field and cultivate it with infinite care. But now mankind is again on the move to unknown destination. Under these circumstances, a coordination of the different branches of Social Sciences is called for: synthesis instead of analysis. This seems to suggest the idea of "scientific cooperation" where different scholars work out some means

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<sup>1)</sup> Cf. the co-author's, Alexander Rüstow, forthcoming book "Zur geistesgeschichtlichen Ortsbestimmung der Gegenwart" which offers a diagnosis of the Great Crisis on the base of "spiritual history".

of linking up their researches. It would, however, be unfortunate if we would have to start in this way. What we need first is the coordination in single minds who have the intellectual courage and power to do so. All fruitful ideas have to be born and developed in individual research work before any ambitious plans of organized research work are set in motion. Otherwise, we will again be lost in scattered and hastily coordinated detail studies lacking the central ideas behind them. The importance of the proper milieu of work and existence has first to be stressed for science itself. The private study room where the scholar can work without being distracted by institutional machinery and without being regimented and pressed for quick results was ever and will remain the proper birth-place of everything that is of any lasting scientific value.

Fruitful cooperation between a number of researchers is evidently possible only upon the condition that the work is being subordinated to a common range of problems. This common range of problems, therefore, must exist as a base of cooperation before cooperation itself can usefully start. Consequently, the task of working out a new range of problems cannot be a matter of cooperation - that would be a vicious circle in logics - but, only a matter of individual research work of single scholars. Now, in Social Sciences we have come to a point today where a new range of problems, aspects and scientific philosophies has to be worked out. It is only after this has been done that organized cooperation of a number of scholars will become possible and necessary. So we have to do with two phases in scientific history which, in due course, are always bound to follow one another, and it would surely be a fatal error in methodology

to deal with the one of these phases according to rules which have proved useful only for the other.

Cooperation, then, is to begin in the mind itself. Unfortunately, those single minds capable of broad synthesis are extremely rare. They have been at all times the exception, but the epoch of specialization has brought this species almost to extinction. The first and most important task, therefore, is to find the last specimens - regardless of nationality, to be sure - and to enable them to work under proper conditions. Since a vast apparatus is the very last thing they need this procedure has the additional advantage of being relatively inexpensive.

The work to be undertaken by these few men is not of the kind which can start with complete programmes and end with quick and handy results. It is one of the main tasks of the research itself to find the strategic problems and to define them properly, for stating the right questions is the main condition for getting the right answer and very often the answer itself. This fundamental methodological truth must be stressed the more forcefully since so far many research enterprises have suffered from hasty programmes and irrelevant questions. It involves the further principle that no scholar should be dragged by any "machinery" of whatever kind. He must have a free hand in experimenting with ideas and solutions, in abandoning blind alleys and seeking new paths during the investigation without exposing himself to the risk of being blamed for not knowing what he wants and for changing his mind. Those who are only too sure of themselves have had their chance, without any visible results. Now it is only fair to try those who are looking for new directions.

In abhorring any "institutionalized" research, Social Sciences have to get rid of their inferiority complex towards the Natural Sciences and of their weakness in feeling elated by imitating their methods. Our subject is man himself, and he is always with us in our private study room. Our laboratory is the mind itself, and this laboratory is at its best if it is being left alone instead of being made a part of any institutional machinery. The more it is realized that the "exactness" of Natural Sciences was an illusion in their proper field the more it becomes apparent that man is the measure of all things, and that human nature is something almost more stable and manageable than physical quanta. This tendency of Social Sciences towards imitating the methods of Natural Sciences is still a hang-over of the hey-day of Rationalism which must go overboard before new things can be accomplished. Social Sciences like all Geisteswissenschaften have to realize their proper morphology and develop their proper methodology accordingly.

The concrete procedure means putting together a few scholars of rarest quality and leaving them to their lonesome task without asking them many questions, providing them with the indispensable research facilities, especially with a few assistants doing routine work, collecting data, sifting material, etc. Big conferences will be avoided, but will be indispensable to arrange individual contacts with other scholars working in the same or in different fields, so that intimate but exhausting discussions can be held to elucidate controversial points, perhaps with representatives of opposing views. In this way a nucleus will be created which may mean the beginning of that task of working out



the alternative for which the world is waiting. There is not much time to be lost if there is to be still hope that the alarming drift of the time may be arrested.

Wilhelm Röpke  
Graduate Institute of International  
Studies (Geneva).

Alexander Rüstow  
University of Istanbul.

October 24, 1944

WWS  
Office Memorandum

Conversation with W. W. Riefler, October 23, 1944

I reviewed with Mr. Riefler the developments and plans in the School of Economics. He inquired particularly about our relations with the University and I told him about the American Civilization Program. He suggested that over a period of time probably the most effective contact with the University could be made through the Office of Population Research (Notestein), the Industrial Relations Section (Brown), the Office of Public Opinion Research (Cantril), the International Finance Section and the School of Public Affairs (Munro). In general these programs seem a more promising point of contact with the University than the Graduate School. It was agreed that we would make opportunities for dinner conferences with the leaders of each of these groups, keep them advised about our plans and invite them to such meetings at the Institute as would interest them. These various programs and schools appear to be part of President Dodds' plans for the development of the University and at some time we should have a talk with President Dodds on the relation of the Institute to the University.

Mr. Riefler indicated the line of development that he thought most effective for the Institute. In his view the Institute occupies a place midway between a university and a foundation. It has more operating functions than a foundation. Being free from teaching commitments it can be more flexible than a university and in its operations it can have more direct contact with individuals and projects than a foundation. The Institute's general program, therefore, should be to gamble on promising new things, lend support at an early stage to the successful enterprises in the community and when the enterprise is established, expect to withdraw and recapture its freedom. Its general emphasis should be to develop in the Princeton community as many worthwhile projects sponsored in common by the University, the Institute and other research agencies.

October 16, 1944

Office Memorandum: Conversation with Dr. Aydelotte

Re: Lewis Mumford

The Director approved the idea of inviting Lewis Mumford to come to the Institute for conferences and also of making him available as a lecturer to the Program on American Civilization at the University. I suggested that Mumford might be asked to come and spend a week, if possible, the Institute to meet his travel and living expenses and provide an honorarium of \$250.00. Arrangements might be made for two conference meetings at the Institute and one lecture before the University group.

I am authorized to take the matter up with Thorp and to approach Mumford.

W.W.S.

October 10, 1944

Memorandum

To: W. W. Stewart  
From: R. B. Warren  
Subject: Treasury History

Mr. Haas raised this subject, only to report that he had not yet been able to discuss it with Secretary Morgenthau. He cannot come to Princeton for at least two weeks, as so many members of his staff are away on the VI War Loan Campaign.

W. W. S.  
September 15, 1944

Memorandum

History of the United States Treasury

When Mr. George Haas visited Princeton on May 9th, he again raised with us the matter of preparing a history of the United States Treasury. This had been under discussion from time to time for more than two years and was originally a proposal which had been made Secretary Morgenthau and Mr. Haas, but which seemed now to be taking more definite form and resulted in a specific request being made by Mr. Haas that we recommend to the Treasury someone to undertake the work. In conversation it was agreed that the person undertaking the work would be a mature scholar, that he would go on the payroll of the Treasury, would be free from any administrative or current work in the Treasury, would have the full support of the Secretary, including a letter to bureau chiefs instructing them to furnish assistance to the project and that he might be attached to Mr. Haas's Division of Research and Statistics.

We started a number of inquiries immediately consulting with Shepard Clough of the Committee on War Studies, Ralph Young of the National Bureau, Joseph Willits and Miss Bezanson of the Rockefeller Foundation and others.

The most recent response in the matter is contained in a copy of a letter written by Arthur Cole to Joe Willits. In this letter Mr. Cole indicates a willingness to undertake the project himself within certain limits and on the assumption that it is to be part of the work of the Economic History Committee. He also expresses a desire to discuss the matter further at the time of the meeting of the Economic History group here in Princeton on September 29th and 30th.

When he was in Washington last week, Mr. Warren discussed the whole matter with George Haas. Mr. Haas has not recently had an opportunity to take the matter up with the Secretary but will do so as soon as possible. He will then either come to Princeton for further conference or will ask me to come to Washington and join him in presenting the matter to the Secretary.

This is a long-term project of great importance and worthy of the best talent that can be found. The right man would not only prepare a history of the Treasury, but if the project were successful, could create in the Treasury a permanent post for a historian who could be continuously interpreting Treasury operations from the historical point of view.

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*Cole -  
on Treasury History*

COMMITTEE ON RESEARCH IN ECONOMIC HISTORY

under the auspices of the

SOCIAL SCIENCE RESEARCH COUNCIL

Arthur H. Cole  
Box 37  
Cambridge 38, Massachusetts  
August 17, 1944

Dr. Joseph H. Willits, Director  
The Rockefeller Foundation  
49 West 49th Street  
New York, 20, New York

Dear Dr. Willits:

On second thoughts, I am moved to believe that you are right as usual. Over the phone, I hesitated since I am in no position to say "yes" to the ordinary proposition. This potentiality, however, is so unusual that I ought to try to fit my obligations so that I can devote an adequate amount of my time to the new project if it comes through. (I do not know what my ideas may be on tertiary and subsequent thoughts but we do not need to worry about them yet.)

The factors that have altered my opinion since we talked this morning are partly strategic and partly tactical. Among the former is the fact that unhappily there are few people who could undertake the task or at least few whose abilities combine the necessary ingredients of competence in American economic history, training in public finance, political history, banking and statistics together with some experience in management. Certain people whom we could think of would be proficient in one of these traits but not in them all. I cannot myself claim excellence in any of the required characteristics but perhaps I average better than a number of other possible nominees.

Tactically, I suppose that Mr. Stewart's efforts would be somewhat more likely to prove successful if he could tell Mr. Morgenthau that the chairman of the Committee on Research in Economic History and the president-elect of the Economic History Association had agreed to be responsible for the research. You know how I feel regarding the honors that have been thrust down my throat, as it were, but perhaps the Secretary of the Treasury will not see enough of me to discover how little I deserve the positions just mentioned.

Also tactically, it would be presumptively helpful in the Committee's negotiations with the Federal Reserve Board if we could state that we had made an arrangement with the Treasury.

I should be all the more impelled to accept the duties of which we spoke over the phone if all or part of the financial contribution toward this history could be counted as funds secured by the Committee, funds which the Foundation would be willing to match. In this connection all we could argue of

course is that, although Dr. Stewart has carried through all the negotiations and done so pretty largely at his own initiative (except for the repeated mention of this desideratum in our list of our hopes for future research), he would not perhaps have exerted himself if he had not been satisfied with the work of the Committee even in these difficult days and with the general competence of its members.

If the possibility does develop of writing a history of the United States Treasury, and if the Committee approved of a place for me as director of the research, I should be moved to ask Dean David for a greater amount of time than even theoretically I am now supposed to be putting into research. I am still unwilling to give up all connection with Harvard and I am inclined to think that I would lose appreciably by doing so. I should turn over to my assistant (who is now actually engaged in war-sprung teaching) all the administrative work of the Library and the purchase of contemporary literature. I should like to retain the work of purchasing historical material and the operation of our rare book room. This would cut my time at the Library down something like a quarter or a fifth and give me opportunity to spend a good part of my time in Washington if that were necessary.

In connection with the actual research, I should expect to have a special advisory committee and I should anticipate as one of the important gains the opportunity of inducing two or three able young men to devote themselves predominantly or exclusively for several years in the working study of economic history. I have two or three young people in mind and I believe they would be interested.

I am not too concerned with the limitations which the Treasury might put on the character of the study provided of course these limitations relate merely to the scope and not to scientific objectivity. The more complex problems relate to relatively recent decades (except perhaps for the few years of the Confederation and those when the Treasury was very new); and if Mr. Morgenthau gave us a substantial lift relating to problems which are of present-day importance and which have roots running back to the Civil War period (or thereabouts), the Committee could probably swing the rest of the story.

I shall say no more now. There are some other prerequisites that I could mention but I do not believe that they are important enough to change the general picture. I hope that something reasonably concrete can be presented to the Committee at its next meeting, scheduled for Princeton the two days prior to the sessions of the Economic History Association. Perhaps Dr. Stewart could make a statement himself to the Committee and then act as chairman while my confreres decided whether they could not find somebody better than I to handle the job.

This all is grand news and I hope it does not turn out to be merely a mirage.

Cordially yours,

(Signed) Arthur H. Cole  
Chairman



THE INSTITUTE FOR ADVANCED STUDY

*Founded by Mr. Louis Bamberger and Mrs. Felix Fuld*

PRINCETON, NEW JERSEY

October 9, 1944

Dear Walter:

Warmest thanks for your two memoranda. I am enthusiastic about the plans outlined and delighted to have this information to summarize informally to the Trustees. I look forward with keen interest to hearing Win's reaction when he returns and also to hearing more details about the plan which he has in mind and about which he has already told me something.

I thoroughly agree with you on all the points you make concerning Mrs. Bill and shall take the same line with her in as kindly a way as I can whenever I have a chance to talk with her.

Yours sincerely,



Frank Aydelotte

Prof. Walter Stewart  
Institute for Advanced Study

FA:KK

October 5, 1944

Report to the Director on the School of Economics

1. Completion of the Corporate Bond Project

In a letter of September 28, 1944 Dr. Carson of the National Bureau of Economic Research announces the completion of the Corporate Bond Study and expresses his appreciation to the Institute for its participation. This project was not only conceived and planned by Professor Diefler, who acted as Chairman, but it was largely through his efforts that the several agencies were brought into cooperation and financial support obtained from various sources. In addition to this, for a long period he participated actively in the decisions concerning methods and the form of presentation. As a result of the project, we have the fullest collection of data on corporate financing that has ever been assembled which will constitute a mine of information for years to come. The Institute has a full set of the punch card records and copies of the six reports on organization and methods. At the request of the National Bureau, three of these reports were edited by Miss Wise.

WWS +  
WILLIS  
23 copy?

Already the results of the study are being put to use. Dr. Durand and Dr. Hickman, who participated in the project as members of the Institute, have made use of some of the results in their studies.

2. Studies by Professor Friedrich Lutz

Dr. Lutz's study of Corporate Cash Balances 1914-1943 has been revised and will soon be published by the National Bureau. This is another joint project between the National Bureau and the Institute. Dr. Lutz has had two clerical

helpers working under his direction at the National Bureau, who in addition to making the original collection of figures, have done the necessary computation and typing. This study is a contribution to our empirical knowledge of corporate finance over a 30-year period and also an analytical and interpretive study of monetary theory. With the completion of this report, Dr. Lutz will resume his work on the theories of capital and interest, studies which he has had under way for sometime.

3. Dr. Walter Schiffer

Dr. Schiffer is working on the first of his four chapters, which when completed will be a study of the relation between the development of international law and the League of Nations. He has recently received inquiries from two academic institutions concerning possible appointments. Since the term of his first appointment as a Guggenheim fellow is approaching expiration, unless that fellowship can be renewed, it may be necessary for him to seek some position where he could combine either teaching or research with the completion of his project.

4. Mrs. Bill

Mrs. Bill's appointment as Assistant in the School of Economics expired on October 1, 1914 and a memorandum has been given to the Director describing her work over the entire period of her connection with the Institute. She has completed her first chapter on the cultural history of Russia, has submitted it to a publisher and been offered a contract. She is making application for a Guggenheim fellowship for next year.

5. Mr. Jonathan Mitchell

With the exception of a concluding chapter, Mr. Mitchell has completed the first draft of a report on the Treaty fight in the Senate and is now in process of revising that draft. A first chapter has been received which is not only a great improvement upon the original draft, but if the style can be maintained, will make a most interesting report.

6. Mr. Richard P. Blackmur

Mr. Blackmur, on leave from Princeton, began his membership at the Institute on July 1st. His study of Henry Adams is nearing completion and when published will be a book of five or six hundred pages. It is not merely a life of Adams, but a critical portrait and will be as nearly definitive as such things can be. He has been asked to write the chapter on Henry James in the forthcoming Literary History of the United States which is sponsored by the American Council of Learned Societies.

At the request of the Rockefeller Foundation, Mr. Blackmur has just completed a memorandum on literary critical magazines in America. It is possible that the Foundation may want to arrange to have some younger man pursue this study for a year with a view to bringing out a book on the subject. In that case, the man selected might be asked to come to the Institute as member and work under Mr. Blackmur's direction.

Attached letters from Miss Koch and Dr. Everett, who this year received Guggenheim fellowships, indicate their intentions to come to the Institute at some later date -- Miss Koch late in December and Mr. Everett sometime before February 1945. Since their studies are biographical in character and touch on subjects with which Mr. Blackmur is familiar, the plan is that they should work with him.

The American Civilization Program at the University is another point at which Mr. Blackmur's work will touch both the Institute and the University. This program is under the direction of David Bowers of the Philosophy Department and Stow Persons of the History Department and we have had several conversations with them concerning their plans for the program. Members of the Institute are invited to attend any of the sessions that may be of interest to them. There is no formal plan for cooperation between the Institute and the University, but rather a field of common interest to certain persons in both institutions.

#### 7. Studies in Finance

The School of Economics has several plans for the present year which are in varying degrees of maturity. Two proposals have come from the Committee on War Studies of the Social Science Research Council. One is a study of Public Finance during Wartime and if Gordon Keith, who is now working at the Treasury, can be released, he will be asked to undertake the study as a member of the Institute. Another study proposed by the Committee is on the subject of Wartime Banking and Investment, which would probably be a joint project of the Institute and the National Bureau. So far we have not been able to find a satisfactory person who is free to undertake the study.

Another project in which Dr. Willits of the Rockefeller Foundation is much interested is a study of the Corporation and sometime this autumn a group will be asked to come to Princeton to survey the field and make plans for such a study. We have told Dr. Willits that we would be interested in such a study with outside collaboration provided a competent full-time person could be found to organize and participate in the work.

Our plans for a continuing study of International Monetary Experience have been held in abeyance, again because of the difficulty of finding personnel. An excellent report on this subject has recently been prepared by Ragnar Nurkse of the League of Nations and it is a field in which Riefler, Warren and Stewart have all had opportunities for observations. Several of the people who have been approached have expressed great interest, but are not at the moment free to leave their present governmental posts.

None of these plans have yet been discussed in detail with Professor Riefler, and we have not yet had an opportunity to learn what plans he may have brought back from London. Therefore all of these must be regarded as tentative until we have had a chance for further conference.

*See WWS  
10/24 on currency  
D. H. W. W. R.*

8. Miss Elizabeth Horton

We have recently added to our staff Miss Horton who has taken over the statistical and chart work formerly done by Miss Marjorie Miller and later by Dr. Schiffer. We plan to reduce the burden of this part of the work so that a portion of her time will be available for typing the various manuscripts now in progress.

9. Miss Wise plans to prepare as soon as possible a complete record of the School of Economics from the time it was first started and to include not only a list of members, but a financial report of the uses made of the Rockefeller-Bamberger Fund.

WWS.

October 3, 1944

Office Memorandum

Bowers and Persons: Socialism in American Life

A dinner conference with Bowers, Persons, Warren and myself: Bowers gave us a conference outline containing the six headings on which they propose to conduct the American Civilization course this year together with the names of the lecturers. We at the Institute are invited to attend such sessions as may interest us.

To assist in the course, I offered the following:

1. If they need a lecturer on some particular topic, the Institute would see if it could assist financially in bringing the right person, for example, Mumford on Socialism and its Effect in American Art. For this year, however, the selection of lecturers seems to have been completed.
2. If certain simple wall charts are needed, and the data are already prepared, we may be able to prepare the charts here.
3. Bowers has made a preliminary search of library materials on socialism in this country. I suggested an appendix to their book giving an appraisal of these sources and said we might be able to contribute toward travel expenses to assess those materials.

W. W. S.

October 3, 1944

Office Memorandum

Conversation with Professor Clough  
(Committee on War Studies)

1. Mr. Clough expects to be in Washington next week and will undertake to see Gordon Keith and find out whether he would be free to make a study of public finance during wartime.

2. He asked whether we would be willing to contribute toward the support of Joel Deane while he makes a study of Price Control and Rationing. Fred Mills of the National Bureau believes that Deane is the man to make the study and believes that some contribution could be made by the National Bureau. I told Clough that this project was not in our line of inquiry and I did not see how we could contribute to it.

3. No one has yet been found to undertake the report on Wartime Banking and Investment though Clough has had a number of conversations with Ralph Young. It was proposed that when Mr. Riefler returns to the Institute that Mr. Clough and Mr. Young come to Princeton and we have further discussion concerning the selection of personnel. This is a project we would like to work on if the right person can be found.

4. Mr. Bopp's study of Central Banking during Wartime, while agreed upon between Bopp and Clough, seems not to have been entirely cleared with the officers of the Philadelphia Reserve Bank. If Riefler believes that Bopp is the man to make this study, it is hoped that he will take the matter up with the Philadelphia Bank and persuade them that some of Bopp's time should be made available for the project.

W. W. S.



September 5, 1944

Proposed List of War Studies  
 COMMITTEE ON WAR STUDIES  
 Social Science Research Council

1. American Industry and the War. Lincoln Gordon, War Production Board  
 Washington, D. C.

This would be a study of the demands placed by the emergency of war upon American industry, of governmental planning and control, of the ways industry responded to the war crisis, of interallied cooperation, of industrial demobilization, and of those institutional changes in the industrial segment of our economy effected by the war.

2. American Agriculture and the War.

The general scope of this investigation would be analogous to that envisaged for industry. It would treat of the situation of agriculture and food supply on the eve of the war, war demands on agriculture, the meeting of those demands, both by governmental planning, control, and price arrangements and by agricultural producers, and the effects of the war on agriculture and agricultural institutions.

3. Wartime Shipping. John G. B. Hutchins, War Shipping Administration  
 Dept. of Commerce Building, Washington, D. C.

This book will deal with the international shipping situation prior to the war, what happened between September, 1939 and Pearl Harbor, subsequent shipping requirements and how they were met by private shippers and the government, interallied cooperation, the shipping problems in the various theaters of operations, and the probable effects of the wartime period upon the American merchant marine.

4. Land and Air Transportation. Charles Dearing, Joseph R. Rose. G. Lloyd Wilson  
 Office of Defense Transportation, Wash., D. C.

The aim of this investigation would be to describe how rail, highway, air, inland waterway, and coastwise shipping traffic was handled during the war emergency. It would deal with the collaboration between government and private interests, the problems arising from shifts from one type of carrier to another, and the rate situation.

5. Foreign Economic Relations.

This study would cover, as at present planned, the periods of "cash and carry" and of "all aid short of war," Lend-Lease, non Lend-Lease trade, economic warfare, relief and rehabilitation commerce, the probable increasing creditor position of this country and what that position implies, and the long range effects of wartime commerce. Possibly this field is too large and may have to be divided.

6. Public Finance and the War Period.

It is expected that in this study consideration would be given to the money costs of war, how the war was financed -- the tax program and the sale of bonds, the rising public debt, and the effects of these various developments on public finance, on our economy, and upon society.

7. **Central Banking during the War.** Karl R. Bopp, Federal Reserve Bank of Phila.  
Philadelphia, Pa.

This study will be conducted under the auspices of the Federal Reserve Board. It will focus its attention on central banking policies, the enlarged scope of the system's action, and the war-time relationship of central banking and the economy.

8. **Wartime Banking, Business Financing, and Investment.**

The aim here is to investigate how commercial banks met the war crisis, how the stock market reacted, how money rates were handled, how investment institutions, like life insurance companies, savings banks, etc., fared, how business, both large and small, was financed, and to what extent the government became a lending agency. Some attention would also be given to the banking aspects of inflation.

9. **Price Control and Rationing.** Joel Dean, School of Business  
Columbia, New York

The title of this volume is largely self-explanatory. The study would be broader than the activity of the Office of Price Administration and would include all governmental action in the field. It would also deal with compliance, black markets, and at least incidentally with all phases of inflation. Much ought to be learned from this study of the relationship between prices and physical production -- a subject of importance to both capitalist, neo-capitalist, or communist economies.

10. **Manpower in Wartime.** Lloyd G. Reynolds, Johns Hopkins University  
Baltimore, Maryland

This volume will treat war's demands for manpower both in the armed services and on the home front, how these demands were met, and what lasting effect wartime experience may have upon labor problems. The question of wages and labor supply, both in theory and practice, will be given especial attention.

11. **The Effects of the War upon American Population Movements.** Philip M. Hauser  
Bureau of the Census &  
Conrad Taeuber, U.S. Dept of Agriculture  
Wash., D. C.

The plans for this study involve a consideration of demographic trends during the war period -- the reasons for them and their probable duration -- war casualties and their effect upon population movements, internal migration, and the impact of wartime population changes upon population theory and upon our institutional life.

12. **The Local Community under the Stress of War.**

Several studies of local communities under the stress of war are already being undertaken. Some deal comprehensively with the economic, social, political, and intellectual aspects of a locality; others with the more specific crisis issues of congested areas; and still others with the problem of the local community as a pawn of broad institutional changes and problems. The Committee on War Studies is keeping informed of the progress of these investigations and is lending some aid and guidance to them.

13. Social Adjustments to Wartime Conditions. Francis E. Merrill,  
Dartmouth College, Hanover, NH
- This study will deal with the effect of the war on social institutions and social problems. It will treat of marriage and divorce rates owing to wartime conditions, of group and class alignments, family relationships, welfare, crime, housing, health, and so on. The center of attention will be the developing conflict over a centrally planned integration of American society.
14. Minority Groups under the Stress of War. Louis Wirth, University of Chicago  
Chicago 37, Ill.
- The plan of this study will follow in general the research memorandum prepared on this subject by Professor Wirth for the Social Science Research Council. Consideration would be given to the effect of the war on the status and role of the group, on the attitudes of group members, on the attitudes of others toward the group, and on the actual structure of intra- and inter-group relations.
15. The Presidency in Wartime. Pendleton Herring, Harvard University  
Cambridge, Mass.
- This study would deal with the increased powers of the chief executive during the crisis of war, how these powers were employed, relations of the executive with other branches of government, and the probable lasting effects of the war experience upon the executive-administrative branch of government and upon the entire question of the division of powers.
16. The Law Making Process. Roland Young, Morale Division, Pentagon Bldg.  
Washington, D. C.
- The purpose here is to analyze the legislative branch of government under the stress of war. The analysis would deal with distinctive war-induced legislation, with the stresses placed by war upon cumbersome machinery, and with the relations between the legislative and executive branches of government, and especially with the place of the legislative in the trend toward government by administration. It would treat of Congress as critic, positive agent, and obstructionist. Attention would also be given to party politics as reflected in the legislature.
17. Political Aspects of Associational Life under War Conditions.
- An investigation would be made of organized groups and their role in political life, of unorganized groups and their reaction to the activities of organized bodies, and of class structure and its political implications.
18. Political Behavior in Wartime. E. E. Schattschneider, Wesleyan University  
Middletown, Conn.
- This study would deal with the role of the citizen in wartime (military service, taxes, bond buying, wartime controls, civilian defense, etc.) the issues of wartime politics (intensifications of unity, divisive issues like strikes, etc.), political parties under the stress of war, public discussion of political issues, and the electoral process (the soldier vote, the negro vote, and the degree of voting interest).

19. **The Dissemination of War Information.** Harold F. Gosnell, Bureau of the Budget  
Washington, D. C.

This study would deal with the various governmental agencies which concern themselves with the dissemination or control of information and rumor and to some extent with private agencies which are devoted to keeping the public informed of war issues.

20. **Public Opinion in the War.**

This study would deal with the molding and measuring of public opinion. It would analyze the results of the polls and check them against press, moving picture, and radio analysis. It would not only attempt to show what the attitude of Americans was toward war issues, but the extent to which polls and other expressions of public opinion influenced policy. This study is regarded by the Committee as experimental, but one that would be useful as a pilot to further research.

21. **Federal- State Relations.**

The centralizing influence of war is a generally admitted fact. Certain powers and functions are temporarily taken from the states and state governments become more than normally adjuncts to federal programs. This important subject seems worthy of study in view of the longer range trends which may be drastically affected by the war experience.

22. **Problems of Wartime Administration.** V. O. Key, Bureau of the Budget  
Washington, D. C.

The task envisaged here is not to describe particular wartime agencies and their activities -- that will be done by the historical officers of the agencies. It is rather to deal with the major problems, issues, and theories of wartime administration and to consider administration against the background of our social process. It will be integrated with number 15.

23. **Civil Liberties in Wartime.** Robert E. Cushman, Dept. of Government  
Cornell University, Ithaca, New York

Total war by nature encroaches upon the normal freedom of the individual and may infringe some of his civil liberties. To what extent this has been true during World War II and how the problems involved have been handled would be the subject of this book.

24. **Foreign Relations of the United States.** Harold Sprout, Princeton University  
Princeton, New Jersey

Although the exact scope of this study has not been sharply delineated, the plan is to devote major attention to those forces which condition foreign policy -- the economic, demographic, political, ideological, and power factors -- rather than to provide a minute account of diplomatic exchanges.

25. **Changes in the Methods of Conducting American Foreign Relations.** Walter H. Laves  
Univ of Chicago  
Chicago, Ill.

During the war certain changes have been made in conducting American Foreign Relations. The Department of State has not had the field to itself, for the President, the War Department, other administrative agencies, and Congress have all played important roles. Furthermore the Department of State has consulted civilians and experts more extensively than ever before, has made use of cultural relations, and has greatly expanded its own staff.

Look up:  
Walter H. Laves  
2nd Edition - 1947  
World Affairs  
522 52

September 27, 1944

Conversation with Dr. Aydelotte

1. Dr. Aydelotte said that Professor McIlwain of Harvard would be in Princeton on the week-end and would probably visit the Institute on Monday. He asked me what we should say to McIlwain concerning our activities in what he referred to as the American Civilization project. He expressed the interest that we would be able to arrange for McIlwain to spend some part of each year here at the Institute.

I described what has actually happened in our efforts to find personal for such a program. Our search was largely limited to those individuals who had received Guggenheim fellowships and of these a limited number accepted our invitation to come to Princeton. Therefore I did not see that we had any group at this time that would make full use of McIlwain's abilities and I doubted whether it was wise to invite him to come until such a group was in existence. I also outlined to the Director our various projects on International Monetary Experience, The Corporation, Public Finance in Wartime, and The History of the Treasury. At the end of this statement the Director recognized that I personally would not be likely to have the time to act as leader of a group in American Civilization. I explained that this was not from lack of interest and that if such a group were organized, that Warren, Blackmur and myself would like to participate in it in some form. At the present moment, however, I had not yet had a chance to discuss with Riefler either our own tentative programs or what may have developed in his mind with reference to the future of the Institute while he was in London.

2. In the course of our conversation the Director referred to the fact that the Institute inherits from Mr. Bamberger his residence in Newark. This is a large property covering several blocks, and lying on the edge of Newark, Orange and South Orange. It has been proposed by Spencer Miller that the property be treated as a cultural center for these several boroughs. The Director quoted Mr. Maas as saying that he thought there was nothing in Mr. Bamberger's will to indicate that he desired a series of cultural centers developed and that the better procedure would be for the executors to sell the property for the benefit of the Institute.

3. I also discussed with the Director the work of Dr. Schiffer and Mrs. Bill, to which he responded quite enthusiastically.

WWS  
September 25, 1944

Conversation with Dr. Aydelotte

At tea today I discussed with Dr. Aydelotte the following points:

1. Dr. Kann

Mr. Kann has been supported at the Institute by money raised by Max Warburg. For the coming year Mr. Warburg has asked whether or not the Institute could make at least some token contribution toward Mr. Kann's support. Mr. Aydelotte asked whether the Economics Group would be willing to contribute \$400 from its fund for that purpose. I explained that this hardly seemed appropriate at a time when we were declining to continue the support for Mrs. Bill and that in general I wanted to lift the level of our membership above the so-called fellowship level and that I was doubtful whether Mr. Kann was at the membership level. He then told me about Mr. Kann's manuscript on Austria and I told him of Miss Wise's work as editor on that manuscript. It was left that we would not make a contribution toward support of Mr. Kann.

2. Library Fund

We agreed that I would check further on the \$1,000 now being contributed from the Economics Fund to the Library. Dr. Aydelotte's belief was that this \$1,000 represented book expenditures in the School of Economics and Politics and that at least that much was being spent by those departments. I said that I thought the whole matter should be reviewed since we were approaching a time when library funds would be limited and I would like to be in a position to assure the donors that the money they contributed

9/27 - J.A.  
writes to Warburg -  
© We don't support  
© We willing to  
help on this.

R.F.

had been used exclusively in the field for which it was intended.

3. Room space

I called Dr. Aydelotte's attention to the present crowded condition in which three of the five members in the Economics Group were expected to work in the general Library. Two of these three (Schiffer and Brynes) have said that they could not write under those conditions. I also mentioned several others who now have invitations, who, if they accepted, we would not be able to provide space for. He answered that to go ahead with the invitations and he would find the space. I asked him to begin by finding space for the three we now have and that I did not intend to extend invitations unless space was already available. I urged him to get in touch with Brakeley and find out whether the University could provide space for some part of the League. He then asked about the use of the Maxwell property and said he would inquire whether it was for rent. On my insistence he finally agreed to approach Brakeley first and try to make some arrangement for space at the University.

*9/27 - J.A. has  
phoned Brakeley  
& will see Dodge  
today.*



Feb. - June 1940

Pol. + Econ. (not broken down) \$ 1,046.63

July 1940 - June 1941

Pol. + Econ. (not broken down) 4,388.84

Transferred to R-B 1,944.72

July 1941 - June 1942

Econ. \$ 967.94 No record of transfer

Politics 4291.12, of which \$1,000 was  
trans. to R-B.

July 1942 - June 1943

Econ. \$ 645.36, Total expend. trans. to R-B

Pol. 758.33 " " " " "

July 1943 - June 1944

Econ. \$ 463.35, Total expend. trans. to R-B

Pol. 604.61, " " " " "

W/FA See WWS memo  
trans WWS acct. 9/25/44  
Booker?  
STEP

WWS

September 21, 1944

Office Memorandum

Conversation with Ralph Young Concerning  
Donald Thompson

In a telephone conversation with Ralph Young the other day I asked what progress was being made toward bringing Don Thompson to the National Bureau. He said that Sloan Colt had recommended delaying action until the Trustees had approved the plans and project. The salary which the Bureau has in mind for Thompson is \$10,000.

I observed that with so many projects and with money apparently available, and the limiting factor being personnel, that it was dangerous to delay the closing of an arrangement with Thompson, since he was so eminently qualified and was now available. I told Young that we had plans here at the Institute into which Thompson could be fitted and that he better tell Colt that there will be competition. While he promised nothing, he intimated that we might consider some joint arrangement between the Bureau and the Institute in meeting Thompson's salary requirements, if a plan could be made in which he genuinely shared his work between the two institutions.

WWS

September 21, 1944

Office Memorandum

Conversation with Ralph Young on Pending Visits.

1. On his last visit to Princeton Ralph Young said that Jacoby and Saulnier wanted to come to Princeton to discuss their problems when they had reached the right stage in their work. Over the telephone the other day he said that this would not be until October.

2. Young again recommended <sup>Benj.</sup> Higgins of McGill as a person who might take the lead in a study of public finance during the war. I asked Young to try and arrange a meeting in Princeton, the next time Higgins was in New York, so that we could get acquainted with him.

September 15, 1944

MemorandumCurrency Development Project

Since the memorandum of June 24th an effort has been made to find what personnel might be available for following up the project. Mr. Warren interviewed certain people in Washington shortly before the meeting at Bretton Woods. He found that while they were interested in the project, they were not free to consider participation at that time. Among those interviewed was Eleanor Dulles.

I suggest that Mr. Warren prepare a memornadum indicating who he interviewed and how matters were left with them.

Two publications have appeared since this project was considered which have a bearing on it. One is a pamphlet by Richard Lester -- International Aspects of Wartime Monetary Experience -- which makes use of available material and could perhaps be regarded as a sample of what might be accomplished in other selected areas. The other publication is the book of Ragnar Nurkse on International Currency Experience published by the League of Nations. This is an excellent statement in a longer prospective of some of the problems which would have to be considered by any group interested in present war currency developments. At the time of its publication I spoke to Loveday and asked him whether Nurkse would be free to be a member of a seminar on the general subject of his book. Loveday said that he would take the matter up with Nurkse when Nurkse returned from his vacation. It is at this time uncertain how long the League may be in Princeton and also what Nurkse's assignments may be in the League work. If Nurkse were available, perhaps on a part-time basis with the Institute, he would be an invaluable member of any group seminar.

W. W. S.  
September 15, 1944

Memorandum

Public Finance During the War

SSRC Mjcd

On July 31st Mr. Shepard B. Clough spent a day at the Institute and discussed with Mr. Warren and myself the work of the Committee on War Studies of which he is the Executive Secretary. One of the projects of his Committee is a study of Public Finance During the War and we discussed in some detail who could be available to make such a study. We also expressed our interest in the study and our willingness to participate in such a study if the right man could be found to make it.

In a letter of August 31st Mr. Clough sent us his recommendations concerning personnel for the study and among others mentioned Gordon Keith. On a recent trip to Washington Mr. Warren found that Gordon Keith was working full-time at the Treasury in the Income Tax Division and Mr. George Haas of the Treasury was doubtful whether Mr. Keith would be available at the present time, even on a part-time basis. On a subsequent trip Mr. Warren intends to discuss the matter with Mr. Keith himself.

In his letter Mr. Clough stated that he had discussed the project with Professor Crum of Harvard and that Crum had expressed a willingness "to have the Conference on Public Finance of the National Bureau lend what aid it could to the enterprise, both in a financial and intellectual manner. He thought, for example, that the person engaged on this volume could get something from the persons at the Bureau who have worked in the field and he mentioned a sum of \$4,000 as possibly forthcoming for the support of the work."

This project is obviously of such current importance and is so central to the field of our interest that a continued effort should be made to find someone who is competent to undertake it. If such a person can be found, I feel that the Institute should invite him to take up residence here, becoming a member of the Institute and that we should give whatever additional financial support may be necessary.

WWS

September 15, 1944

Memorandum

The Corporation

Mr. Joseph Willits of the Rockefeller Foundation has for a long time wanted some Institute to assume the responsibility for a continuous study of the function and meaning of the corporation in our economic, social order. He has in mind not so much the internal workings or early history of the corporation, but rather its relation to the more general economic problems of the country in their modern setting. This is a topic which has been on Mr. Willitt's mind and on which he has written from time to time. It was also the subject of an address by John Dickinson before the American Philosophical Society.

In August Mr. Willit's proposed that the Institute act as host to a group that would come to Princeton for the purpose of outlining the problem and consider methods of studying it. As we talked the matter over it became clear that such a group ought not to be called together without some careful preparatory work and if the matter were to be pursued seriously, it would need a full-time person in charge who could organize it and give it continuous attention. The man suggested for this job was Mr. Norman Buchanan of the University of California who has recently been on leave to Columbia University. Unfortunately Mr. Buchanan has returned to California, but may be available on leave for the second term of this year.

It was agreed that pending the selection of some such person, a certain amount of preparatory work could be done by asking various individuals to contribute brief memoranda outlining problems that would fall in this area of study. One contribution of this kind has already been received from Ralph Young of the National Bureau dated September 8th. Friedrich Lutz of the Institute has been asked to make a similar contribution.

When various contributions have been received, it is proposed to digest them ~~and~~ with a view to using them as an agenda for any conference that may be held. It has been suggested, for example, that the reports of the TNEC might be reviewed for the purpose of seeing what problems and assumptions are contained in its reports.

Mr. Willits has now gone to England and on his return this matter may be taken up again. This project is of interest to the Institute and one that we could appropriately support.



Walter:

Of interest.

JHW

9/13/44

NATIONAL BUREAU OF ECONOMIC RESEARCH INCORPORATED

September 8, 1944

Dr. Joseph H. Willits, Director  
Division of the Social Sciences  
The Rockefeller Foundation  
49 West 49th Street  
New York 20, New York

Dear Joe:

I promised to put down on paper some time soon any thoughts that I might have on the problem of the modern corporation. Being so full of the subject from the financial angle, any observations from me necessarily have that slant.

In connection with our studies of business financing, we discovered that, for some reason or other, corporate business has what may be termed a characteristic anatomy. Furthermore, that anatomy has surprising stability. Its general structure today is not much different than it was in 1900. This fact is certainly not widely known among economists and it has intrigued us very much. Indeed, a good deal of our resources and energies in our business financing project went into the development of fuller knowledge about it. We are not sure yet, however, what the explanation is and are still trying to find out.

Another thing that struck us about the corporation was that it has a unique set of rules relating to its financial conduct. In part these rules have developed from the need for records of operations and an accounting to stockholders. In any case, there seems to be a set of concepts concerning income, concerning profits, rates, concerning capital which are very real to corporate managers but have no strict equivalence in economic theory as we know it today. Some reconciliation has to be found if we are to evolve a realistic body of economic principles. The problem needs much more study.

Much has been made in recent years of the role of business investment in economic instability. Economic theory has its precepts of why investment occurs and of the factors that influence its timing. The corporate financial records we have examined for a long period of time, about four decades, give a pattern of corporate investment behavior that is superficially inconsistent with the hypotheses of accepted theory. We have been concerned as to why this is true and what there is about the way in which the corporate entity functions that leads to what is from appearances irrational behavior.

Another aspect of corporations that has considerable significance is the problem of retained earnings or corporate savings. Someone has ventured the guess that

September 8, 1944

two-thirds of the business equity capital supply in this country is accounted for by retained earnings. I don't know what basis there is for such a statement; it seems to me a bit large but on the other hand retained earnings are very important as a source of equity. A lot of public policy questions hang on the relation of corporate savings to equity capital formation and we ought to know more about the problem.

From my associations with institutional organizations, public and private, over the past few years, I have been much impressed with the fact that there is an institutional mind and point of view. There is a mentality that characterizes the Board of Governors, the Comptroller's Office, the FDIC, the RFC, and the Treasury, and it's strikingly different for each one. In part it reflects, no doubt, the dominance of strong individual minds in the position of leadership but it seems to me more than that. The very same thing is true of say the Bankers Trust Company, the Chase National Bank, the Guaranty Trust Company, and the Manufacturers Trust, to take four leading banks; or the Metropolitan Life Insurance, the New York Life Insurance, the Mutual Life Insurance, and the Prudential Life Insurance, to take four leading insurance companies. It is a continuing astonishment to me how far apart representatives of corporate institutions can be on issues of mutual interest, the reasonable solution of which to an outsider seems simple. I don't know what the explanation of this is and I don't know what sort of approach could illuminate it, but it certainly needs careful examination.

In general, there are probably a lot of other features about the corporations that need to be taken into account but it is certainly clear to me that one of the needs of this time for a fuller understanding of the corporate entity is a great deal more intensive study of what it is and how it works than has yet been done. The need for understanding is a basic one because we seem to be in the process of passing into "the corporate state."

I hope your impending trip will be highly informative and that you have a very exciting experience.

Cordially,

Ralph A. Young

RAY:LR

Enc.

September 12, 1944

Memorandum

To: Dr. Aydelotte  
From: H. M. Wise  
Subject: Office space for 1944-45 - Economics

To meet the requirements of the Economics group for this year it will be necessary to make available Mr. Riefler's office, now occupied by Mr. Nurkse and Mr. Fong (League of Nations) and Room 214, now occupied by Mr. Kriz and his assistant. These two offices will be for the accomodation of Mr. Riefler, when he returns, and Mr. Richard Blackmur.

Room 216 is now occupied by Professor and Mrs. Lutz, Room 202 by Mrs. Bill. Mr. and Mrs. Lutz will continue as occupants of room 216; room 202 is to be held for our use after Mrs. Bill leaves.

Pre 1945 -  
During Europe war

RBW?

PROPOSED STUDY OF POST-WAR POSSIBILITIES  
OF ECONOMIC CO-OPERATION

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This memorandum is intended to serve as an Agenda for work to be done. But the work to be done cannot be considered except in the setting of the purpose it is intended to serve. Section A is, accordingly, devoted to setting out what my understanding is of the assumptions from which the project starts. This is not intended as an agenda for research or discussion (except of course in so far as I have misinterpreted anything). Section B sets out certain convictions of my own about the way in which this sort of work can be usefully tackled. These, of course, are eminently open to discussion, but they are not part of the work to be done by the proposed enquiry. They are rather for agreement - or amendment - by the sponsoring group. Sections C and D are the agenda proper - i.e. the main heads of research to be done by the staff to be recruited.

A

It is agreed that two conceptions of Society are at odds in the present war. The most obvious contrast is between those states that believe in modifying the international order by force or the threat of force and those who believe that it should be modified without using war as a weapon of national policy. But behind this clash of means there is a clash of ends. The basic doctrine of the dictator states is that the power of the state should be the end of all political action. If the liberty and the economic welfare of the individual citizen have to be sacrificed for the strength of the state, the sacrifice is worth making. But in the democracies the liberty and the economic welfare of the individual citizen are the aims of policy, however imperfectly they may be attained in practice.

We think, of course, that the democratic aim is to be preferred. But to demonstrate its superiority, and to prove our own sincerity in its cause, we must be ready to draw up now a blue-print of the steps that can be taken when we are

5-7

relieved of the insecurity and expense of war. We must show what can be done to make it clear beyond any possibility of mistake that the lot of the ordinary man is happier under democracy than in any form of dictatorship.

Now the ideal of welfare and the ideal of power have this significant difference. Power is an ideal that can be - indeed in large measure, must<sup>be</sup>/- pursued by nations in isolation. But welfare is very difficult for even the largest and most self-contained nation to secure in isolation. There are several reasons for this. First, there is the familiar Free Trade doctrine that if every country will specialize on what it can do best, all will benefit. This argument nowadays carries little weight, not because it is untrue but because every nation has shown that it prefers the real or fancied security of Protection to the benefits of Free Trade. But secondly, it has been shown convincingly in the past decade both that depressions pass from country to country and also that any plan for curing depression necessarily has international repercussions. The problem of the Trade Cycle, perhaps the most fundamental of all economic problems, can hardly be tackled in any but an international manner. And thirdly, even after the present war has been won, it would be rash to assume that there will never again be power states less concerned about the structure of an international system than about their own immediate gain. Nations who join the democratic system have the right to ask for collective economic defense against those who do not abide by the rules. (They have the right to ask for collective military defense also, but that is another matter).

For these reasons, it can be said without the possibility of contradiction that a co-operative democratic system for the defense of standards already attained and for further progress in welfare (which is a compound of wealth and security) will be impossible without the co-operation of the three great democracies, the United States, the British Commonwealth of Nations and France. Others may be ready

to join such a system; but they are not large enough to create it.

The purpose of the study is to examine what are the minimum essentials of such co-operation.

### B

In the conduct of such a study, three principles seem to me to be essential.

First, Utopianism must at all costs be eschewed. To work out the town-planning of Utopia is a fascinating exercise, but not very rewarding. What we want to know is not what is desirable, but what is possible. Consequently, under each heading -- whether it be commercial policy or currency standards or commodity control schemes -- it is essential that the study should start from what has actually been achieved and consider what further steps are likely to be politically practicable. Some allowance may properly be made for the idealism of the first few months after the war, when, for a short time, things will be possible that will never again be possible. But unless the schemes then adopted will stand up to the cold realism of the succeeding years, they are useless. Thus under the head of currency standards, it seems to me to fall under the head of Utopianism to recommend the re-establishment of the gold standard or any other system of fixed exchanges, even though, from the purely economic point of view that may seem to be by far the best solution of the problem. We know that countries are not going to be ready to impose upon themselves the doses of deflation that are sometimes necessary in any system of fixed exchanges. It seems much more realistic to start from the existing Tripartite Agreement and to examine what further steps of co-ordination are likely to prove practically acceptable.

The second principle follows naturally from the first. The difficulty about schemes of international economic co-operation does not lie in working out a plan that is logical and consistent, nor in proving that in the long run it will be to the advantage of all concerned. The difficulty lies in ensuring that it is not

defeated by the pressure of vested interests or by short-sightedness on the part of some of the interests concerned. Thus a scheme for a wheat control scheme could unquestionably be drawn up, and a price could be calculated which, on the average of years, would equilibrate demand and supply. There is no question that a stabilisation of the price of wheat would be an inestimable advantage to producers and consumers alike. But these are the sort of questions that will provoke trouble; will the producers accept the economic price or hang on in the vain hope of doing better? If there is a run of bumper crops, will the consuming countries be willing to put up large sums of money to prevent their bread from getting cheaper? If there is a short-crop year, will the producing countries be content to see wheat coming out of store and preventing the price from rising? Will it be possible to agree on an equitable division of the market between countries whose production is expanding and those whose production is not expanding? Will countries like Great Britain agree to refrain from encouraging their own expensive production of wheat? Will countries like the United States, whose exports are only a small part of their total production, put their domestic markets into the pool, or leave the whole burden of ironing out fluctuations to be borne by countries that export many times what they consume? These are the sort of questions that determine the practicability or impracticability of any scheme. The second principle must therefore be that the examination of each subject should not stop short at the economics of the matter, narrowly conceived. It should go on to the political economy of the matter, enquiring what are the vested interests in each country that will be asked to make a sacrifice, or an apparent sacrifice, for the good of the whole. How strong are they? And how can they be appeased? If the plan works to the advantage of all countries in the long run, will it work against some in some years? What are the political consequences of this? No report that emerges from the study will be of great value to a Government unless it answers questions such as these.



The third suggested principle is that a study of this kind is likely to be better conducted by a staff of workers working under a competent chief than by the technique of the study group or discussion group. A committee will be needed to settle the detailed agenda and to discuss the results when produced, but the bulk of the work will best be done individually. It is, after all, a problem of research into facts, not of reconciliation of views.

C

The following are suggested as the main heads of enquiry:-

1. The Trade Cycle lies at the root of all other problems. The first task should therefore be to enquire what prospects there are of securing agreement on an international trade cycle policy, and what prospects of success it seems likely to have. This will naturally subdivide itself into a number of questions:-
  - a) Is there any accepted body of opinion on the efficacy of public works, or other forms of deficit financing? If so, could a programme be co-ordinated?
  - b) Is there any possibility of joint monetary policy, nations expanding credit at the same time?
  - c) If these are two ambitions, would it be possible to devise a scheme whereby nations whose exchanges would be endangered by the adoption of a recovery policy could be jointly helped out of this difficulty?
2. What are the possibilities of drawing up an international minimum standard of living to be guaranteed to all citizens of a democracy - an international Bill of Economic Rights? Could any arrangements be made to help individual nations preserve this standard?
3. As a special case of preserving standards of living, what is practicable in the way of guaranteeing a secure income to primary producers? What should be the principles of commodity control?
4. To what extent is it the case that the main obstacle to the reduction of trade

barriers lies in the existence of certain devices of totalitarian economics? Could a tariff system be worked out by which the democracies substantially freed their trade with each other, but preserved collective defences against those who would not assume the obligations of democracy (see 2 and 3)?

5. What development of monetary co-operation could be worked out? In particular, should the movement of capital be entirely free or is there any case for its control? If so, what sort of control?

6. Can any progress be made towards liberating migration from its present restrictions?

7. Is any scheme of joint development of colonial territories practicable?

And finally, under each of these heads, two questions must be asked:-

a) Over how wide an area can this particular scheme be spread? India? South America? Central or East European democracies?

b) Does what is practicable add up to a sufficient contribution towards the general plan of a co-operative order? Or will the nationalism remaining be enough to wreck the scheme?

#### D

The problems of immediate reconstruction that will have to be solved on the morrow of the Armistice are sui generis. Not having devoted any thought to them, I can only indicate them in the broadest outline.

1. What are the needs likely to be qualitatively and quantitatively?
2. Will Great Britain and the United States be (a) able and (b) willing to undertake large-scale salvage work?
3. What resources will they have available?
4. What technical form could their assistance best take?

*Felt*

June 24, 1944

Memorandum - Currency Developments Project

Recently there has been a revival of interest in a proposal made by RBW more than a year ago. His view at that time was that it was impossible to plan for the future of currencies without knowing what was actually taking place in the present and that therefore what was needed was some method of following developments in various currencies. In conversation with Joe Willits this matter arose again recently and JW expressed interest. Since then JW has interviewed various people, telephoned WWS and talked with Fosdick. JW is sending an account of his interviews together with suggestions from those who might work on the project to RBW.

In his telephone conversation JW said to WWS that he wanted us to have assurance concerning any expenditures involved in the project. He had talked with Fosdick and both of them wanted us to feel free to ask for financial assistance, if we needed it. Since JW was going away for his holiday, he suggested that we use our fund to meet any initial expenses and that in the autumn, if the project had developed, a proposal could be brought before the Executive Committee. He said that both he and Fosdick were prepared to bridge over a period between the time when the Bamberger estate becomes available and the time when our Rockefeller-Bamberger Fund may be seriously reduced.

W.W.S.

June 20, 1944

Memorandum

To: Dr. Aydelotte  
From: W. W. Stewart

There are a few matters which I did not have a chance to talk with you about, some of which have arisen since you left.

1. Douglas Freeman

I am told that the Carnegie Corporation has not yet actually refused to support Freeman's study of the life of Washington. If they do turn it down, the Foundation will send me the information which Freeman sent them giving his entire budget, and we can then take the matter up.

2. Adolpho Dorfman

The most convenient time for me to see Dorfman would be July 6th. His outline looks interesting, but seems to me a large undertaking to complete in a relatively brief time.

3. Hans Baron

I see no reason why Dr. Baron should not be made a non-resident member of the Institute for the year 1944-45 and become a resident member in the following year.

4. Adrienne Koch

Miss Koch is coming to Princeton on Thursday, <sup>June</sup> ~~July~~ 22nd and we will have lunch with her. I am sorry you will not be here.

5. Valentine Bill

I have talked with Mrs. Bill and told her our decision concerning the extension of her assistantship. She has asked that her vacation period be at the end of this extension, so that she would be paid through October 30th (October to be considered as her holiday). This would be in accordance with other similar arrangements we have made. I hope you find it satisfactory. The personal matter I referred to in our conversation about her she has asked to be kept secret.

6. Vacation arrangements

We are interviewing Miss Elizabeth Horton on Thursday, June 29th as a possible substitute in this office during July. Miss Horton was considered last year but was not immediately available. If she proves satisfactory, she will begin work on July 5th, in which case Miss Wise will remain through that week to break her in, starting her holiday on July 10th.

*Inst. - general*

THE INSTITUTE FOR ADVANCED STUDY

*Founded by Mr. Louis Bamberger and Mrs. Felix Fuld*

PRINCETON, NEW JERSEY

July 3, 1944

Professor Walter Stewart  
Institute for Advanced Study  
Princeton, New Jersey

Dear Warren:

Many thanks for your letter of June twenty-fourth with notes about the Guggenheim Fellows. I am delighted with the result in the case of Miss Koch and at your suggestion I am sending to her today an invitation to become a member of the Institute.

I note that you are to see Dorfman on Thursday. I return his outline herewith since you will doubtless want to have it at hand. I look forward to seeing him myself but shall leave to you and Warren the responsibility of advising him about his plans. I thoroughly agree with your point about the size of the undertaking.

I shall wait until you send me further information or suggestions about Douglas Freeman.

Yours sincerely,



Frank Aydelotte

FA:KK  
Enclosures

Brynes

May 11, 1934

Office Memorandum

Re: Asher Brynes

At our suggestion Asher Brynes took his manuscript on Government Vs. the State to Datus Smith at the Princeton Press. Both to Mr. Brynes and later to Mr. Warren, Smith expressed his interest in the manuscript and said that he would recommend it to his Committee. It will probably be the first of July before the Committee will be able to pass upon the manuscript and pending their decision the Press cannot make any advance on royalties.

Dr. Aydelotte took up with Mr. Moe at the Guggenheim Foundation the question of whether the Foundation would be willing to make any further grant to Mr. Brynes. In view of the fact that he had had two fellowships and a further grant which was later extended, Mr. Moe feels that the Guggenheim Foundation cannot make any further contribution toward his work.

Today I phoned Mr. Brynes and told him Mr. Warren's conversation with Smith and that I had explored the only possibility of obtaining assistance for him that had occurred to me and nothing had come of it. He understands the situation and his conclusion was that he would probably have to interrupt his writing and obtain some kind of employment pending a decision by the Princeton Press.

W. W. S.

*Warren*  
SEP.

SEMINAR ON MONETARY POLICY

Meetings of 1946-47



SEMINAR ON MONETARY POLICY

Meetings of 1946-47

E. A. Goldenweiser - Chairman

Institute for Advanced Study

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Meeting of November 12, 1946

Notes of Discussion were not kept

Meeting of December 10, 1946

For text: See A.E.R. Vol. XXXVII, May 1947, No. 2, 569.  
Revised after following discussion.

SEMINAR ON MONETARY POLICY  
Institute for Advanced Study  
Meeting of Dec. 10, 1946

**Subject:** Domestic vs. International Economic Stability.  
**Speaker:** Dr. Ragnar Nurkse.  
**Present:** Chairman Goldenweiser, Mrs. Hicks, and Messrs. Graham, Rist, Stewart, Sachs, Viner, Morgenstern, Lutz, Warren, Riedler and Woodward.

Points Raised in Discussion of Dr. Nurkse's Paper

The volatility of the total dollar value of American imports is affected by commodity price fluctuations as well as by changes in volume.

The title of the paper is inappropriate: domestic and international economic stability should be mutually reinforcing, not opposing. And one is possible without the other.

We need to identify the points of conflict, if any, between national operation for full employment and international economic stability; what international rules are necessary to permit full employment policy.

Buffer Stocks

The buffer stock idea is very intractable in application. High imports and high prices come at given phases in the cycle and seem highly unlikely in the long periods between. Equilization would have to be attempted, therefore, over stretches of time beyond the experience of the individual.

Buffer stocks would have to be held as real buffers, and the managers should not be scared by assaults.

Lord Keynes held the view that there are no adequate incentives to motivate private firms to stabilize inventories. It is a question then whether good social policy is impossible for private firms. Even though the price swings are wide enough hypothetically to encourage a play for gains, in practice the enterprises can go broke due to holding costs, including interest, unless his timing is quite good.

Generalized solution proposal of buffer stocks is not enough: detailed application is needed. The price swings are so long that any administration might not be able to endure the waiting. A detailed examination of private experience is needed: what happens, in terms of casualties, and results. Some have made killings, but many have been killed.

The possibility of a different environment should be considered as well as past history. While in the past long secular price movements have both helped and hurt private operations, if such trends are absent or minimized in the future, a different order of risk, of gain and loss, would prevail.

Some countries might get hurt in the buffer stock operation. Vested interests may also develop. And there are theoretical difficulties.

### Effects of Foreign Trade

Multilateralism will produce instability for sheltered industries in order to get general stability.

A country may have a domestic slump, a balance of payments slump, or both. A country dependent on foreign trade doesn't always get its slumps from outside.

There is the possibility that the need for import restriction and exchange fluctuation might prove to be more than temporary. The condition might be a structural maladjustment rather than of temporary cyclical nature.

Changes intended to be temporary build up vested interests and these in turn become hard to change.

The luxury trades may have to bear the brunt of change.

Stability of price index may be achieved, but may include distortion of individual prices. In fact, it is difficult to see how internal stability can be achieved without distortions when a country is heavily dependent on foreign trade.

The income approach to stability gives too little attention to prices, just as the previous price approach gave too little attention to income.

A small country can alter exchange easier and with less disturbance, and also get the effects of the alteration easier than a large one.

International trade is important to some countries but their trade not important in the world total, and in other cases vice versa.

But the matter is not simply small or big countries. Some industry or industries in any country are important in some other country or countries. So no country is really unimportant. We should not discuss only the general and leave aside the detail.

More than cyclical changes should be considered. There are long run alterations in the position of some countries.

The question was raised how wide fluctuations in the exchange rate are permitted around the announced rate, and the statement was made that there is no provision for any. It was stated that the American Express Company cannot operate under a literal interpretation of the Fund statutes.

### The Problem of Criteria

The question was raised as to how many of the criteria under the plan discussed by Dr. Markse lend themselves to precise use. Many of the statistical tools are either undefined or unprecise or both. Even when approximations exist, are they sufficiently precise for operating purposes? But if the processes of the market are not available, then it is necessary to move toward use of the statistical series for administrative purposes. Import value statistics, for example, are purely approximate, and may be wide of time and fact, while quantity figures are hardly usable at all. National income figures are reasonably good, but are they good enough for administrative purposes? Balance of payments criteria are difficult because a country can make them whatever it desires by foreign lending.

Then, how about using international liquid reserves as the criterion? Furthermore, they could be used even when balance of payment and trade figures are not available. (It was stated that the Fund is opposing use of this criterion.)

The United States and Canadian loans provide Britain with just about the same amount she would have had as a quota under the Keynes plan.

### The Fund

The "step change" exchange arrangement in the Fund is undesirable. It will result in building up bear speculation when a currency looks weak. It lets maladjustments pile up.

But the slow "step" change may well be better than big changes. They should cause less trouble both politically and economically.

It is unfortunate for the Fund to be forming policy on present transition conditions; its operation would have been better postponed.

The Fund statutes contemplated five years of exchange control, but under the British loan this was cut to one year. May the result be the substitution of import restriction by hard pressed countries for the previously contemplated exchange restrictions?

In many countries, a struggle is going on for control of government, which creates conditions transcending the usually contemplated economic and financial forces. When Communist control is threatened, forces making for currency fluctuation are engendered on a non-economic basis. There is forced production for exports as a means of flight capital. If the political struggle is long enduring, there will be forces making for fluctuations, both as to exchange and international trade, with no "normal" economic basis.

The Fund felt it could proceed because there would be offsetting capital movements as a result of the International Banks, the Export-Import Bank, inter-governmental loans, etc.

Capital movements must be controlled. If so, "normal" movements will be reflected by changes in liquid reserves, which could constitute a criterion for Fund operation.

The Fund may "load up" on weak currencies, and then rates be shifted by compulsion.

But the Fund is intended to be used.

Continuous fluctuation in exchanges harms trade and generates speculation.

But such speculation is salutary. It is a myth that fluctuating exchange hurts trade. What must be avoided is non-functional fluctuation.

### The Bank

A major question is whether the International Bank can operate to any extent as a counter-cyclical device. The time of making a loan and the expenditure of loan proceeds may vary. The Bank's operations may be of a stabilizing nature, even if not counter-cyclical. The Bank's loans can cause shifts in demand in the borrowing country, and it can borrow and hold funds, thus affecting demand in the lending country. Clearly the institutions cannot turn the spigot off and on at will, but must operate continuously. But perhaps the rate of expenditure can be scheduled so as to have some counter-cyclical effect, especially by cooperation with the borrower.

\* \* \* \* \*

For further discussion of Dr. Harkse's paper, see A.E.R., Vol. XXXVII, May, 1947, No. 2, pp. 581-594.



Meeting of January 14, 1947

For text: See A.E.R., Vol. XXXVII, May, 1947, No. 2, 157.  
Revised after following discussion.

SEMINAR ON MONETARY POLICY  
Institute for Advanced Study  
Meeting of Jan. 14, 1947

Subject: Public Debt and Institutions.  
Speaker: Donald B. Woodward.  
Present: Chairman Goldenweiser, Sir Henry Clay, Mr. Ralph Young, Messrs. Warren, Riefler, Viner, Stewart, Burke, Graham, Sachs, Lutz, Morgenstern.

Points Raised in Discussion of Mr. Woodward's Paper

The public debt and the public credit are separable terms. The debt represents claims which have been paid, with resulting interest bearing debt. The public credit is involved in a very much larger mass of contingent claims which might under circumstances become debt. A great many functions of society depend upon the public credit being in existence. In a number of places the public credit has become functionalized in a way that will create public debt.

A reduction to a mathematical basis should be possible, and the government should be encouraged to do it.

More specific listing of the contingent liabilities could be made, such as accounts payable, tax refund obligations, claims in a legal sense, pensions to government employees, etc., etc.

There is an increasing variety of obligations. For example, consideration is now being given to increasing social security obligations upward to allow for the higher cost of living. If the government is to be held responsible for the real income of large numbers of persons instead of many payments, still another kind of obligation has come into being.

This society seems to be developing a propensity to contractualize obligations. A mass of claims has always existed without formalization among individuals, in family relationship and in institutional relationships which were never specifically stated or acknowledged; they were so vague that payments more nearly resembled grants, were more akin to an act of grace. Furthermore, they could be adjusted with circumstances with almost complete flexibility. The trend is away from this method of operation.

The paper is in large part a discussion of the greater role of the state. As such, much of it could have been written in 1939.

The public debtor has the power to coerce resources. The private debtor does not.

The view that real inhibitions exist against debt reduction and reduction in money supply is dubious. A feeling of compulsion exists to do both, but this is an unwillingness to take the necessary measures.

The Treasury is no more a free agent than the other two agencies described as recipients of responsibility. The White House should be included in the discussion.

When a country is on the gold standard, it subjects itself to external control or influence. When credit policy is determined entirely by the country itself, the Treasury takes over.

Long range monetary problems are given too little attention in the present preoccupation with cyclical matters. The size and diversity of the debt, and the changes that time alone produce in it, emphasize the need for long range monetary management. And taxation needs to be related to it.

There is need for a careful study of long term effects of the debt, of who actually pays the debt and to whom.

That part of the budget which involved transfer payments is becoming larger and larger, and this is substantially withdrawn from the power of Congress. Indeed, much of the budget is imposed on Congress.

The bigger the debt, the more scared the government is to do anything. The result is that it keeps on doing what it did last year.

Irrespective of legal powers, the characteristic fact about the 1920's was the primacy of the Federal Reserve in deciding those issues that involved external relations of the monetary system. One of the characteristics of the present is that while a number of powers have passed to the Treasury, it is not ready to make decisions.

What is needed is coordination of those powers that have to do with cyclical forces.

With what  
success?  
Key Admin.

(Discussion continued in next meeting)

SEMINAR ON MONETARY POLICY  
 Institute for Advanced Study  
 Meeting of Jan. 21, 1947

Subject: Public Debt and Institutions (Continued  
 from January 14, 1947)  
 Present: Chairman Goldenweiser, Sir Henry Clay, Messrs.  
 Warren, Stewart, Riefler, Woodward.

*many absent*

In olden days relationships between members of their group were established by custom. The breakup of customary society at the end of the middle ages brought fluidity to these relationships, adjudication by the market, and instability. Dependence upon the marketplace in turn is passing to collectivization; the marketplace was not satisfactory to the individual, and custom has not redeveloped. The attempt is thus developing to put each individual case on a contractual basis. This new method as yet has been tested neither by time nor market fluctuation. The great question is how many relationships can be put in such form that they do not acknowledge the fact of an unstable world. Involved is a transfer from equity to fixed obligation, and this occurs not only with the state but with private institutions, of which life insurance is an outstanding example. Life insurance is validated by continuous improvement in mortality, the economic counterpart of which is the annual 2 1/2% - 3% rise in productive efficiency. The question arises whether the contract - the antithesis of the market - may not be falling into a hazard just as the marketplace: the market fluctuated too much for satisfaction, the contract may be too rigid for satisfaction.

We are always confronted with so many questions to which time alone can give the answer: but the trouble is that still other problems arise before the answers can be provided. Proof and evidence are, therefore, often and necessarily lacking. The result is that we must have a view, a judgment.

The economy is always mixed, and so projecting one part alone is invalid.

Well established contracts sometimes conflict with new contracts. Parity prices in agriculture once were relative, but the attempt is now being made to make them contractual, and conflicts are developing. Present interest rate commitments now make many of those entered into earlier difficult. Labor union contracts may conflict with government reciprocal trade contracts. The more contracts we have, the more they may come into conflict.

There are also conflicts between underlying forces and formal constitutional forms. Reasonable effort must be made to conform the two. The public debt imposes forms on relations between persons and groups: are they such as will stand the strain of change? Most of the forms of the central bank could change: is it appropriate, then, to call the Treasury a central bank? With a debt of the present size and structure, the Treasury dare not move.

FRB position  
in non-supportive  
Fed bank  
rules

The question is what the government can do, in familiar terms of quantity and cost of money. This would be the more appropriate setting for the story rather than the inhibitions, which are not valid except for the interest rate. The first part of the paper presents the increased role of the state and how it affects previous methods of doing business. It may be permissible to call the state the Treasury, but if so, it is not then valid to call the Treasury the central bank. It would be desirable to indicate what and which central bank functions have passed to other agencies of the government. The paper would be improved by stating that the major inhibition is the interest rate, and that the others are derived from or augmented by this one.

In time, one contract supersedes another. Thus, the interest rate has superseded the price of gold. One requires some conditions, another, others. Government contracts have been cancelled, and many may be viewed only as G.T.C. Currency revaluations have changed contracts. Changes are not just defaults, but changes in objectives. Also, formal contracts stay, but their meaning changes.

Do we as a group believe that interest rate changes are impossible as an instrument of control? ✓

The question about interest rate changes is the effect on the economic situation. Small changes may exert an influence without causing an upset. But changes in the absolute level and the structure are much more far reaching. The mistake of the late '20's was the shift in the long rate and the effect on capital values.

Reduction  
rate bond  
inflation

The debt does not eliminate changes in the short rate. But does it in the long run contribute to low rates and to overemployment?

Neither high nor low rates are causes of overemployment. Causes and effects are yet to be demonstrated.

Low rates partly result from making obligations eligible for the central bank. What is cash, and what is public debt?

Some amounts of the public debt probably have to be frozen into the financial institutions.

The American stock market hasn't yet reflected low rates, while the London stock market has done so.

\* \* \*

Meeting of February 11, 1947

Text not available. Material presented will be included in a forthcoming book to be published by the National Bureau of Economic Research.

SEMINAR ON MONETARY POLICY  
 Institute for Advanced Study  
 Meeting of February 11, 1947

Subject: Methods of Measuring Stresses in International Markets.  
 Speaker: Dr. Oscar Morgenstern.  
 Present: Chairman Goldenweiser, Messrs. Sachs, Viner, Stewart,  
 Graham, Riefler, Warren, Hurkse and Woodward.

Points Raised in Discussion of Dr. Morgenstern's Paper

The Moody bond yield series have serious weaknesses. Use of the basic yield series of the National Bureau of Economic Research may be preferable.

In using gold points, the definition of fineness (and other constituent factors) is important. They may also vary with intensity of crises.

For the purpose of getting maximum permissible spreads between short interest rates between markets, might it not be preferable to use exchange rates instead of gold points? Most persons in markets deal in exchange rates, while few know or use gold points.

Quotations of internationally traded securities were significant in market interrelationships.

The equilibration of markets was often so fast that no adjustment had to be made for a month.

The central banks were able to alter results by determinations of what they would take and what they would deliver.

When did telegraphic transfers begin?

The classical period of the gold standard appears from the curves to be 1898-1914; this has become the traditional gold standard. However, there is some appearance that the Balkan Wars, not 1914, may be considered the end of an era. ✓

Markets may have been homogeneous in tranquility, but not in crisis.

How much did moral suasion have to do with gold dealings?

Money markets are not national, but are constellations. Money market history and discussion written in terms of a single country are illusory.

Conditions earlier assumed in theory came into existence later.

Many of the charts demonstrate that there was a market, testing itself, and acting as a free market should act.

The cycles indicated may be of a very different nature than business cycles.

Isn't the forward exchange rate a vital consideration, a third element, to be considered in the calculations?

The heresy of the 20's was to shift consideration from differences between short rates to differences between long and short. ?



Meeting of March 11, 1947

Text not available

SEMINAR ON MONETARY POLICY  
 Institute for Advanced Study  
 Meeting of March 11, 1947

**Subject:** Selective Credit Controls.  
**Speaker:** Dr. E. A. Goldenweiser.  
**Present:** Messrs. Parry, Warren, Furkse, Sachs, Viner,  
 Lutz, Stewart, Morgenstierne, Riefler, Young,  
 Graham, Woodward.

Points Raised in Discussion of Dr. Goldenweiser's Paper

Why did the Federal Reserve ease consumer credit requirements in December 1946? The consumer credit series is most depressing, for after well studied regulation, controls were loosened and a great rise in volume is occurring; this looks like a reflection on all cyclical effort.

Why do people get excited about direct purchases from the Treasury by the Federal Reserve? Discussion covered market judgment of federal credit, operation of the New York Reserve Bank, and mechanics of Treasury bill operations.

If the 2 1/2% long term rate is fixed, what can be done in credit control by changes in the short-term rate? Discussion covered short-long rate relationships, movement of banks from short to long, the effects of small changes, immunization of government debt and present bank expansion.

How important in the 1937 stock market decline, and in the 1941-44 consumer credit decline, was regulation?

Except for controls, the stock market would have gone higher in 1937, and also in 1946.

If one uses Barron's stock index instead of the broad Standard Statistics average, the effects of the 1945-46 control appear more vividly. Barron's contains more low price stocks; it both rose and fell more.

How much was the tightening of margin requirements evaded by so-called commercial loans? (The answer given was very little.)

The big rise in consumer credit has been in charge accounts and single payment loans. Charge account regulation is weak and difficult to improve.

Consumer credit control in essence involves the question of discrimination against those of smaller means.

Real estate credit control should be emphasized. It was contemplated by the National Housing Act. But except in 1938 there has been no operation of counter-cyclical nature; emphasis has been on individual property.

Federal government is doing many things dealing with credit, but the efforts are not coordinated. The F.H.A. has seemed always indoctrinated with promotion, and never has seemed to comprehend credit control.

Legislative justification of consumer credit control is very difficult without control of real estate credit; the latter is both quantitatively more important and easier to control.

Selective credit control is still new and experimental. But consumer credit and stock market credit are out of the reach of general controls unless general restrictiveness be made severe indeed.

What is the ideal goal in selective credit control? It is possible to go a very great distance in numbers of controls.

The view that selective controls are intended or should supplant quantitative controls is invalid. In fact, they are complementary or supplementary.

The present general credit situation is bad, but control authorities are only puttering with details.

Plenty of instances exist in Federal Reserve operations of selective controls being offset by some other action.

But it is wholly compatible in attempt to reach and maintain balance to restrict in one area and promote in another, simultaneously.

Some people, however, think balance is best and most quickly achieved by letting people alone.

Consumer credit control has been very strategic in this period. The economy was full of inflationary material. Goods have been slow in coming to market, especially durable goods. Savings have dropped in half, and accumulated savings have been drawn down. The year 1946 saw a huge soldiers' bonus. The result was a great boom in perishables, with a considerable volume of low quality.

The phenomenon today is the presence of suppressed inflation, yet we continue to let some things rise (such as consumer credit) that seemed a good idea in the past. Our thinking is such too reminiscent.

The state of mind of those in charge of consumer credit controls in 1946 was concern. But overriding this was the lack of any effective instrument. The only device conceived was downpayment on charge accounts, but that was against present tenor of thought.

If consumer credit is to be regulated in peacetime, the rationale must be different than in war. The basis must be counter-cyclical.

During 1946 many felt that deflation was a greater danger than inflation. Things must be looked at in the environment, not just as they turned out.

Home repair and home modernization were ended because they became unadministrable.

The authorities are attacked in Washington for too much restriction. Here they are being criticized for too little.

How long has it been since the Federal Reserve used general powers of credit control? (one answer: 1941).

A return of use of general credit controls is to be desired. They have been unduly disparaged in the last 10 years. But will they ever return to such general use as in the 1920's? Great reversals are always possible: conditions may cause a change.

Why is the Federal Reserve System so concerned that the exercise of controls will hurt somebody?

Bankers' instincts are good: they are against borrowing and against owning long term bonds. On the whole, they have been restrained. - But aren't the instincts of some banks changing, or at least their actions? Many are certainly going far out in long term loans and mortgages.

A most striking aspect of the war was the creation of a vast volume of mass savings. More effort should be made to preserve them. Instead, economic management of the utmost recklessness is bringing about their dissipation. If they had been conserved by economic management, they could be a powerful force for sustained high levels of activity.

In the days of general credit control, responsibility was firmly fixed with the central bank, and it had to make up its mind. At V-J Day there was a great dispute whether the country was threatened with a shortage of purchasing power or inflation. Today, when general controls cannot be used, we turn toward the selective, of which there are seven:

- 1. Stock market.
- 2. Consumer credit.
- 3. Commercial loans.
- 4. Real estate.
- 5. Commodities.
- 6. Foreign loans.
- 7. Fiscal.

Credit is affecting demand and price in all seven areas. The central bank can deal directly with only two and the Treasury with only one; four the central bank cannot touch in any way. Circumstances have forced the central bank to abdicate its usual control, and nobody had picked up control. So 1946 saw continued inflation.

20's 2 40-46

One of the reasons why a bad job is being done in economic management is that targets and instruments are so concentrated in the short term and so little attention is being given to the longer term. This has resulted in there being little literature on what changes in the war period meant to the nature of the postwar period: e.g., mass savings. The Federal Reserve should do an educational job. Long term analysis is very much needed.

The old credit control was totalitarian, and is no longer available. So areas of credit control must be widened.

Since savings during the war were compulsory, it is not surprising that dissaving is widespread.

(Discussion continued at following meeting.)

Meeting of March 25, 1947

Continuation of discussion from preceding meeting.  
Notes were not kept.

Meeting of April 28, 1947

Text not available.

SEMINAR ON MONETARY POLICY  
 Institute for Advanced Study  
 Meeting of April 28, 1947

**Subject:** Restoring Sterling to the Status of World Currency.  
**Speaker:** Burke Knapp.  
**Present:** Chairman Goldenweiser, Messrs. Harkess, Warren, Viner, Stewart, Williams, Morgenstierne, Graham, Riefler, Sachs, Woodward.

Points Raised in Discussion of Mr. Knapp's Paper

A serious problem of psychic income arises in England due to the long use of utility goods. Standardization has become very disagreeable. Any leeway will bring a search for variety, and thus damage any calculations.

Since taxes are being paid largely by the same people who get the subsidized items, the two could be washed out. But this would upset wage agreements, generally pegged to the cost of living.

Would it be difficult to restrict interest payments on foreign balances in the U. S.?

A great difficulty is the export mindedness of the U. S., with the resulting world dollar shortage. If this continues, reestablishment of sterling will be difficult.

What will happen to U. K. exports when they begin to meet competition?

The U. K. could do more to direct the flow of exports, so as to correct the excessive proportion to soft currency countries. Part of this result last year was due to need and to established trade connections, part to lack of government planning.

How can a converting country do 175% of exports on 100% of imports? What is the import content of exports? Would even 175% be adequate?

What are the internal capital requirements to maintain exports at 175% when competition really develops in export fields?

Productivity per worker is frequently overstressed. The real problem is costs and prices. Productivity can be misleading, and is not necessarily related to costs. The U. K. does not have to attain our productivity level to meet the 175% target, for productivity was low in 1938.



It is impossible to take much more out of the people than is being done now.

The British cannot get what they need without recapitalization at home, and that can only be done on borrowed capital.

The British were losing ground in the interwar period: they had a deficit on international account. They must calculate to correct that, with an addition for repayment of the dollar loan and for war loss of assets.

What is it that the British are going to export? A great change has occurred in import conditions throughout much of the world.

The U. K. is forced to limit imports, so other exporters begin to grumble.

A crisis is a definite possibility, without forewarning. Mutual recriminations would then be likely. Is the public mind being prepared for the possibility of a crisis?

Would it be difficult to extend the July 15 date for convertibility?

Is the U. K. balancing resumption of convertibility July 15 for the right to maintain import controls as a bargaining point at Geneva?

Can the U. K. get relief by other countries using the Fund? Would they thus get increased drawing power from the Fund?

Most of western Europe is short of sterling.

The export shortage may be just as much a material as a manpower shortage.

As the U. K. gets out of her short run problem of balance, she hurts her long run position. Net foreign investment income is being reduced.

It is difficult to see light for the U. K. except as U. S. makes loans abroad somewhere, though they do not need to be to the U. K. In the end the problem comes down to dollars. But the question is how permanent such an arrangement would be.

The U. S. and Canada are ready to buy, but can't find enough in U. K. to buy.

Colonial products provide dollars, and exports to colonies do not provide soft currency. Furthermore, many of these products are not so subject to deflation as in 1921.

The real problem of the U. K. is the capacity of labor to govern, the capacity of a mixed economy to produce. Austerity must also be considered. England has telescoped our New Deal problem of 1933-1940, and her position is aggravated by entropy of the Continent and the struggle for power. In this situation, dollars are not the remedy.

The tobacco price rise may make sterling more valuable to U. K. workers.

There is much less divergence between parties in the U. K. than in most countries, or than is reported. It is doubtful if the Tories are really anti-socialist.

Why do you reject Lord Keynes' Economic Journal conclusions? The U. S. has prominent inflationary forces, and numerous foreign currencies will be cut in the future.

Keynes was reverting to the classical way of looking at things, and engaging in wishful thinking. Excluding currency changes:

- a. In the short run, England is not forced to hunt export markets now, and the rise in price in the U. S. is harming her;
- b. In the longer run, we have always been a high cost of living country, but a low cost exporter because exports have been a derivative. And we can expect much technological advance.

Wasn't Keynes thinking of us as a large importer?

Keynes was speaking of a field where there are so many variables that forecasting is impossible.

Our kind of economy has a bias against imports. We can supply so much ourselves, due to great size and diversity.

But the same factors absorb exportable commodities.

Lord Keynes was contemplating three developments when he wrote the Economic Journal article: prospectively relative low cost of raw materials to Britain, relative high prices of finished goods, and the reduced productivity of American labor during the war. He contemplated high productivity in Britain, and was considering some calculations that the pound was then worth \$4. But there militates against the U. K. the fact that she has yet to do much new investment, while we did a great deal during the war. And later the U. K. competitive position will be much less favorable, as the world-wide demand from current shortages diminishes.

The position of industry in the U. K. is already so bad that the socialists may not be able to make it worse. Improvement may be more difficult here than there.

What shape will the U. K. be in by 1951 to take up the load at that time? The transition problem may be less difficult than that one.

The Keynes prognosis may prove to be true, but even so, the U. K. may be so badly organized as to be unable to take advantage of it.

An arrangement should be possible so that New York does not bid against London for international balances. London cannot afford to pay for the balances. There are now certainly only two markets instead of five or six in the past, so action should be easier. It should be possible to differentiate between different kinds of deposits. However, if London needs them, and London is not convenient for the holder, London must pay something.

Last meeting we seemed to feel that short rates should be raised for domestic reasons. That would make this action more difficult.

Isn't the answer an agreement through the Fund? Care will need be taken that building up the Fund isn't harmful to London. Perhaps members could agree that no one would keep funds in another market except on terms agreed to by the recipient - and expect the recipient to be statesmanlike.

The U. K. problem is perhaps greater than this discussion has indicated. Why will holders put funds into a shaky situation?

The U. S. has always made rates on domestic considerations. Foreign funds in New York have been an accidental visitor. What we are talking about is a "constitutional amendment."

Meeting of Mar 12, 1947

Text not available.

SEMINAR ON MONETARY POLICY  
 Institute for Advanced Study  
 Meeting of May 12, 1947

Subject: The Position of Britain  
 Speaker: Alexander Sachs  
 Present: Chairman Goldenweiser, President Aydelotte,  
 Messrs. Stewart, Rist, Viner, Graham, Lutz,  
 Riefler, Morgenstierne, Kurkse, Warren, Woodward

(Dr. Rist briefly discussed his study of American investor experience in foreign dollar bonds prior to Dr. Sachs' arrival.)

Points Raised in Discussion of Dr. Sach's Paper

Technology has been arrested in Britain, for reasons that are by no means clear. Piecemeal rehabilitation is not likely to be adequate. The present world is not of a pattern that made London the center and there seem no prospects for the return of that kind of a world. Part of Britain's apparent strength during the war was a result of our help, and its ending has left them exposed.

Britain is mispending some of the proceeds of the American loan. The loan is likely to be exhausted in 1948, in the same year as the election in this country.

The United States must take over Britain's international position.

No difference exists between the Tories and Labor: neither will carry on enterprise. One will nationalize, the other will cartelize.

How, in history, have economics emerged from the doldrums?

If Britain must have loans, and if we must provide them, then we must impose conditions about engineering to assure success.

The loans should be on a technical engineering, not a political, basis.

The risks of technological change are very great. The planners should realize that operations on too wide a scale are risky.

A number of basic factors should not be overlooked:

1. Decline in output per manshift in coal may represent resource exhaustion, changed nature of seams, depletion.
2. Schemes for rationalization of industry must take account of strategical considerations.
3. Difficulties of administration and controls are due in part at least to the fact that it is scarcity that is being administered. If government didn't take the problem of administering scarcity, industry would have to do it. Part of what is now happening is that impoverishment is being manifested.
4. Dr. Sachs' analysis is equally applicable to much of Western Europe, probably Russia - indeed, U. S. and maybe some of Latin America are the only exceptions.

Because concern with Western Europe is now ours, we must have a new type of analysis. We must get over our mental limitation to loans and finance, and must realize that the problem is not only the U. K., but all of Western Europe.

Isn't the English problem that of a large population on a poor piece of land?

Population movement from the U. K. to the U. S. is desirable.

World hunger for imports can help the U. K. toward goals set. But able economic management is necessary for real success. Inefficiency arises from other causes than scarcity.

The parallelism, except for language and figures, between discussion about Austria after the last war and England after his war, is very striking.

What is the economics of London?