

War

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September 9, 1942

Memorandum

To: Dr. Aydelotte  
From: Walter W. Stewart  
Subject: War Work

W.W.S.

My work at the Treasury Department began in September, 1939, and was on a full-time basis until December of that year. Since then it has been part-time and during most of 1942 has required my presence in Washington for two or three days in every other week. Recently, however, these trips have become more frequent and the stays in Washington longer. Even when I am not in Washington I estimate that about half of my time is spent on Treasury problems. For the coming academic year it now seems likely that about three-quarters of my time would be devoted to the Treasury.

My technical title is "Consulting Expert" and in practice I act as a Special Advisor to the Secretary on certain problems. These problems have changed from time to time, but have most frequently been concerned with the financial relations between this country and Great Britain, the effect of the war financing on the banking position, various proposals for controlling inflation and some reference to post-war economic problems.

August 8, 1942

Memorandum

To: Dr. Aydelotte  
From: Robert Warren  
Subject: Re War Work

Since February, 1942, I have been attached to the Division of Statistics of the Treasury Department. I was in Washington for most of March, but my time table is now apparently stabilized on the basis of alternate weeks. This has been and may be in the future subject to interruptions, but it is my design to continue on that division -- alternate weeks in Washington and Princeton.

As would be expected, my interests in the Treasury have included the various aspects of war finance, including fiscal policy, credit and monetary relations, income distribution, etc.

THE INSTITUTE FOR ADVANCED STUDY

SCHOOL OF ECONOMICS AND POLITICS

PRINCETON, NEW JERSEY

September 15, 1942

Dr. Frank Aydelotte, Director  
The Institute for Advanced Study  
Princeton, New Jersey

My dear Dr. Aydelotte:

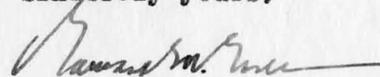
Your memorandum of August 31 to members of the faculty requests a statement as to the work which each of us is doing in connection with the war effort.

It is difficult for me to allocate my time on a percentage basis as between my duties at the Institute and my duties to the government services. As you know, my Institute work over the past few years has been concerned almost entirely with basic research in military affairs. The work which I am now doing in Washington and elsewhere for the government is all of the same character so that, in a measure, the two tasks coincide in purpose. Of course, we might not be doing precisely the same things were we not requested from Washington to perform ad hoc tasks.

During the past year I have spent about four days a week in Washington, and one month in California, on duties for the government agencies with which I am connected, namely, the Office of Strategic Services, the Board of Economic Warfare, the War Department General Staff, and the Army Air Forces. During the coming year I anticipate that I shall be spending much less time in Washington as I feel that much of my work could be done more satisfactorily in Princeton than under the stress and strain of the capital. Nevertheless, the studies which we shall pursue in my seminar will deal with theoretical questions of immediate practical importance to the Armed Forces and the civilian agencies connected with them. There is also a possibility that the War Department General Staff or the Army Air Forces will send a group of officers to Princeton to collaborate with us in certain of these projects.

I am quite aware that the foregoing answer is not altogether satisfactory but I am quite prepared to answer any questions you may wish to formulate for the information of yourself and the Trustees.

Sincerely yours,



Edward Mead Earle

THE INSTITUTE FOR ADVANCED STUDY  
SCHOOL OF MATHEMATICS  
PRINCETON, NEW JERSEY

September 14, 1942

Dear Frank:

My status in the Army organization is that of "Consultant". The work which I do in the Ballistic Research Laboratory at the Aberdeen Proving Ground is well described by this word and also by my title in the organization chart: "Liason and Coordinator of Scientific Research". Up to the present (but I hope not in the future) I have spent a great deal of time in seeking out suitable personnel. The success which has attended these efforts is very largely due to the cooperation which we have had from yourself, and I should like to express the gratitude which is felt by those responsible for the direction of the Ballistic Laboratory.

The work which I am trying to do for the Navy comes under the head of "Operational Research". It would be very hard to describe this at present, and it is very problematical what if anything will come out of it.

Sincerely,



Oswald Veblen

Dr. Frank Aydelotte  
OV:GB

THE INSTITUTE FOR ADVANCED STUDY  
SCHOOL OF MATHEMATICS  
PRINCETON, NEW JERSEY

CONFIDENTIAL

September 14, 1942

Dear Doctor Aydelotte:

As you requested, I am giving you a report on my war work as follows:

As you know, I have specialized during the past two years on questions in ordnance, mostly connected with interior ballistics and gas dynamics. Since 1940 I have been a member of the Scientific Advisory Committee to the Ballistic Research Laboratory in Aberdeen, which meets three or four times a year, but I have been in permanent contact with the Laboratory at Aberdeen, spending a day or two there each month. Since August I have been, and am now, also a Consultant to the Laboratory. From early 1941 till September 1942 I have been a member of Section BlB, in Division B of the National Defense Research Committee. During the last year I was also directing research work in the Institute on a contract of this Section. As you know, this Section is devoted to theoretical work on explosions, i.e. to physical problems very much like those of inner ballistics, and particularly to the study of the so-called shock waves. I have now had to resign in this capacity because of my new work in the Navy; but my contacts with the Section continue, particularly because they have started experimental work based on my suggestions,- it deals with matters related to shock waves.

Since September 1 of this year I have been working for the Ordnance Bureau of the Navy Department on two assignments. One of these deals with the mechanism and effects of subsurface explosions, and is again connected with the study of detonation and shock waves. The other deals with operational research in subsurface ordnance; since you are familiar with this subject I will not venture to describe it.

I am also Chief Consultant for Ballistics of the American Mathematical Society and the Mathematical Association of America.

Sincerely yours,

Dr. Frank Aydelotte, Director  
JvN:GB

*John von Neumann*  
John von Neumann *JvN.*

THE INSTITUTE FOR ADVANCED STUDY

SCHOOL OF HUMANISTIC STUDIES

PRINCETON, NEW JERSEY

September 9 1942

Dear Dr. Aydelotte:

About May 1 I began to work continuously with the Office of Strategic Services in Washington, accepting leave of absence from the Institute so that I might do this, and taking a position in the Foreign Nationalities Branch of Colonel Donovan's organization as ~~chief of the Chancery Division.~~ *Asst Dir of the Branch.*

This work grew out of preliminary volunteer service with the Office of Strategic Services which I had begun in Princeton as long ago as Christmas of 1941. The Foreign Nationalities Branch was organized for the purpose of studying the foreign national groups in the United States with respect to their political aspirations, their possible community of interest, their differences, and the effect of all these upon the war effort of the United Nations. Through our office in Princeton we agreed to make a study of the Greek minority, which seemed closest to my own academic interest; but this assignment was very quickly enlarged so as to embrace other nationalities with interests in the Near East. Before long we were making, through our Princeton outpost, a study of foreign politics in the United States as represented by Albanians, Armenians, Italians, Greeks, Arabs, and Hebrews.

Part of this work involved the study and analysis of the foreign language press, and for the Italian press we have had continuously the benefit of readings and interpretations by Professor Panofsky. The organization of this work is still centered in my office, and has more and more come to be regulated and systematized by Miss Cutter, who has not only kept a complete record of all reports and complete dossier of all volunteer contributors, but who has arranged for the regular sending of memoranda to the Office of Strategic Services in Washington. By drawing on academic connections and soliciting the service of people whose judgment in their respective fields was known to be good, the Princeton outpost built up for its foreign national groups almost a complete coverage with respect to political activity within the United States.

This was the situation approximately at the end of April. Since that time I have been active, through the Washington office, in following the political aspirations of about 36 foreign

national groups within the United States. The organization for this has been developed slowly both before and after my transfer there. A very useful volunteer service has been built up by the use of volunteer academic work. We now have groups who collaborate with us in Pasadena, in San Francisco, in Pittsburgh, in Chicago, in Albany, at Harvard, at the University of Wisconsin, and soon, I am confident, we shall have additional groups at the Universities of Cincinnati and Nebraska. These latter two are being organized at the present time. Our purpose is to supply a complete coverage of the foreign language press from the point of view of political intelligence.

This is only part of the work of the Washington office. Naturally I cannot explain fully the extent of the activities of this organization. A great deal of the work is of a confidential nature and since July 1 we have been operating under the direction of the Joint Chiefs of Staff. But our study of foreign nationality groups has developed in many directions within recent months and is still growing so as to be of greater use to other agencies of the government. We have had in our office in Washington, as the counterpart of the Chancery Division, a Field Study Division. For a time I worked in close liaison with the Field Study Division under the general supervision of Professor DeWitt C. Poole, the director of our branch. Within the last week or so I have been given the duties of Associate Director and now have charge of the activities of both the Chancery Division and the Field Division, acting of course always in consultation with the titular head of the branch, Mr. Poole.

In brief, this is the outline of my activity in connection with the war effort. It necessitates my living in Washington, for I must be in constant touch with the Department of State, the Department of Justice, the Army, the Navy, the Office of War Information, and other agencies interested in foreign nationalities, like the Board of Economic Warfare, the Treasury Department, and the Maritime Commission. I respectfully petition the Institute, under the circumstances, to grant me continued leave of absence with salary for the year 1942-1943 so that I may be able to carry on these duties.

In the meantime the activities of the epigraphical seminary at the Institute continue under my direction. The summer just passed has been unusually active. Professor John Fine of Princeton University has had a regular desk in my laboratory and he has made considerable progress with his study of the Delphian records as one of the contributors to our joint enterprise of a catalogue of Athenian citizens. Professor Paul Friedlander, from the University of California at Los Angeles, has been preparing

an edition of Greek epigrams, about which he and I have corresponded for some years. He has journeyed on to Princeton from the west coast so that he might use our facilities this summer and so that he and I could talk about the progress of his work. I have been able to leave Washington from time to time in order to maintain the necessary contacts with the work that is being done in the Princeton laboratory.

My assistant, Dr. Raubitschek, keeps up the routine work of the laboratory, writing for publication on the newly discovered documents from the Agora, and in my absence acting as host to our visiting scholars. Dr. Paul Clement continues as Managing Editor of the publications of the American School of Classical Studies, and we have maintained our record of publication by seeing through to completion several volumes this summer. As you know, Dr. W. K. Pritchett entered the Army Air Corps in April, but he has a long article in the August number of Hesperia. In this same number there are also articles by Margaret Thompson, Oscar Broneer, A.E. Raubitschek, and by me. These were all written at the Institute. Dr. Broneer has been closely associated with us ever since his enforced absence from Greece, and Miss Thompson has been with us during the past year acting at the same time as secretary to Dr. Shear, the director of the Agora excavations. When I undertook the work of the Office of Strategic Services in Washington in May, Dr. Shear assumed the responsibilities of maintaining the Princeton outpost at the Institute, and since that time Miss Thompson has been associated also with the work in relation to the war effort. She and Miss Cutter have just completed a 225-page study of the Italian language press in the United States which will be of extraordinary interest not only to the Office of Strategic Services but particularly to the Department of Justice and to Naval and Military Intelligence.

In looking toward the future I feel confident that under existing conditions the work of our epigraphical seminary can go forward successfully. If my request for leave is granted, I shall spend most of my time in Washington where, as Mr. Poole's assistant, I now have a staff of 35 experts and analysts studying the foreign political interests of the national groups in the United States. But in spite of this I shall plan to maintain my relations with the American School of Classical Studies at Athens and to direct the academic work being done in the epigraphical seminary at the Institute. At the present time we are negotiating with Professor Charles Edson of the University of Wisconsin, who wishes to come to the Institute to spend the year 1943 in developing a study of the inscriptions of Macedonia. I hope very much that he can come for I believe that we can give him the facilities he needs for his study

in spite of our preoccupation with the war effort in other directions; and I think it is a tribute to the permanence and the validity of our organization that men like him, and like John Fine and Paul Friedlander wish to conduct their studies here.

Very sincerely yours,

A handwritten signature in cursive script that reads "Ben".

B. D. Meritt

Dr. Frank Aydelotte  
Fuld Hall  
Princeton

THE INSTITUTE FOR ADVANCED STUDY  
SCHOOL OF MATHEMATICS  
PRINCETON, NEW JERSEY

September 8, 1942

Dear Doctor Aydelotte:

This letter is an answer to your inquiry concerning the amount of time members of the Institute staff are likely to spend in Washington on account of war work. In my case the amount of time has been and will probably be negligible, although I cannot predict when new demands may be made upon me. Since January I have been in Washington not more than five times, including two visits to the National Academy which would have occurred in a time of peace. The time spent in Washington during most of these visits was one or two days.

My obligations as President of the Mathematical Society and Chairman of the Mathematics Section of the National Academy do not involve much time and are similar to those which would come with these offices in times of peace. The Chairmanship of the War Preparedness Committee of the Mathematical Society and Mathematical Association will not take much time during the coming year for the reason that the work has been so organized and Secretary Kline is so efficient that a few letters of direction are sufficient.

My principal connection with war work comes as Chairman of the National-Academy-National-Research-Council Committee of Mathematicians appointed by Jewett. For this committee I was in Washington last Thursday and saw Captain Lybrand Smith, Assistant Coordinator of Research and Development of the Navy, Lieutenant Wilson and Captain Wertheimer. They outlined a large class of problems which the Navy would like to have the mathematical committee consider. In general, these problems are of the following nature: The Naval engineers and others have made quick and approximate estimates of modes of construction of ships, guns, propellers, bombs, etc., allowing large factors of safety. The use of these instruments would be greatly enhanced if the underlying theory were better understood. Before our committee therefore enters on any specific project, preliminary studies must be made.

Marshall Stone of Harvard was with me at the meeting at Washington, and we have already asked several mathematicians to undertake such preliminary studies, and as time goes on shall ask other persons to perform similar tasks.

In my own case I have followed the policy of passing on executive duties to those persons who could be spared for them, and attending myself to the deeper scientific aspects and underlying principles involved. This policy was fruitful

Dr. Frank Aydelotte - 2

September 8, 1942

during the last year. When Conant asked me to assist Weaver with his fire control work in May and June, I was able, by virtue of studies undertaken during the preceding months without any intimation that they would be immediately useful, to suggest new methods for the Weaver committee, which were adopted. In this connection I am enclosing part of a letter from Commander Parsons relating to the work of this committee, and copy of a subsequent letter from Admiral Furer. The letter of Parsons is marked "Confidential".

My own scientific work in the past several years has been very close to applied mathematics, and by fortunate coincidence permits me now to embark upon studies in such fields as elasticity and vibrations which will be of direct help in my own research problems. As noted by Courant and others, the theory of the calculus of variations in the large, for which I am responsible, may be regarded as a generalization of the Rayleigh-Ritz principles so important in engineering. The full development of these principles in my own research would involve a study of the theory of elasticity which I am now able to make with double purpose.

I think this letter will explain my situation and my intentions for the present. What the future will bring one cannot, of course, foretell.

Sincerely yours,

  
Marston Morse 9.13.

Dr. Frank Aydelotte  
Institute for Advanced Study  
MM:GB

## OFFICE OF SCIENTIFIC RESEARCH AND DEVELOPMENT

8621 Georgia Avenue,  
Silver Spring, Md.  
August 17, 1942.

Dear Dr. Morse:

Your letter dated July 30, 1942 was forwarded by the Navy Department and finally arrived at the Naval Proving Ground, Dahlgren, Virginia, on August 10th, finding me away on sea tests. It was delivered to me when I returned on August 15th.

I have studied the recent report of the committee on which you served, and I wish to add my congratulations to others I know you have received for doing such a splendid, timely job. The report is obviously the product of first-class work, and is presented so well that it can be used as a handbook ....

As you undoubtedly know the formal ad hoc committee in which the Army is represented by Mr. R. H. Kent of the Aberdeen Proving Ground and the Bureau of Ordnance, Navy Department is represented by Mr. A. Wertheimer of that Bureau, is embarked on a more general application of your techniques ....

I shall send a copy of your letter to Rear Admiral J. A. Furer, USN, Coordinator of Research and Development, inviting attention to the last paragraph with its broad offer of assistance to the Navy. I will also make known your offer to several activities in the Naval Ordnance organization.

Very truly yours,

W. S. Parsons  
Special Assistant to the  
Director, OSRD

C O P Y

Address reply to  
Coordinator of Research and De-  
velopment  
Office of  
The Secretary of the Navy  
and refer to initials and No.  
SONRD:LPS:lmb  
SO 8191052

NAVY DEPARTMENT  
WASHINGTON

August 19, 1942

From: Coordinator of Research and Development  
To: Commander-in-Chief (Readiness Division) U.S. Fleet  
Chief of Production and Material  
Bureau of Ordnance  
Bureau of Ships  
Bureau of Aeronautics  
Bureau of Yards and Docks  
Bureau of Naval Personnel  
Bureau of Medicine and Surgery  
Bureau of Supplies and Accounts  
Commandant, U.S. Marine Corps

Subject: Committee of Mathematicians in the National Academy  
of Sciences of the National Research Council.

Reference:(a) SecNav. letr. serial 300913 dated October 10, 1941.

1. In order to assist the National Defense Research Committee in connection with certain abstruse problems which it is undertaking on behalf of the Army and Navy, Dr. Frank B. Jewett of the National Academy of Sciences appointed a Committee on Mathematics. The Executive Subcommittee of the larger committee consists of Dr. (Harold) Marston Morse of the Institute for Advanced Study, Princeton, New Jersey; Professor Marshall H. Stone, Department of Mathematics of Harvard University; and Professor Griffith C. Evans, Department of Mathematics of the University of California. All three are eminent mathematicians, being "starred" in American Men of Science.

2. Dr. Morse writes "We should be glad to aid the Navy either in problems of personnel or of research insofar as they involve applied mathematics or mathematicians".

3. Problems so far undertaken by the Committee of Mathematicians appear to have involved mainly exterior ballistics. It is probable that other difficult mathematical problems will arise. If any Bureau or Office desires the assistance of this Committee of Mathematicians, it can obtain such assistance by writing the Coordinator of Research and Development in accordance with the provisions of the Secretary of the Navy's directive, reference (a).

J. A. FURER  
Rear Admiral, U.S.N.

SEP  
Prof. Penafsky

THE INSTITUTE FOR ADVANCED STUDY

SCHOOL OF ECONOMICS AND POLITICS

PRINCETON, NEW JERSEY

February 21, 1949

Notes for Joint Meeting of School of Economics  
and Politics with School of Humanistic Studies

Submitted by W. W. Stewart

The following items should be considered. They can be presented in more detail orally at our next meeting. They range from definite outstanding commitments through general understandings to conversations that merely expressed intention. They might be regarded as unfinished business.

1. Riefler. Since Riefler is now on leave of absence for a year, it would seem appropriate that he should be advised what is under consideration.

2. Mitrany. Dr. Mitrany, upon resignation from the faculty, was made a permanent member. Action by the Trustees at the meeting of May 23, 1946 was as follows: "After discussion of the recommendation of the School of Economics and Politics concerning Professor David Mitrany, the Board voted: to appoint Professor Mitrany to permanent membership in the Institute until his retirement at age 65; to vacate Professor Mitrany's professorship in the School of Economics and Politics so that this chair may be filled by another scholar; and, as of July 1, 1946, to discontinue payments by the Institute on behalf of Professor Mitrany's contract with the Teachers Insurance and Annuity Association. It was also understood that Professor Mitrany would receive an honorarium of \$1,200 for each visit of four consecutive weeks which he is able to make to the Institute during term time and that when the time comes for him to take up permanent residence at the Institute as a member, a suitable stipend will be provided for him out of the stipend fund of the School which shall be increased to cover this amount." Dr. Mitrany will be 65 years old in 1953.

3. Viner. Viner accepted a professorship at the University on condition of membership at the Institute. He did not ask for permanent membership or stipend, but has been reappointed annually. The arrangement has proved useful to us. If he still desires membership in the consolidated School, his relationship to us should be recognized and defined in the new setting.

4. John Cooper. Mr. Cooper was made a member for 5 years in 1945. He began his work at the Institute in February 1946, when his first stipend was paid. The financial arrangement is joint between the Institute and the Rockefeller Foundation. As a membership stipend he receives \$4,000 from the Institute/Funds and \$2,000 from a Rockefeller grant. In addition to this the Foundation provides \$6,000 annually for secretary, research assistant and travel.

The present commitment for a 5 years' membership expires either in 1950 or 1951 depending on what is regarded as the effective date of beginning. The unexpended balance of the Rockefeller grant reverts to the Foundation on June 30, 1950, unless extension is requested.

- 2
5. Ansley Coale. A member this year on a two-year fellowship granted by the Social Science Research Council and National Research Council jointly. Membership in the Institute should be extended for the second year if Coale desires.
- 2
6. Daniel Marx. Appointed to membership with stipend of \$3,000 for the year 1949-50. Later he asked for a six months' postponement, or until February 1950. He is a Professor of Economics at Dartmouth College, and during membership would be on leave of absence. The title of his study is "Investigation and Analysis of Shipping Conferences."
- ?
7. Walter Schiffer. During two years of membership he was a Guggenheim fellow, and later became a legal research assistant to Mr. Cooper. His membership was interrupted by illness. He is now revising a manuscript entitled "The Legal Community" and the Guggenheim Foundation is prepared to provide a subsidy for publication if needed. As assistance to him during revision, we have agreed to pay \$100 on completion of each revised chapter, to be charged to the Economics Fund. So far \$300 has been paid, and the total amount made available was \$1,200. This unusual arrangement was made in order to avoid the financial risk of renewed and prolonged illness.
8. Arnold Toynbee. The Rockefeller Foundation made a 5-year grant to the Royal Institute of International Affairs to enable Dr. Toynbee to complete "A Study of History." He expressed a desire to spend part of each year during this period at the Institute. He was here last year and will be here again from March to June of this year. If there is any question concerning the continuance of this arrangement, Dr. Toynbee and the Foundation should be advised; if not, then perhaps the arrangement should be more clearly defined.
- no
9. John Jewkes. Last year, when he was a professor of economics at Manchester University, he was invited to become a member at the Institute for this year, and accepted. Later he was appointed to a professorship at Oxford and did not feel free to ask for leave during his first year. At the time it was regarded both by us and by him as a postponement of membership, but with no definite date set.
- no
10. Sir Henry Clay. For a brief period he was one of the first members of the School of Economics. He retires as Warden of Muffield College in July, 1949. We have had a standing invitation to him to come to the Institute when he was free, if it suited his plans. The Foundation is now considering a three-year grant to enable him to continue his studies in political economy after his retirement from administrative duties. Some portion of this time he might like to spend as a member of the Institute.

no ?  
11. Professor Lionel Robbins, of London School of Economics, was informally invited to the Institute as a member last year, but was not able to arrange his work at the London School so that he could accept. Dr. Robbins, who is about 50, has written a series of books, such as The Great Depression, Economic Planning and the International Order, The Economic Basis of Class Conflict, Economic Causes of War. He served as Director of the Economic Section of Office of War Cabinet. He is an old and intimate friend of Viner's who would join in recommending membership for him at the Institute. If Robbins is to come we should send a definite invitation; if changes at the Institute make the invitation less appropriate, he should be advised.

?  
12. Professor J. J. Spengler, of Duke University, is another instance of invitation to membership which could not be accepted at the time for personal reasons. In addition to being a general economist, he is a special student of population problems and Notestein and his group at the University have expressed an interest in having Spengler in Princeton for a period. We expressed regret that he was not free to come to the Institute and the hope, without commitment, that he might come at some later time.

no  
13. Milton Friedman. The National Bureau of Economic Research has been engaged in a study of banking developments in relation to the business cycle. Stewart and Warren have been continuously in touch with this study and Stewart is likely to continue his interest more actively after retirement from the Institute. From time to time we have said that if a satisfactory economist could be found and it seemed appropriate, we would recommend him for membership at the Institute, while the Bureau carried the burden of the statistical work. Professor Friedman, of the University of Chicago, is now in charge of this work. He meets our standards, and while no application for membership is pending, our conversations have led the Bureau to believe that we would consider favorably such an application if made.

?  
14. Dr. E. A. Goldenweiser. Now in the third year of membership, the entire period without Institute stipend. His contribution to the Institute by way of seminar and otherwise has been considerable. He has completed one book and is now engaged in writing another on Monetary and Credit Policy in the United States. This book will not be completed at the end of this academic year. Should his membership be extended for one more year without stipend?

15. Herbert Feis. One year of membership was all that was originally contemplated for Feis. By the end of this year he will have finished a rough draft but not a final draft of his study of relations between Japan and the United States. He has not raised the question of renewal of membership, but may later, depending partly on whether he wishes to take up residence in Washington again. He has made good use of Institute facilities this year and perhaps the question of renewal of membership for him should be considered.

16. Economics Fund. A fund for the use of the School of Economics was created in 1940-41 and renewed in 1944-45, as a result of matching grants by the Rockefeller Foundation and Mr. Bamberger. At the time of the grants, mention was made in the application of the intention to appoint additional faculty in the School of Economics. For this purpose \$60,000 (four years at \$15,000) has been reserved in the fund. This was intended to cover the expenses of professor's salary prior to the receipt of Mr. Bamberger's estate. There now remains in the fund \$67,136.70. This matter will be dealt with by the Director in consultation with the Foundation. The reason for mentioning it here is that since the fund was limited in its purposes and scope, it remains unaffected by the merger of Schools.

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.

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, 1944 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.

←  
(Warner's file)

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 Riefiler, 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 Riefiler, 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.

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.

Please return  
to W.W.H. free Lutz

Introductory Remarks: After finishing the first draft of the study on cash balances it was my intention to analyse and contrast economic terms as used by Accountants and Economists. This seemed to be a prerequisite for further empirical investigation in the tricky field of corporate financial statistics. My attempt to undertake such an analysis soon convinced me that a critical discussion of the concepts used by Economists and Accountants would as such be unsuccessful mainly because there is no agreement as to terminology within the two groups. The only procedure seemed then to incorporate what has to be said on this account, into some kind of constructive analysis. As the investment policy of firms is by far the most important aspect of their activity, the investment problem was singled out for analysis. This has the further advantage that an empirical investigation is going on at Hillside on investments of individual firms and of samples of firms. The theoretical analysis which I am undertaking helps the statistical investigation and the latter may supply verification or may force us to change the theory. It is the ultimate aim of the research at Hillside to work out a series of monographs (to be written by different people) on various aspects of corporate financial behavior which later can be comprised giving the essence of the series of monographs. This work would then be largely the empirical counterpart of the theoretical study I am now engaged in. In addition, the theoretical analysis will be a sort of second volume to a critical history of the theories of capital and interest, of which I have done two-thirds previously and to which I will return once I have worked out a clear "positive" theory in this book.

My general idea is then to have

1. A critical history of doctrines of the last thirty years (not to be worked on in 1944)
2. A positive analysis of factors determining investment and therefore the demand for capital, which leads to a theory of interest if the supply factors are analysed also.

3. An empirical study of corporate investment.

Whether (3) is to be done by myself or only with my help is uncertain.

In any case, I can draw illustrations from the work being done along these lines and incorporate them into (2).

The following is a rough outline of (2) above.

As to the method of analysis: The problems are attacked with the weapons which economic theory provides. But it is the aim to furnish empirical illustrations whenever possible and in addition to discuss the rules of thumb which are <sup>used</sup> ~~once~~ in practice in dealing with uncertainty of the future, the various depreciation methods, etc. in the light of the theoretical analysis. The analysis starts with a durable consumer good (house) as the simplest case that can be found. This part is roughly finished.

## Outline of the Theory of Investment

### Part I: The Demand for Funds

#### Chapter I.

Investment in durable consumer goods (represented by houses)

1. The general answer to the problem: Comparison of the present value of expected future incomes with building costs.
2. The problem of the durability of the consumer goods (influence of interest rates, rent and costs).
3. Similarly: problem of size.
4. The practical rule that the investment should be written off in a given number of years.
  - a. Its effect on expected profitability and therefore investments.
  - b. Comparison between the effect on investments of changes of costs, of interest rate, of rent and of the change of the amortization period. Interest rate and amortisation period the most important factors for investments in house.
5. The effects of depreciation methods on yearly profits and profit rates

#### Chapter II.

The economic lifetime of industrial equipment

- a. under conditions of correct forecasting of the future
- b. under dynamic condition: in particular the effect of obsolescence
- c. economic lifetime and depreciation methods.

### Chapter III

#### Factors determining investment:

- a. The choice of the productive technique (degree of mechanisation involving different amounts of capital). Choice dependent on size of market, wages and interest rate.
- b. The choice of the size of the plant under monopoly and competition (Both (a) and (b) should give the demand for capital for investment purposes. Under both headings attention will be paid to the influence of taxes.

### Chapter IV.

#### The effect of uncertainty on industrial investment

- is not well coordinated with II*
- a. The effect of technical progress (obsolescence). When does it pay to scrap an old investment?
  - b. The dependence of investment on the degree of technical progress.
  - c. The rule of thumb applied in industry to deal with uncertainty and obsolescence.

### Chapter V.

Investment and disinvestment in different periods of the cycle. ("short period" analysis). ~~The methods of financing.~~

*Chapter VI. The methods of financing*  
Stocks vs. long-term credit vs. short-term credit and retained earnings

Influence of risk and costs of funds on the method of providing funds.

"Financial Standards" Is there any rationale behind them? X

This chapter serves to split the demand for capital into its different forms.

Part II - Supply of Funds

Chapter I

1. Factors determining individual saving
2. What determines the form the investment <sup>which</sup> ~~of~~ individual savings takes?

Chapter II.

Corporate savings

What determines how much of its earning business retains. X

Chapter III

Institutional Savings:

1. Amount supplied
2. Channels of investment

Part III.

This part is to draw the results of Part II and III for demand and supply on capital market; for the relation of different compartments of the capital market and for the structure of interest rates.

NATIONAL BUREAU OF ECONOMIC RESEARCH INCORPORATED -----  
1819 Broadway, New York 23, New York

September 28, 1944

Dr. Walter W. Stewart  
Professor of Economics  
Institute for Advanced Study  
Princeton, New Jersey

Dear Dr. Stewart:

We are glad to report that the Corporate Bond Study of the National Bureau of Economic Research, in which your organization participated as a cooperating agency from 1938 to 1941, has now been completed.

You will recall that the Study was conducted as a WPA project, sponsored by the Federal Deposit Insurance Corporation and supervised by the Financial Research Program of the National Bureau of Economic Research with the active cooperation of a group of interested public agencies and private institutions. The objective of the study was to develop primary materials that would be useful in studying the behavior of the bond market.

The Study compiled six records: The Record of Offerings containing certain basic data on the approximately 25,000 domestic industrial, railroad and public utility bonds described in the manuals as outstanding during some part of the 39-year period; the Record of Issue and Extinguishment Characteristics containing much more detailed information on a sample of 4,500 bonds; the Default Record comprising intensive data on the 1,000 bonds in the former Record which defaulted some time during the period; with approximately 2,500 bonds and the Monthly Record with 300 bonds, each of which presents data on amounts outstanding and yields at regular intervals over the period 1900-1940.

As a final step in winding up the affairs of the study, we are transmitting under separate cover a full set of the documents prepared by the staff of the Study for the files of your organization. They consist of the following five memoranda:

- Part I - Organization and Administration, by Harold G. Fraine and Melvin W. Brethouwer
- Part II - The Record of Offerings, by Elizabeth T. Simpson
- Part III - The Record of Issue and Extinguishment Characteristics, by George P. Hitchings
- Part IV - The Default Record, by George P. Hitchings
- Part V - The Periodic, Annual, and Monthly Records, by W. Braddock Hickman

and of three volumes of primary statistics:

Volume I - Statistics of Offerings

Volume II - Statistics of Issue and Extinguishment

Volume III - Statistics of Defaulted Issues

The cooperating agencies entitled to punched cards under the original project arrangements have received the cards for the latter three records. Upon completion of the punching of a master set of cards from the Periodic and Annual Records, duplicate sets may be reproduced for the files of such agencies.

The National Bureau is custodian, on behalf of the FDIC, for the files and records of the Corporate Bond Study, and these are now deposited at the Hillside quarters of the National Bureau, where they are available to the cooperating agencies. The National Bureau is now taking steps to bring the records up to date from 1938 on.

We wish to remind you of the agreement among the participating agencies that any analyses which one agency may make from the Corporate Bond Study data should be made available upon completion (whether published or not) to all the other agencies.

The successful completion of this project is a matter of special gratification to the National Bureau. It has proved a far more complex undertaking than anyone anticipated at the start. Cordial and generous cooperation was received from all the participating agencies, and we desire to take this occasion to express our appreciation of the support and help of your agency and its staff. Dr. Winfield W. Riefler, who served as Chairman of the Committee on the Corporate Bond Study, and Dr. David Durand and Dr. W. Braddock Hickman, who were members of the staff, were particularly helpful and we are very grateful for their services.

Sincerely yours,

William J. Carson, Vice Chairman  
Committee on the Corporate Bond Study  
Financial Research Program

WJC:LR

January 10, 1945

Dear Frank:

Two matters have come up on which we may need to act upon in your absence. One concerns C. W. Everett, who is still at work at the Massachusetts Historical Society, but who needs some financial assistance for clerical work and copying. I took the matter up with David Stevens at the Foundation and he is arranging a grant-in-aid. Everett would like the Institute to act as his sponsor and a formal application should probably be sent to Stevens before you return. If you approve of making the application, would you indicate who you would like to make the request on your behalf.

The other matter is an inquiry from the National Bureau of Economic Research as to whether the Institute would like to be included in the list of institutions which nominate directors of the National Bureau. There are only a limited number of universities and other scholarly organizations which act in this capacity and both Riefler and I feel that this inquiry from the Bureau is a proper recognition of the relationship which now exists between the Institute and the Bureau. The annual meeting of the Bureau is scheduled for February 26th and action would be taken by the Board at that meeting. We do not at this time need to nominate a director, but merely indicate our willingness to do so after the Board extends the invitation to the Institute. If you approve, we would like to assure them of our acceptance of the invitation and then, after your return, pass upon the matter of who should be nominated as a director.

This evening we are having a dinner for Copland and some of the out of town guests. So many declinations were received for a variety of reasons that the group was much reduced in size and the agenda abbreviated. We are sorry you cannot be here for our evening meeting, but hope you are having a proper vacation.

Sincerely,

Dr. Frank Aydelotte

Mr. Frankfurter's Statement

Received by Mrs. Bailey  
11/2/34 (see AF to RF  
11/2/34 FF papers)

Mr. Frankfurter thought that the director's observations on the proposed school of politics and economics stated the dilemma inherent in grappling at once fruitfully and honestly with the problems of society as an intellectual pursuit. All talk about science in connection with the so-called social sciences is misleading if we mean anything more than the temper of mind which seeks to be as objective and as disinterested as possible and unconcerned with immediate reforms and the practical settlement of day-to-day social problems. Essential to this temper of mind is awareness of the biases, the predilections in which all of us are implicated and the unconscious deflections of which we can only guard against by consciousness of them. In a word, in dealing with social problems, that is the whole field of politics in its broad sense, we must endeavor to pursue purely intellectual ends, at the same time that we are concerned with the most controversial issues of our time.

For disinterestedness in the sense of abstract political problems is to the extent that it is attainable altogether futile. It is highly significant that the great contributions to political science were all contemporaneous documents, that is, they dealt with the contentious issue of their time and were directed towards the promotion of definite political views or goals. Hobbes, Locke, Montesquieu, the Federalist, all were, as it were, contributions not in abstracto but in the context of their time, and of course the same is true of Adam Smith's Wealth of Nations.

extra copy from D. F. [unclear]

And so in our time we must deal with issues which, however scientifically framed, are enmeshed in an emotional matrix. In this field we are largely still dealing with slogans. These slogans undoubtedly express truths or desires relevant to the time of their origin. These partial truths were then generalized into universals, as is the way of man, and were floated down the tide of tradition, so as to become in themselves powerful forces in men's thinking and action. To that extent I do not think it is helpful to suggest that political science today is comparable to clinical medicine. After all, despite all the obstinacy of tradition that encounters the pioneer in medicine as in all other fields of human endeavor, in any event the obstructions that meet the medical scientist are not those pervasive and permeating emotions and presuppositions that are the very air and interest of man's economic and social life.

And so I believe that the most hopeful mode of attack, if we are to be true to the spirit of science in the field of politics, is historical. By that I mean a painstaking and pertinacious endeavor to analyze the fighting slogans and the rallying cries that give rise to mass loyalties. For all our current terms like "individualism" and "regimentation" and the "profit motive" have a history, were born out of a particular environment or a defined state of society and have been carried over to environments quite different from that of their origin. This means not only

Plumer  
said so.

history in the ordinary sense of the term, for adequate history implicates psychological, statistical and legal factors indispensable to a just understanding of economic and political institutions.

In politics, unlike mathematics, there are no half dozen or three or four recognized great men whom one can collect into a great faculty of politics. Mr. Frankfurter thought that the great men must be made, as it were, that the Institute must turn to youngish people and develop them through their actual pursuit under favoring circumstances of problems in politics of major moment. To this end it is important to bring together a group of people who will have a certain harmony of purpose and more or less common conception of the task to be pursued. For one cannot bring together a group of individuals not selected with relation to one another and expect a harmonious interplay of minds. To that end it seemed desirable to Mr. Frankfurter if possible to invite a promising collection of political scientists and economists for a long enough period, say half a year or a year, for purposes of intensive discussion of what the problems of political science are and how they are to be pursued in the hope that thereby the desirable group of distinction will reveal itself.

Waldin's

January 15, 1945

Memorandum

To: Dr. Aydelotte  
From: W. W. Stewart  
Subject: Bulletin announcement

You asked me to furnish you with brief statements concerning Wilmerding and Everett which might be used in the forthcoming Bulletin.

1. Wilmerding

Mr. Lucius Wilmerding, Jr., whose appointment as a member of the Institute begins March 1945, will complete his history of the government accounting offices, a sequel to his book on the history of the efforts of Congress to control expenditures.

2. Everett

I am attaching an interesting letter from Professor Charles W. Everett and a copy of my response to him. You will notice that he hopes to spend the month of March at Princeton. Since his stay will be of such short duration, my inclination would be to regard him as a visitor rather than a member. If it should turn out that he made recurrent visits or stayed longer, we could include him in the next Bulletin with a fuller statement of his work.

January 9, 1945

Memorandum

To: Dr. Aydelotte  
From: W. W. Stewart  
Subject: Institute Bulletin - School of Economics Statement

A redraft of the Bulletin statement for the School of Economics is attached. In general it follows your draft but omits a few points and expands others.

Comments on points numbered in the margin of your draft:

- (1) Mitrany: Are we sure "the Committee was organized by the Dutch government"? Or is it only consulted by the government? My impression was that Mitrany's arrangements were made direct with Lever Brothers.
- (2) Warren feels that the reference to his Austrian mission might have to be omitted unless it had actualized by the time the Bulletin goes to press.
- (3) The statement concerning the Corporate Bond Project so nearly duplicates what was said in Bulletin 10, p. 14, that I have omitted it from my draft.
- (4) Your paragraph about my plans unfortunately refers more accurately to Friedrich Lutz than to me. I have used part of it later in describing Lutz's project.
- (5) My draft gives a brief statement concerning the work of each of the members of the School during 1942-44 and I have put the description near the beginning of the statement. The present draft makes no reference to the fact that we expect Lucius Wilmerding, Jr. to join us by March 1st, 1945.

My draft needs smoother phrasing, but I submit it to you in its present form as a suggestion for content and arrangement of material.

File  
Draft - mws

III.

School of Economics and Politics

The members of the Faculty of the School of Economics and Politics have been engaged in various forms of important war work. Professor Riefler returned from London in the autumn of 1944 where he had served for two years as Minister to England in charge of Economic Warfare. Professor Mitranj, on leave since September 1939, was first on the staff of the Royal Institute for International Affairs, Balliol College, and more recently has acted as political adviser to a committee studying post-war problems. Professor Warren and Professor Stewart have been part-time advisers to the Treasury Department in Washington, with special reference to the relation between fiscal operations and the banking system. For the current year Professor Warren has been granted a leave of absence so that he may join a State Department mission to Austria. Professor Earle is serving part-time as adviser to the Army Air Force.

the work of the School of Economics,  
During the years 1942-44, though greatly affected by the war, was continued along the lines of earlier years. The scope of the work is indicated by the various studies pursued by the members of the School. Dr. David Durand, Dr. W. Braddock Hickman and Dr. Clarence Long gave up their memberships in the Institute to enlist in the armed services. Before leaving Dr. Durand completed his investigation of the Basic Yields of Corporate Bonds, 1900-1942, which was published by the National Bureau of Economic Research in June 1942. At the time of Dr. Hickman's departure, he had finished an analysis of the term structure of interest rates, a study of why short-term rates vary as they do in relation to long term rates; also he

had drafted a report on interest structure and war financing, making comparisons between the two world wars and considering the problems and techniques of control. Dr. Long, during the two years of his membership, was engaged in a major study of the magnitude and composition of unemployment and the changes in the labor force in this country over the past three decades. Some part of his findings, The Labor Force in Wartime America was published in March 1944 by the National Bureau of Economic Research.

Professor

*Dr.* Friedrich A. Lutz, for two years a member of the Institute, on leave from Princeton University, is engaged in a study of the theory and practice of investment, in which the theoretical analysis is checked empirically both by available statistical data and wherever possible by the rules and practices of those who make the actual decisions concerning capital expenditures. These studies, like the studies already referred to, are a cooperative undertaking with the National Bureau of Economic Research. Dr. Lutz's study on "Corporate Cash Balances in Manufacturing and Trade, 1914-1943" will be published by the Bureau early in 1945.

*not published*

Mr. Jonathan Mitchell is bringing to completion his report on the struggle in the Senate over the Treaty of Versailles. Mrs. V. T. Bill, ~~who~~ was engaged on a study of the social and cultural history of Russia, ~~also~~ gave several lectures on the subject <sup>to a group at the Institute,</sup> and conducted a ~~small~~ class in the Russian language. Dr. Walter Schiffer, a member of the School of Economics on a Guggenheim Fellowship, is preparing a study on the conflicting theoretical ideas underlying the origin and activity of the League of Nations. This study was interrupted by his appointment to a research position in the field of international administration at Syracuse University. Dr. Adrienne Koch,

also a Guggenheim Fellow, is studying the social philosophy of Jefferson, Madison and Monroe as expressed both in their writing and in their behavior as statesmen. Mr. R. P. Blackmur, on leave from Princeton University, is completing his study of Henry Adams.

During the past two years several conferences have been held at the Institute. The American Economic History Association held its fall meetings both for 1943 and 1944 in Princeton. In the summer of 1943 Sir William Beveridge was invited to the Institute to meet with a group of economists, both English and American, to discuss the problems of social security. The League of Nations Delegation on Economic Depressions, of which Professor Hiefler is Chairman, held a series of meetings in the autumn of 1944 and early in 1945.

After the war the School of Economics plans to initiate studies in international political and economic problems in connection with which the varied war experiences of the members of the School may be useful. This will include studies in public finance during the period of the war, wartime banking and investment, and international monetary experience. These projects, ~~however~~ however, must remain tentative until suitably prepared scholars ~~will~~ are again ~~be~~ free to undertake them.

*League of Nations*

January 9, 1945

Memorandum

To: Dr. Aydelotte  
From: W. W. Stewart *W. W. S.*  
Subject: Institute Bulletin - School of Economics Statement

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## SCHOOL OF ECONOMICS AND POLITICS

The members of the Faculty of the School of Economics and Politics have been greatly in demand for important war work. Professor Riefler has just returned from two years' service as minister to England in charge of Economic Warfare. Professor Mitrany remains on leave of absence in England as political adviser on postwar problems to a committee organized by the Dutch Government. Prof-  
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essor Warren has been granted leave of absence in order that he may join a State Department mission to Austria. Professor Earle is serving part time as adviser to the Army Air Force, and Professor Stewart serves as adviser to the Treasury.

Nevertheless, theoretical and factual studies of economic and political phenomena have been continued actively by members of the school. The corporate bond study of the National Bureau of Economic Research ~~of which Professor Riefler served as chairman~~ has now been completed. This project was not only conceived and planned by Professor Riefler, 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, <sup>- a collection</sup> 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. Already the re-

Bulletin #10  
 P. 14

(omit)

sults 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.

*July 2*  
Professor Stewart is actively at work on a study of the theory of investment in which the statistical results of the studies at Hillside will be used to check his theoretical analysis. The series of monographs on various aspects of corporate financial behavior planned by the National Bureau will be the empirical counterpart of this theoretical study. This volume on the theory of investment is planned by Professor Stewart as a kind of introduction to a critical history of theories of capital and interest which he now has in preparation. The problems attacked in these two works are timely in that they are essential to any fundamental understanding of the working of the capitalist system. While theoretical in character, they have the advantage of being based upon a vast amount of concrete, factual data collected during the last few years by the National Bureau.

For the academic year 1945-46, the Economics faculty of the Institute has under consideration several studies in finance, including public finance during the period of the war, wartime banking and investment, and international monetary experience. There is also under consideration a comprehensive study of the corporation as a social instrument. These projects, however, must remain tentative until it becomes clear whether suitably prepared scholars can be secured to undertake them.

5  
During the present academic year 1944-45, Dr. Lutz has completed his study of corporate cash balances, 1914-1943, in cooperation with the National Bureau and will now resume his work on theories of capital which he has had under way for some years. Dr. Schiffer's work in the relation between the development of international law and the League of Nations has been interrupted by his appointment to a research post in the same field at Syracuse University. Mrs. Bill, whose appointment expired on October 1, 1944, will embody the results of her work at the Institute in a book on the cultural history of Russia. Mr. Mitchell is now making the final revision of his report on the fight in the Senate over the Treaty of Versailles.

New members of the School this year include several who are working on topics in the background of American history. Mr. Blackmur, who is completing a book on Henry Adams, Miss Koch who is working on Jefferson, Madison, and Monroe, and Mr. Everett who is making a study of the American scholar and his relation to the state, are all present or past fellows of the Guggenheim Foundation. After the war, the School of Economics will ~~welcome~~ <sup>initiate studies</sup> ~~applications from scholars interested~~ in international, political, and economic problems in connection with which the varied war experience of the members of the staff may be useful.

To follow: H. M. Koch's work  
League of Nations

## SCHOOL OF ECONOMICS AND POLITICS

The members of the Faculty of the School of Economics and Politics have been greatly in demand for important war work. Professor Riefler has just returned from two years' service as minister to England in charge of Economic Warfare. Professor Mitraný remains on leave of absence in England as political adviser on postwar problems to a committee organized by the Dutch Government. Professor Warren has been granted leave of absence in order that he may join a State Department mission to Austria. Professor Earle is serving part time as adviser to the Army Air Force, and Professor Stewart serves as adviser to the Treasury.

Nevertheless, theoretical and factual studies of economic and political phenomena have been continued actively by members of the school. The corporate bond study of the National Bureau of Economic Research ~~of which Professor Riefler served as chairman~~ has now been completed. This project was not only conceived and planned by Professor Riefler, 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, <sup>— a collection</sup> 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. Already the re-

sults 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.

Professor Stewart is actively at work on a study of the theory of investment in which the statistical results of the studies at Hillside will be used to check his theoretical analysis. The series of monographs on various aspects of corporate financial behavior planned by the National Bureau will be the empirical counterpart of this theoretical study. This volume on the theory of investment is planned by Professor Stewart as a kind of introduction to a critical history of theories of capital and interest which he now has in preparation. The problems attacked in these two works are timely in that they are essential to any fundamental understanding of the working of the capitalist system. While theoretical in character, they have the advantage of being based upon a vast amount of concrete, factual data collected during the last few years by the National Bureau.

For the academic year 1945-46, the Economics faculty of the Institute has under consideration several studies in finance, including public finance during the period of the war, wartime banking and investment, and international monetary experience. There is also under consideration a comprehensive study of the corporation as a social instrument. These projects, however, must remain tentative until it becomes clear whether suitably prepared scholars can be secured to undertake them.

During the present academic year 1944-45, Dr. Lutz has completed his study of corporate cash balances, 1914-1943, in cooperation with the National Bureau and will now resume his work on theories of capital which he has had under way for some years. Dr. Schiffer's work in the relation between the development of international law and the League of Nations has been interrupted by his appointment to a research post in the same field at Syracuse University. Mrs. Bill, whose appointment expired on October 1, 1944, will embody the results of her work at the Institute in a book on the cultural history of Russia. Mr. Mitchell is now making the final revision of his report on the fight in the Senate over the Treaty of Versailles.

New members of the School this year include several who are working on topics in the background of American history. Mr. Blackmur, who is completing a book on Henry Adams; Miss Koch who is working on Jefferson, Madison, and Monroe; and Mr. Everett who is making a study of the American scholar and his relation to the state, are all present or past fellows of the Guggenheim Foundation. After the war, the School of Economics will <sup>include studies</sup> ~~welcome~~ ~~applications from scholars interested~~ in international, political, and economic problems in connection with which the varied war experience of the members of the staff may be useful.

Evolution of the Marshall Plan

- March 1: U.S. asks Britain to continue military and economic aid to Greece and Turkey while it considers ways of helping Britain carry out its commitments in those two countries.
- March 4: State Department reveals urgent appeal from Greek Government signed by Premier Maximos and Foreign Minister Tsalderes for immediate aid in the form of food, funds, arms, and technicians, to help reconstruction, avert famine, and restore peace to Greece. Britain has already disclosed that it cannot continue its aid beyond March 31.
- March 4: Marshall announces that Greece's economic condition has "deteriorated to the verge of collapse" and urges economic aid.
- March 5: Britain informs State Department that all British troops will be withdrawn from Greece by the end of the summer if the U.S. agrees to assume primary responsibility in Greece.
- March 12: Truman speaks before joint session of Congress to outline a new foreign policy to combat communism and as a start asks for \$400,000,000 for Greece and Turkey. He does not mention Russia by name but makes it clear that this program is designed to stop the extension of Soviet influence in the Middle East.
- March 19: House Foreign Affairs Committee releases a \$350,000,000 post-UNRRA relief bill for Greece, Italy, Hungary, Poland, Austria, and China filled with tight restrictions to prevent the use of relief goods to further political idealogies. Each nation wanting relief will have to sign an agreement to live up to rigid stipulations.
- March 21: Acheson, before the House Foreign Affairs Committee, says that U.S. security would be endangered if Communist-dominated governments were installed in Greece and Turkey.
- April 3: Senate Foreign Relations Committee approves President Truman's \$400,000,000 program to aid Greece and Turkey by a vote of 13-0. It adopts a provision empowering the UN to stop such aid or to take it over at any time it feels able to do so. New amendment: President can stop any or all aid:
  1. If the UN notifies him to do so.
  2. If requested to do so by Greece and Turkey.
  3. If he feels that its purpose has been satisfactorily accomplished.
- April 22: Senate passes Greek-Turkish aid bill authorizing:
  1. \$400,000,000 to be spent in Greece and Turkey.
  2. Military equipment to Greece and Turkey.
  3. Military and naval missions.
  4. Observation by U.S. officials and freedom of reporting by U.S. correspondents.
- April 30: Porter report released by State Department urges \$300,000,000 in U.S. aid to Greece until June 30, 1948. It also recommends a five year reconstruction program to cost \$350,000,000 financed internally with U.S. and other foreign aid.
- May 8: Acheson speaks at Cleveland, Miss., recognizing the need for further emergency

financing of foreign purchases "in areas where it will be most effective in building world political and economic stability."

- May 9: House votes 287-107 to pass the Greek Turkish aid bill of \$400,000,000. There will be an immediate \$100,000,000 RFC advance pending appropriation of the full amount later. The bill as passed empowers the UN to halt the program if it so desires.
- May 14: U.S. Congress makes \$350,000,000 available for relief to war-torn countries in Europe and Asia to replace UNRRA after its termination on June 30. The House previously had tried to trim this sum down to \$200,000,000 but was unsuccessful.
- May 15: Congress sends amended Greek-Turkish aid bill to President. Greece will get \$300,000,000 - half for the Army and half for relief and rehabilitation; Turkey will get \$100,000,000 entirely for military purposes.
- May 20: Marshall tells a press conference that the Administration plans no more appeals to Congress for the present to back the Truman Doctrine. He adds, however, that the War Department will seek \$78,000,000 for rehabilitating Southern Korea and that his new planning staff is surveying world post-war economic needs.
- May 21: Congress completes action on the \$350,000,000 foreign relief bill and sends it to the President. Congressmen stress that no further funds for foreign relief will be considered at this session, but Dean Acheson says in an evening broadcast that the U.S. must continue to spend billions in the next two years to help other nations avert economic collapse.
- May 22: Truman signs the Greek-Turkish aid bill.
- May 26: Fitzgerald reports that the food situation in Europe is growing worse and the U.S. must rush "maximum" quantities of food to Europe this summer to prevent widespread violence and rioting.
- May 31: Truman signs emergency relief bill for \$350,000,000 to war-torn countries in Europe and Asia and delegates the administration to Secretary Marshall.
- June 5: 1947  
Marshall speaks at Harvard outlining a program for U.S. aid to Europe conditioned on maximum possible self-help and presentation of a consolidated program.
- June 12: Benjamin Cohen speaks at Long Beach, California, estimating Europe's needs for the next three or four years to be \$16 to \$24 billions.  
  
Clayton appointed to explore the possibilities in Europe of developing a unified program among the European states.
- June 18: American Congress cuts off relief to Poland and Hungary on the grounds that they have yielded to Russia but a motion is defeated that would deny aid to all countries that fail to cooperate in the Marshall plan.
- June 22: Truman creates three committees to study the relationship of the foreign aid program to the domestic economy. The plan is approved at a bipartisan conference of Democratic and Republican leaders and Cabinet members as an

extension of the Marshall plan. The committees are:

1. Krug Committee to study the state of U.S. resources.
2. Council of Economic Advisors to study the impact of a foreign aid program on the domestic economy.
3. Harriman Committee to study the limits of assistance and the relation of assistance to the domestic economy.

- June 27: Paris Conference begins attended by Molotov, Bevin, and Bidault.
- July 2: Molotov abruptly departs from the Paris Conference after the Big Three fail to agree. Britain and France announce intention to proceed without Russia.
- July 15: The sixteen nation Paris Conference adjourns after a four day session during which it established a sixteen member Committee of European Economic Cooperation and four sub-committees to work out a four year recovery program by September 1. The Committee will present a statement of its needs to the U.S.
- July 21: Truman declares in his mid-year economic report to Congress that the Marshall plan is "at the core" of U.S. foreign policy, and that although we are experiencing unprecedented prosperity, caution is required. The report shows that prices levelled off in the second quarter of 1946 but it warns of the inflationary dangers in the short corn crop, overpricing in the construction field, and in the shipment of goods for which there is a heavy domestic demand.
- July 28: Representative Halleck, House majority leader, referring to the Marshall plan and the Truman Doctrine, states that the Republican controlled House wants to be recognized by the executive branch as a "full-fledged partner" in conducting foreign affairs; that the House Republicans want no more surprises such as were given with the enunciation of the Truman Doctrine and the Marshall plan.
- July 29: Following up the demand for a "full-fledged partnership" in foreign affairs, Republican leaders of the House select personnel of the nineteen member group under Herter that will investigate conditions in Europe.
- Aug. 6: Under-Secretary of State Clayton concludes a three day conference in Paris with three American ambassadors, Jefferson Caffery, Lewis Douglas, and Robert Murphy, on Europe's economic problems. The prevailing view: a special session of Congress should be called in the fall to act on emergency measures or executive action should be taken to help Europe through its crisis.
- Aug. 22: The first draft of the European reconstruction program under the Marshall plan calls for \$29.2 billion in U.S. aid in the next four years. The Balance of Payments Committee of the European Economic Cooperation Commission in Paris will try to reduce this to \$20 billion.
- Sept. 3: Lovett says Western Europe's economic plight is getting worse faster than expected and that American rescue may be required before the Marshall plan can be put into effect. This starts some speculation that the Truman Administration may seek Congressional action.
- Sept. 10: Marshall states in a news conference that Europe needs American aid by the end of the year, and that interim as well as long-term aid is required.
- Sept. 11: The bull market in grain futures in Chicago breaks after wheat hits an all time high. The Chicago Board of Trade raises the margin to 45 cents on corn

and wheat effective Sept. 13. Other grain margins are boosted after Senator Flanders demanded that margins be raised to 100%.

- Sept. 15: Commodity Exchange Authority asks nation's grain exchanges to establish a 33 1/3% margin on speculative trading.
- Sept. 17: President of the Chicago Board of Trade refuses to try to control prices by manipulating margin requirements. Agriculture Department cuts non-grain export allocations adding to the downward price trend.
- Sept. 18: House Speaker Martin charges that the Truman Administration has failed to keep Republican leaders informed on European conditions and says he sees no need for a special session of Congress on stop-gap relief.
- Sept. 19: Secretary Anderson declares that only increased production can bring food prices down and that a special session will not help.
- Sept. 22: Sixteen nation committee of Economic Cooperation in Paris reports that its member countries, their dependent territories, and Western Germany, will need \$22.4 billion worth of Western Hemisphere aid during 1948-51 for recovery under the Marshall plan.
- Sept. 25: Truman announces a nation-wide "waste less" campaign to conserve food products that will effect grain supply. Cabinet Food Commission under Secretary Anderson reports that world grain shortage is acute. Europe needs 4.5 million more tons of grain than are available in the world. Charles Luckman is appointed chairman of the Citizen's Food Committee.
- Truman tells news conference that Europe's economic emergency cannot wait on the careful study required for the over-all decision on the Marshall plan.
- Sept. 26: Grain exchange representatives meet with Agriculture Secretary Anderson and reject government proposals to raise margins as "punitive" and unlikely to affect prices. They charge that government purchases for foreign relief cause price rises.
- Sept. 29: Grain exchanges in Chicago, Kansas City, and Minneapolis adopt new rules under which margins rise 5 cents for every 10 cents rise in grain futures, but futures continue to rise.

Oct. 1: President Truman asks the Appropriation and Foreign Relations Committees of Congress to meet at the earliest possible date to consider a \$580 million winter stop-gap aid program for France and Italy.

Council of Economic Advisors reports inflationary prices are interfering with post-war economic adjustment.

Oct. 5: Truman, on the radio, asks the American people to conserve food. Marshall, Anderson, Luckman, and Harriman also emphasize the need to assist Europe. Meatless Tuesday, poultry-less Thursday, and grain conservation programs are introduced.

President Truman instructs Commodity Exchange Commission "to demand of the grain exchanges that they increase their margin requirements to at least 33 1/3%."

- Oct. 6: Chicago, Minneapolis, and Kansas City exchanges order 33 1/3% margins in compliance with President's request.
- Oct. 16: Truman tells news conference that there is a possibility of a special session of Congress on stop-gap aid to Europe but he points out the government's considerable success in finding other sources of emergency funds. The Administration also announces its decision not to reconvene Paris Conference, but to work out difficulties itself and present the program as a joint European-American effort.
- Oct. 18: Krug report released giving an inventory of American resources. Study measured against a \$20 billion four year program; shows that we can furnish Europe with materials required under the Marshall plan without damaging our security, or standard of living.

Nine members of the House Appropriations and Armed Services Committees returning to Washington from Europe assert that there must be an immediate aid program to forestall a "complete downfall of Europe".

- Oct. 22: Marshall tells the Herald Tribune forum that action can now be taken on a plan for European reconstruction. Until now, he states there has been no "plan" but merely a "suggestion." The administration is in the process of drafting a plan as a proposal to Congress. The period of study and preparation is thus drawing to a close.
- Oct. 23: President Truman, by proclamation, calls Congress into emergency session November 17 to deal with inflation, high prices, the high cost of living, and to meet the crisis in Western Europe.

Senator Taft says the State Department wants \$8 billion for the first year's operation of the Marshall plan but that he thinks \$4.5 billion is enough for any one year.

- Oct. 24: A meeting at the White House of 100 business, industrial, and labor leaders hears the European aid program reviewed by Marshall, Harriman, Anderson, McCloy, Lovett, and Thorp.
- Oct. 31: European nations participating in the Marshall plan send the State Department a note emphasizing that there must be adequate controls over the Marshall plan but no outright interference in other countries' internal affairs.
- Nov. 1: Council of Economic Advisors reports that the U.S. can support \$22.3 billion program during the next four years if it checks waste and inflation. It recommends many measures:
1. against high food prices.
  2. curbing of speculation in scarce materials.
  3. maintenance of high taxes.
  4. domestic allocation of scarce materials.
  5. strong export controls.
  6. lower government spending.
  7. control of credit expenditure and restoration of installment-sales curbs which are just expiring today.

- Oct. 27: A meeting at the White House of 100 business, industrial, and labor leaders hears the European aid program reviewed by Marshall, Harriman, Anderson, McCloy, Lovett, and Thorp.

- Nov. 6 The Herter Committee recommends a new independent agency to administer foreign aid and agrees that stop-gap aid to France and Italy is necessary.
- Nov. 8 President Truman's Committee on Foreign Aid under Secretary Harriman recommends that Congress appropriate between \$12.7 billion and \$17.2 billion during the next four or five years and about \$5.75 billion in 1948. The report doubts that American industries can meet domestic demands and still export such amounts in the next four years as the Paris Conference estimated. This Committee agrees with the Herter Committee that an independent agency is required to administer aid.
- Nov. 10 President Truman, reporting to Congress on Greek-Turkish aid, states that "the economic situation in Greece has not basically improved" since last spring although we have averted economic collapse; more money may be needed.
- Nov. 11 The World Bank and International Monetary Fund express disapproval of proposals by the Harriman Committee that they take an active part in Marshall plan financing of large scale reconstruction loans and stabilizing Western European currencies.
- Nov. 12: Marshall, in testimony before the Senate and House Foreign Relations Committees, urges the special session of Congress to work on the aid program as follows:
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| 1. interim aid to France, Italy, and Austria   | \$597 million |
| 2. long range aid under the "Marshall plan" to Western Europe nations to June 30, 1948 | 1,500 million |
| 3. occupation costs for Germany, Japan, and Korea                                      | 500 million   |
| 4. aid to China to June 30, 1948   | 60 million    |
- This total would be \$2,657 million up to June 30, 1948. He estimates total ERP will come to 16 to 20 billion dollars for four years.
- Representative Herter testifies before the House Foreign Affairs Committee that the recommended long term relief program promises more aid to foreign nations than we can supply. He does back the interim aid program, however, and recommends a bi-partisan government corporation for over-all supervision of any European aid, whether it be long or short term.
- Nov. 17 President Truman opens the special session of Congress with an address on interim aid to Western Europe and a ten point program to curb inflation in the U.S.
- Grain futures jump on the Chicago market following Truman's request for legislation authorizing the regulation of speculative trading on the commodity exchanges.
- Nov. 20 Charles Luckman resigns as head of the Citizens Food Committee and the activities of the committee are transferred to the Cabinet Food Committee consisting of the Secretaries of State, Agriculture, and Commerce.
- Nov. 23 Herter points out how European nations could pay partly for American help by giving the United States access to strategic materials. He cites iron

deposits in Labrador, oil in Venezuela, and chrome and nickel deposits in New Caledonia.

- Nov. 24 Secretary Harriman, testifying in a joint Economic Committee hearing on domestic effects of the proposed foreign aid program, says that allocation controls would be exercised only on steel and a very few other materials.
- Nov. 26 Secretary Anderson recommends to the House Banking Committee that a two year extension of export controls be granted and that the Department of Agriculture be given the authority to regulate margins as required to prevent unrestrained speculation on the commodity exchanges.
- Nov. 28 Secretary Snyder, before the same committee, discusses measures to relieve monetary pressure: intensified sale of savings bonds, consumer credit controls with some restraint on inflationary bank credit, and legislation to prevent excessive speculation on the commodity exchanges.
- Dec. 1 The Senate passes the \$597 million stop-gap aid bill by 83-6 with amendments that the U.S. press and radio may observe operations in distributing relief, and that commodities distributed shall be marked as being furnished by the U.S. without charge. Also, Senator Wherry's amendment is adopted that will prohibit this act from being deemed as giving authority to control prices, production, and make allocations in the U.S.
- The Senate rejects Taylor's amendment to have the program administered by the UN. The bill carries no actual appropriations, for funds must be voted separately, clearing the Appropriations Committees.
- Dec. 3 Secretary Anderson tells the House Banking Committee that price controls on meat will be required next spring.
- The Bureau of Labor Statistics index of wholesale commodity prices was 158.5% of the 1926 average in October compared with 157.4% in September and 134.1% in October 1946.
- Dec. 4 Members of the Senate Appropriations Committee seek air-tight guarantees that none of the emergency relief will go to France, Italy, or Austria if these countries fall under communist control.
- Dec. 8 The Committee on Banking and Currency hears Chairman Eccles discuss the special reserve proposal.
- Dec. 13 Senate Republican Conference approves a ten point anti-inflation program to encourage increased production, curtail unnecessary spending, particularly that brought about by credit expansion for non-productive purposes.
- Dec. 15 Congress completes authorization of the emergency winter relief for France, Italy, Austria, and China and sends the bill to the President.

A solid Democratic minority in the House defeats the Republican anti-inflation substitute for the program recommended by President Truman.

December 15, 1947

1947-8

SEMINAR ON MONETARY POLICY

This was the second year of the seminar which was organized in the autumn of 1946. It had as regular members the following:

- E. M. Bernstein, International Monetary Fund
- Karl Bopp, Federal Reserve Bank of Philadelphia
- E. A. Goldenweiser, Institute for Advanced Study
- Frank U. Graham, Princeton University
- Miroslav Kriz, Federal Reserve Bank of New York
- Friedrich Lutz, Princeton University
- Oskar Morgenstern, Princeton University
- Ragnar Nurkse, Columbia University
- Winfield W. Riefler, Institute for Advanced Study
- Alexander Sachs, New York City
- Walter W. Stewart, Institute for Advanced Study
- Paul Strayer, Princeton University
- Jacob Viner, Princeton University
- Robert B. Warren, Institute for Advanced Study
- Donald B. Woodward, Mutual Life Insurance Company of New York

The general scope and procedure of the seminar was substantially the same as the year before. Mr. Goldenweiser continued to act as chairman of the meetings.

The general objective of this seminar is to develop information on and interpretations of economic facts that have a bearing on in its broadest sense. It is intended to have speakers present manuscripts that will be published in some form.

In addition to the regular members there were usually some invited guests. At the meeting for October 27, Mr. Allan Sproul, President of the Federal Reserve Bank of New York was a guest; on December 19, Mr. Richard Musgrave of Swarthmore College; on February 23, Mr. James W. Angell of Columbia University; on March 22, the guests were Mr. Andrew Kamarck of the Treasury Department and Mr. Wallace Phillips; on April 26, Prof. Jergen Pederson of Denmark was a guest; and on May 17, Arthur W. Marget will be guest speaker.

The speakers and subjects at the seminar were as follows:

October 27, 1947:	Mr. Jacob Viner	"The Marshall Plan"
November 14, 1947:	Mr. Winfield Riefler	"Marshall Plan American Aid to Europe"
December 19, 1947:	Mr. Friedrich Lutz	"Federal Reserve Control Proposals"

January 21, 1948:	Mr. Frank D. Graham	"Commodity Reserve Money"
February 23, 1948:	Mr. Miroslav Kriz	"The Gold Problem Today"
March 22, 1948:	Mr. Andrew Kamarck	"The New Italian and French Foreign Exchange Systems"
April 26, 1948:	Mr. Ragnar Nurkse	"Postwar Inventory Movements and Their Monetary Effects"
May 17, 1948:	Mr. Arthur Marget	"The Austrian Economy Conditions in Central Europe"
May 26, 1948:	Mr. Alexander Sachs:	"Historical-Statistical Perspectives on Income Redistribution and Emerged Disincentive Taxation."

It is proposed to continue these meetings through the next academic year, but not necessarily with the same membership.

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MEMBERS:

From the first, the School of Economics has taken a wide view 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> 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.

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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

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. Riefiler'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. Riefiler 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.

*Jac*  
*Chairman of Board*  
*20th Century*

*Members* JC  
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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*

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SCHOOL OF ECONOMICS AND POLITICS  
TRUSTEES  
DIRECTOR  
ECONOMICS

Academic Organization  
Corporation  
Administration  
Academic Activities

Report on School of Economics and Politics. Div Roto Bi.

Also note minutes. P. 5 11/16/1948.

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Nov 48

Report on School of Economics and Politics

The Director reported only on tentative plans now under discussion in this School. The situation he deemed far less clear than in the other Schools. The School had formerly been divided between Professor Earle's modern history studies and the group in economics under Professors Stewart, Riefler and Warren. Professor Riefler's acceptance of a position with the Federal Reserve Board, and Professor Stewart's retirement in the near future, brings to decision what is going to happen to the School.

The seminar work under Professor Earle is to be continued: some ten men, about half from Europe, will be invited each year for a more or less organized discussion of a subject which appears timely. The Director told something of last year's seminar on Russia; usually some people come from Washington to listen to the discussions; some participants write books or articles while they are members. Professor Earle's subject for next year is the history of the 18th century in Western Europe; for the following year France since the revolution. It was Professor Earle's opinion that a budget of \$40,000. would be necessary. The Director felt that this scale was probably more than the Institute could support. Professor Earle might ask for other help for the project, perhaps from the Rockefeller Foundation.

About the general plans for the economic group in the School the Director was hesitant to talk in view of the fact that they were in process of formulation. He thought it of importance that Professor Jacob Viner, an economist and historian of wide interests, now at Princeton University, and a member of the Institute, had been invited by the School to attend departmental meetings. The Director described the School as the only instrument which the Institute has for discussing or dealing with the social sciences. He pointed out that both Professors Stewart and Warren have well-founded doubts about the value of economics as it exists today. The School has always been notable for its centrifugal tendencies. It is now faced with a deep choice, one also facing the Institute, of whether to pursue further studies in any one of the social sciences, to build a more practical program, or to let these interests lapse. There has been much talk of general methodological studies and juridical studies. But the Director felt that no one man or group of men seemed appropriate to act as their focus. The Director's own feeling he thought probably best expressed by the words of Mr. Justice Holmes: "Our need is more education in the obvious and less elucidation of the obscure." In this sense, the Director was of the view that there might be a place at the Institute for the ordering of knowledge as it exists, on an ad hoc basis. He pointed to present-day psychology as an example of a discipline based on a wide variety of methods and practices, and facing a methodological crisis. In the social sciences this happens very frequently. Many problems in these areas are largely methodological and quasi-philosophical; but there are also very often problems of practical consequence which obviously are timely and tough. The available information on such problems would be useful if it could be ordered and made public. The Government has done something of this when it sees a critical problem arising; but in many cases there governmental committees fail to take advantage of what is really known about the subject.

In considering such studies, the Institute would be undertaking work that has little to do with the real accretion of new knowledge in the social sciences, but rather with the use of the knowledge now available. Although not asking for authorization to pursue such a course, the Director welcomed comment on it. On question from Mr. Lewis as to whether an illustration of the contemplated work could be given by explaining the proposed 18th century studies under Professor Earle, the Director answered he did not think the two programs quite comparable. Professor Earle's seminar is an attempt at historical research; to see whether sources have been hitherto misunderstood and whether additional light can be thrown on a particular course of history. This may be reflected in the books or articles of some of the members; it may be judged by scholarly standards; the outcome is measured in increased understanding by those who come for the interchange of ideas. But the program under discussion for the social sciences was quite different; it might mean inviting a group of people qualified to discuss the underlying assumptions in the statistical theory of economics; out of such a program should come a type of formal report. An example would be a group who have been struggling with the contradiction of psychological techniques. Such panels could most fruitfully study present crises; they might be supplementary to groups with primarily historical interest; they might have to do with practice rather than with fundamental knowledge. In such a manner is practice codified; but it is not necessarily intellectual enrichment.

It was the feeling of the Director that in the social sciences this could well be the general way in which the Institute could proceed; but no decision had been taken. On question from Dr. Aydelotte as to whether Palestine or India would be appropriate problems for such studies, the Director replied that questions adjudicating hostile views, particularly those already before the American political scene, would possibly put the Institute in a crucially bad position. The choice of a particular problem would be a good part of the success of the attack.

At Mr. Strauss' suggestion that such a program might affect the scholarly atmosphere of the Institute, the Director agreed that it meant a break from purely scholarly work. It would probably mean not more than five or six members in residence in any one semester. As such, the scale of the project should not upset the Institute atmosphere; yet the spirit might be disastrous. On question as to whether the plan would fall within the School of Economics and Politics, the Director stated that that remained open.

1956

Vertical File "Economics & Pol." 2/4

SCHOOL OF ECONOMICS AND POLITICS

Academic Organization

RIEFLER, W. W.

Biographical

Checked items herein are those on which Riefiler worked in directory capacity during Institute tenure. Given to BMS by Riefiler on date above at IAS.

1956 RF not contacts. Just Review by Blue pp 1-2 See folder sheet on 'Sh' 2/p. 1536-55

Despite WWS's implication that Bureau terminated the financial studies by terminating the side it is clear studies & WWS personnel were taken over by Bureau people, & that the studies initiated by WWS have continued & grown with changing conditions in economy.

Vertical File - School of Economics and Politics

"E"

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261 MADISON AVENUE, NEW YORK 16, N. Y. MURRAY HILL 2-3190

February 2, 1956

Dr. Winfield W. Riefler  
Board of Governors of the Federal  
Reserve System  
Washington 25, D. C.

Dear Win:

Enclosed is a copy of each of two reports that we are using in connection with our discussions with the Board of Trustees of the Association of Reserve City Bankers.

The brief summary of the first twenty years of work on pages 1-4 of one of the reports will be of particular interest to you.

I shall appreciate it if you will examine the suggestions for further work as given in the second report and let me have any thoughts that occur to you with reference to any or all of the subjects.

Sincerely yours,

  
William J. Carson

WJC:RD  
enc.

had a  
WJC hand in 29  
of the summary spec studies  
(checked)

Report of the National Bureau of Economic Research

on

Suggestions for Further Work

to the

Trustees of the Banking Research Fund

of the

✓ Association of Reserve City Bankers

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February 6, 1956

## Suggestions for Further Work

### 1. The Need for Further Research

At Palm Springs last April Mr. A. C. Simmonds, Jr., reported to the Association of Reserve City Bankers the judgment of the Trustees of the Banking Research Fund that the Financial Research Program of the National Bureau of Economic Research should be continued, for it has "yielded important and increasing dividends to the Association in the contributions it has made to knowledge of banking and credit problems and operations, to the formulation of national financial and monetary policy, to the improvement of public supervision of banking institutions, and to strengthening, through increased understanding, the public's appreciation of the working of the banking and financial system."

In accord with this judgment, the Trustees authorized a grant of \$20,000 to the National Bureau to explore three areas of particular interest -- lending policies and their bearing on the quality of loans in booms and depressions, the structure and behavior of interest rates, and the changing structure of credit and savings facilities -- and requested the National Bureau to plan new work in one or more of these areas.

Events since last Spring have emphasized the need for study of our financial organization and its relation to the growth, stability and efficiency of our economy. And these developments have confirmed the wisdom of the choice of topics to be explored.

Government officials and other men in responsible positions are currently greatly concerned with the outlook for the future. There can be no doubt that in their thinking our financial system occupies a central role. Credit and capital must be made available if our economy is to grow,

*Value to  
Company  
with the \$20,000*

but deterioration in the quality of loans and capital issues must not be allowed to contribute to a serious reversal of business and employment; interest rates must be free to perform their function of distributing available supplies of credit and capital, but our monetary authorities must also face up to the fact that different sectors of our credit and capital markets respond in different ways to changes in policy; enterprise in the development of new forms and instruments of finance must be encouraged to meet new needs, but irresponsible competition must not be protected by outmoded regulations.

These, it is evident from current discussions, are among the questions that the expansion during 1955 has brought to the fore.

1956 It is clear, too, that thoughtful members of the community appreciate the need to ponder and study these questions before the rush of events excites the public's sense of urgency and leads to hasty sproutings of measures that create as well as solve problems. As the Association of Reserve City Bankers recognized when the Financial Research Program was set up almost 20 years ago, problems need to be worried about before they become pressing; and research is nothing less than a basic phase in the process of deliberating coolly about the problems that the future may bring.

This report on our exploration therefore comes at a time and in an atmosphere when it is unnecessary to dwell on the value of knowledge of our financial organization, or to stress the responsibility of the banking community to contribute to its acquisition and application.

But we do need to determine the particular directions that financial research should take at this time. It is to this that we have devoted our attention during the past months and to this we address ourselves at this time.

During the year we have reviewed and weighed the problems that confront the banking community and the country at large at this time in the three fields selected for special attention: (1) quality of credit, (2) interest rates and (3) facilities for credit and savings. Members of our research staff, together with men from universities and financial institutions whom we have induced to join us as consultants in the task, have reviewed the literature and have considered the questions that loom before us. Also, government officials, economists, bankers, and others who collaborate with us in our advisory committees, have joined in discussions of the several questions. During these explorations and exchanges of views we have examined and acquired masses of material. Had we thought it worthwhile, we could have presented voluminous documents on the questions at issue. We assume, however, that what matters are our conclusions and the suggestions for research that these embody. To avoid undue trespass on the time of the Trustees, therefore, we largely confine ourselves to these.

## 2. Summary of Suggestions

Discussions of each of the areas explored appear in the sections below.

It is worth indicating immediately, however, the gist of what our explorations lead to, and the costs and priorities as they appear at this time.

First, as to our suggestions for research.

a. Quality of credit in booms and depressions. -- Current discussion of the quality of credit is confused because some people mean one thing when they speak of deterioration of credit quality and other people mean something different. This confusion is further confounded by lack of reliable information on lending practices and the characteristics of loans and borrowers. It is desirable, if financial institutions and governmental authorities are to judge current conditions properly, that reliable and unambiguous information on credit quality be assembled and provided on a current basis.

We therefore propose a study that would undertake to consider, and to the extent possible to devise, a system of current reporting on the quality of credit. Such an undertaking would attempt to: (1) clarify the meaning of the term "credit quality"; (2) devise and compare alternative methods of measurement; (3) organize and analyze the information that can be extracted from existing records; (4) develop practicable suggestions for the collection of new information; and (5) set forth the economic implications of the data in the light of past experience and present-day conditions.

One important implication that needs exploration is the failure to recognize improvement in the quality of new credits during a depression, with resulting perverse requirements for liquidity and asset valuation by supervisory authorities. The study would not be confined solely to the determination and analysis of changes in credit quality during boom periods on which current attention is focussed. Depressions also would be covered.

Specific topics that seem most promising are listed in the fuller statement below.

b. Interest rate structure and behavior. -- Dramatic changes over the past quarter-century in the level and structure of interest rates pose important questions about the factors at work and the consequences of the changes. Questions arise, particularly, as to: the "normality" of the low average level of interest rates today as compared with the 1920's; the radical swings in the spread between short and long term rates; the changed relationship between yields on high grade and second grade bonds; the relative behavior of prices (as contrasted with yields) of different maturities; and the lead and lag relationships and other differences in the effects of central banking operations upon the movements of various classes of interest rates.

Generalizations about these relationships have gained currency from time to time. But they soon appear fragile and unreliable and tend to fall into discard. The truth is that there are such large gaps in our factual knowledge of interest rates and in our understanding of their movements that the paucity of useful and reliable generalizations should not be surprising.

We therefore point to a number of topics as worthy of study at this time. These are significant in themselves, appear feasible, and promise to help build a basis of organized factual knowledge from which subsequent studies of broad questions can be launched.

Included are studies of: (1) the relative price behavior of debt securities of different maturities; (2) the structure of interest rates by markets (as contrasted with maturities) and by quality; (3) variations in the effects of central banking operations upon the movements of yields and prices in different sections of the money market; and (4) tax influences on interest rates.

c. Changing structure of facilities for credit and savings. -- Important questions arise in this area but we suggest deferring action on a research program until further work has been done in the National Bureau's study of the post-war capital markets and until it is clearer what will come out of current discussions concerning the competitive position of different types of financial institutions.

Next, as for our estimates of costs.

It is naturally difficult to calculate costs of research in detail and with any precision. Obviously more can be done with larger sums than with smaller.

Our rough calculations of cost indicate that a budget of about \$50,000 a year for about three years would make it possible to do what we believe is needed and can be done in the project on quality of credit. About \$35,000 a year for three years would push the first three sections of the study of

interest rates to completion and enable a good start to be made on the fourth. This is a total roundly, of \$250,000. A lesser sum would limit the extent of the investigations and therefore the number of topics and questions to be studied. It would not mean covering the same area less intensively, for no one can afford to undertake or to tolerate shoddy or superficial work.

If our estimates are right, and if aggregate funds of the magnitude indicated could not become available to make it possible to embark on both projects, we would suggest limiting the investigation to the quality of credit, confining work on interest rates (and facilities for credit and savings) to further exploration.

It is possible that some part -- perhaps a substantial part -- of the sums required for the projects might be obtained from sources other than the Association of Reserve City Bankers. In any case, we would expect, on the basis of our experience, that the collaboration of government, business, and other organizations could be secured. Thus, substantially more resources would be commanded than are measured by our estimates of cash needs.

While a period of approximately three years would be required for the two projects outlined, interim reports on sections of the projects could be prepared and issued when ready, so that results would be available before completion of the projects as a whole. Even a severely limited project, it should be noted, would require something like a two year period. It is of the nature of the work that careful and objective research on significant questions cannot be hurried -- if the results are to have lasting value and provide not

merely answers but answers that will stand up to scrutiny and to the test of events. Research which builds with care is of greater practical value in the long run than research which rakes together available facts and figures and hastily digests them to yield quick results.

### 3. Quality of Credit in Booms and Depressions

At their April 1955 meeting, the Trustees of the Banking Research Fund took note of the problem of credit quality and the possibility that boom times may bring relaxation of credit standards that intensifies the problem of subsequent adjustment. In recent months public discussion of the quality of credit, by financiers, automobile makers, housing experts, and economists, has become widespread. Views have been expressed on both sides of the question. Some assert that lenders are relaxing their standards, that borrowers are exceeding their capacity to repay, and that disaster faces us if this trend is not stopped. Others confidently claim that there has been no significant deterioration in quality, and that even if there should be, the safeguards now built into our economy will be adequate to prevent trouble.

One of the reasons for these differences in opinion is the lack of facts on what is happening to credit quality. The information presently available is meagre, scattered, and sometimes misleading. Without adequate facts there is bound to be disagreement on the diagnosis, and even confusion as to what is meant by the term "credit quality".

We believe that the time is ripe for some new contributions to current objective reporting in this area. These contributions can be stimulated and guided by certain factual studies that the National Bureau is qualified to make. Such studies will not, of course, solve the practical problems facing financial institutions and governmental authorities. But we are confident that the provision of new factual data is an essential prerequisite to the development of informed opinion on this subject. The subject itself is so close to the heart of the problem of economic instability that it warrants all the scientific attention that can be given it.

In a sense the situation is analogous to that which obtained when the National Bureau, back in the early twenties, began to develop estimates of national income and its distribution. No one could then say with assurance what share of the nation's income went to labor, or to agriculture, or to the "rich" or the "poor". And controversial discussions of the importance of savings and of investment went on without benefit of the basic facts on their magnitude. Indeed, there was no agreement on what these terms meant. So it is today in the area of credit quality.

The exploration of this subject in which we have been engaged, under the grant from the Association of Reserve City Bankers, has uncovered materials that are not now properly exploited for the light they can throw on current changes in lending policies and in the quality of credit. Moreover, there are good reasons to believe that new sources of information can be developed. Accordingly, the primary objective of the study proposed here is to consider, and to the extent possible to devise, a system of current reporting on the quality of credit. The study would undertake (1) to organize and analyze as much information as can be extracted from existing records, and (2) to develop practicable suggestions for the collection of new information. In the pursuit of this objective we would, of course, undertake to clarify the meaning of the term "credit quality", compare alternative methods of measurement, and set forth the economic implications of the data in the light of past experience and present-day conditions.

The two parts of the study can be attacked more or less concurrently, but the first is essential to the second. It would not be sensible to try to develop new information in certain areas without first subjecting existing data in those areas to careful analysis. As for the actual collection on a

continuing basis of new types of data, our efforts would be devoted to formulating responsible suggestions that other agencies may be prompted to take up, since neither the National Bureau nor any other single organization is in a position to collect and publish all the current statistical series. If the study is successful in this respect, it will have accomplished its main purpose. The formulation of such suggestions will require careful thought, consultation with persons experienced in the field, and perhaps small-scale pilot studies. Naturally, we hope that the suggestions that emerge will be implemented during the course of the investigation so that our researches can profit from the results.

It is worth emphasizing that, as the title of the proposed study suggests, it will not be confined solely to changes in credit quality during boom periods. There are two reasons for covering depressions, such as the mild recessions of 1948-49 and 1953-54, and the far more serious episode of the '30's. First, previous studies have shown that the consequences of credit deterioration during booms appear in subsequent depressions, and contribute to their severity. Second, these studies have also shown that the quality of new credits improves materially during depressions. These findings, which we expect will be supported by our new work, carry with them important implications. The failure to recognize credit deterioration during a boom may cause a severe shock to business confidence when trouble develops, a sharp contraction in lenders' commitments, and perverse requirements for liquidity by supervisory authorities. Moreover, the actual losses, charge-offs, and write-downs that then occur may not only greatly exaggerate the losses that will eventually be sustained, but also reflect adversely, beyond what subsequent experience will reveal, on the risks attaching to new investment opportunities. These

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actual and potential developments need to be set forth and documented if the study's full contribution to the problem of economic instability is to be realized.

The study will not be limited, in advance, to any particular type of credit or lending agency. Rather we shall seek, within the limits of the resources made available, to explore those areas that promise to yield the most fruitful results. We plan to begin with a small number of specific projects, and to broaden the scope as new ideas emerge and can be implemented. In the end, we hope that no important sector of the credit market will be left uncovered.

The specific projects that now seem most promising which we are prepared to undertake are as follows:

- ✓ 1. An analysis of delinquency, loss, and recovery rates on commercial bank credit in relation to the volume and composition of loan portfolios, valuation reserves, and charge-off policies.
- ✓ 2. An analysis of examiners' appraisals of loans by commercial banks and other lending institutions: their validity, relation to business conditions, and consequences for cyclical stability.
- ✓ 3. A study of the level and trends in financial ratios of individual companies (as indicators of their credit-worthiness), taken in relation to their changing use of credit during booms and depressions. For this purpose we hope to make use of the FTC-SEC sample of manufacturing firms' quarterly financial statements.
- ✓ 4. A pilot study, for a few large banks, of their credit files, in order to determine whether useful periodic summaries reflecting the quality of commercial loans can be obtained from them on a systematic basis at reasonable cost.

5. A study of credit ratings by rating agencies to determine (a) their validity as indicators of the credit-worthiness of individual firms and (b) the feasibility of a summary compilation showing shifts in credit ratings of the business population.

In addition we have given consideration to several other projects dealing with the quality of state and municipal security issues, quality factors in consumer credit, and farm land prices and borrowing, but are not yet prepared to formulate specific projects in these areas.

#### 4. Interest Rate Structure and Behavior

The past quarter-century has witnessed dramatic changes in the levels of short and long term interest rates and in the relations between obligations of different maturities and grades with respect to yield and price movement.

In the four decades, 1890-1929, there were only two years in which the average yearly yields of 4-6 months prime commercial paper in New York City fell below 4 per cent. The average of the annual figures in this 40-year period was 5 1/2 per cent.

Then began an unprecedented and prolonged decline. From close to 6 per cent in 1929, the yearly average yield sank almost uninterruptedly to under 1 per cent in 1935 and stayed below 1 per cent for the entire 12 years 1935-1946.

Because the volume of open market commercial paper issued or outstanding shrank drastically during this period, a question may be raised about the representativeness and significance of the decline in rates on this type of loan. But the fall in other short term interest rates was scarcely less extreme.

Since 1941 the general direction of short term interest rates has been upward. Nevertheless, despite the great business booms of 1953 and 1955, and the credit stringencies of the first quarter of 1953 and the last quarter of 1955, there has been no year since 1931 when the average yield of prime commercial paper for the year reached 2 1/2 per cent, or the average Treasury bill rate, 2 per cent.

The changes in long term interest rates have been superficially less striking than those in short term rates, but they have been substantial indeed. From over 5 per cent in 1920, the yearly average yield of long term Treasury bonds declined without significant interruption to 3.3 per cent in 1928. Shifts in the average annual yields in the following five years were within three-eighths of 1 per cent. Then followed a decline to a low of 2 per cent in 1941. Changes since 1941 have not brought the average yield up to 3 per cent: it was approximately 2.80 per cent in 1955.

The average yields of Moody's long term Aaa corporate bonds exhibited movements roughly similar to those of long term government bonds. Thus, the 1955 average yield of Moody's Aaa long term corporate bonds was less than one-half that of the boom year 1920, 64 per cent that of the boom year 1929, and 60 per cent that of the average of the decades of the 1920's. A part of the reduction in yield since the 1920's may well be attributable to improvement in the quality of the bonds comprising the average, in consequence, particularly, of the high average level of business prosperity of the last fifteen years. But the fact that the market yield of the average of long term Treasury bonds declined by nearly equal proportions (even without allowance for the value of the exemption from normal tax possessed by these bonds before 1942 and absent from the bonds in the average for subsequent years), indicates that most of the fall in the level of long term yields reflected a true reduction in long term interest rates.

In a general way we might attribute the exceptionally low level of short and long term interest rates in the 1930's to the severity and duration of the Great Depression and, in 1942-1946, to wartime monetary policies and direct governmental restriction of much business and private spending.

It would be much better if we could supplement these general explanations with quantitative analysis of the supply and demand relationships.

? ✓ And what of the period since, with its generally high and rising business activity? Is there evidence that specific structural or institutional changes in our economy broadly or in the money markets played a part in holding down interest rates? Have there been notable changes in Federal Reserve policies or operations that contributed to this result?

Questions such as these have not yet been explored in detail. A close study of the facts would form an indispensable first step for a direct attack on them. The studies of the behavior of interest rates suggested below, while directly oriented around more limited objectives, would contribute to our understanding of some of these broader developments.

The foregoing and other changes in the level and structure of interest rates unsettled various long-held rules of thumb. Old beliefs about the "normal" ranges of short and long term interest rates gave way, at least for the time, before the new behavior of the market.

Short term  
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The same was true of some views about the "normal" relationships between the rates on shorter and longer maturities. Because short term rates, in response to near-chronic tightness in the money markets, had commonly been higher than long term rates for more than a quarter-century before the Great Depression, many had come to believe that somewhat lower yields on long term bonds than on short term paper were "natural." In only two of the thirty years 1900-1930 were the yields of the highest grade 30-year corporate bonds greater than the yields of comparable obligations of a maturity of less than one year. And the longer maturities of the highest grade corporate bonds commonly commanded somewhat lower interest yields

than medium and relatively short term bonds of the same quality. The slightly declining trend of yields as maturities lengthened was sometimes explained as due to the willingness of investors to pay something in the form of a lower yield in order to avoid the trouble of repeatedly seeking replacements for their maturing investments. But during the 1930's and 1940's, short term rates declined so much more than long term rates that the latter came to be several times the former for obligations of substantially equal quality.

After this type of relationship had persisted for some years, the generalization that interest rates tend to vary directly (though not proportionally) with the length of maturity, became widely accepted as "normal," "natural," and even immutable. It was readily and plausibly explained in such terms as the lesser risk of default, the smaller loss in liquidity, and the smaller price risks to which shorter-term obligations are subject.

That other factors besides these general influences are often potent in the market is indicated not only by the persistence of a roughly horizontal or declining yield-maturity pattern for long periods prior to the Great Depression, but by important shorter-term variations in the relationship between yield and maturity. During the past few years, in particular, short term interest rates have risen more than long term rates, with the result that a substantial degree of straightening has occurred in the curve of yields to maturity.

The relationship between yields on high grade and second grade bonds also raises questions.

During the 1920's and 1930's, there was a substantial difference in yield between high-grade and second-grade bonds. In 1955 it reached the remarkably small proportion of .09 per cent!

Much empirical support, as well as theoretical rationalization, can be found for the common belief that the spread in yields between high grade and second grade bonds tends to widen in periods of business disturbance and uncertainty and to narrow in periods of business prosperity and confidence. It would be much better if we had some good measures of these tendencies. And closer study of the facts, particularly for recent years, may bring additional insights. How does the spread behave in response to general changes in interest rates? How has it been affected by the creation of partial substitutes for both high and second-grade bonds in the form of VA and FHA mortgages?

In this connection and for other purposes we need to organize a record of the effective interest rates on VA and FHA mortgages -- the contract rates, the discounts or premiums at which the mortgages were sold, and, perhaps, average costs of servicing them. It might be useful to compare the gross and net yields to institutional investors with those obtainable at the same times from various categories of bonds, and study these in relation to the changes in the assets of the major institutional investors.

The relative price behavior of different maturities poses another set of questions. For some purposes the price behavior of money market securities is of greater importance than their absolute or relative yields. For example, funds destined for secondary reserves or for temporary investment against income tax liabilities will tend to be channeled into short term obligations regardless of the availability of higher yields on longer-term issues because such investment objectives require a high degree of price stability. The early redemption dates tend to keep the prices of high grade short term obligations close to par even in the face of relatively wide changes in interest rates.

Commercial banks have a lively interest in price movements because capital gains offer them a substantial source of tax-favored profits and because they are permitted to offset losses on securities in full against ordinary income.

The Federal Reserve authorities are also keenly interested in the price movements of money market securities. Their actions to tighten or ease the money market or a particular segment of it often derive significant reinforcement from the fact that a rise in prices appears, in the short run, at least, to encourage lenders, and a fall in prices, to discourage them.

Because the gravitational pull toward par of an early redemption date becomes progressively weaker as bonds lengthen in maturity, rendering their prices increasingly sensitive to changes in interest rates, many persons conclude that price sensitivity among obligations of comparable quality is solely a function of length of maturity. Actually, of course, the term structure of interest rates itself changes from time to time in response to alterations in the supply and demand for fixed-interest securities of various maturities.

It is interesting to observe that in the actual price behavior of United States Government obligations at various times in the past quarter-century, medium term maturities -- in the neighborhood of 8-12 years -- have frequently displayed wider price movements than longer-term Treasury bonds. It has been conjectured that a part, at least, of the explanation for this price behavior is that the medium term segment is a speculative one for commercial banks -- one in which they have expanded their holdings when their free reserves were large, and in which they were quick to contract their holdings when their free reserves fell severely or they feared

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adverse developments. It has been said, too, that most non-bank purchasers of short term Treasury obligations, such as business corporations, are not easily attracted into the medium term segment; and that most institutional investors other than commercial banks are likely to prefer longer-term maturities except when medium-term issues become available at substantial concessions. If these conjectures, or substitute ones, as well as various other hypotheses respecting different aspects of behavior of bond prices could be adequately supported or disproved by empirical study, our understanding of this important field would be enhanced.

Still other questions arise concerning lead and lag relationships and other differences in the effects of central banking operations upon the movements of various types of interest rates. Because the facts do not appear to have been subjected to a sustained careful study, we do not know in detail how differently, as to timing or degree, various types of central banking action affect the different parts of the interest rate structure. There have been times when the effects seemed most immediate and pronounced in the short term sector, and other times when medium or long term bonds displayed the speediest or greatest response. And we know very little in detail of the process of communication of changes originating in one part of the rate structure to other parts of the complex interest rates.

Besides being interesting from a scientific standpoint, these questions have considerable practical significance to institutional investors and to the central banking authorities. One obvious example of the difference of opinion that exists in responsible quarters on one aspect of this question is to be found in the controversy as to whether Federal Reserve open market operations should be confined to Treasury bills, or include the whole range of maturities.

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The foregoing remarks on some aspects of the recent behavior of interest rates has emphasized how fragile and unreliable have been some of the generalizations that have from time to time gained currency. The truth is that there are such large gaps in our factual knowledge of interest rates and in our understanding of their movements that the paucity of useful and reliable generalizations should not be surprising.

Numerous questions, small and large, call for light. These cannot all be attacked simultaneously. The studies recommended below are significant in themselves, appear to be feasible, and promise to help to build up a body of organized factual knowledge and understanding on the basis of which subsequent studies, some of them possibly of larger scope, could be launched.

1 First is a study of the relative price behavior of debt securities of different maturities.

Several studies have been made of the term structures of interest rates -- the relation between yields and maturities obtaining at any given time. As was indicated above, there are some purposes for which the relative price movements of different maturities are more significant than their yield relations at any point in time. This study would investigate the relative price behavior of different maturities. United States Government securities provide a series of homogeneous quality and a variety of maturities. Some of the larger serial bond issues of state and local governments also offer homogeneous quality with varying maturity. The price behavior of different maturities would be studied to determine what kinds of patterns might be identified, whether the patterns during the Great Depression were significantly different from those in the preceding

and subsequent periods, and whether different patterns are associated with other particular variables.

2  
Second is a study of the structure of interest rates by markets (as contrasted with maturities) and quality.

What is commonly termed "the level of interest rates" actually comprises a complex structure of rates that vary not only by maturity, but by markets and quality. This study would undertake to explore the structure of interest rates by markets and quality at selected intervals. (To some extent it would be possible to distinguish between differences in markets and differences in quality, but to a considerable extent, this distinction would be blurred or lacking.) Examination would be made of the interrelations among such different interest rates as the following: (1) Federal funds; (2) Federal Reserve discount rate; (3) prime rate on customer loans; (4) Treasury bill rate; (5) open market commercial paper rates; (6) other customer loan rates; (7) rates on new issues and yields of comparable seasoned issues of various qualities of marketable bonds; (8) rates on new bond issues for direct placement; (9) Gross and net yields on insured and guaranteed mortgages (after allowing for mortgage discounts and premiums and, possibly, servicing costs); (10) Yields of high grade investment calibre preferred stocks; (11) yields of representative common stocks. Good use would be made of the forthcoming report on bank loans surveyed last Fall by the Board of Governors of the Federal Reserve System.

It would be worthwhile also to explore the changing spread between Moody's Aaa and Baa corporate bonds over time; the influences of various factors on this spread; and variations in the yields of municipal bonds by rated quality.

Third is a study of variations in the effects of central banking operations upon the movements of yields and prices in different parts of the money market.

3 To some extent, this study would be related to the first. Attention would be paid to changes in the free reserves of member banks, and in the location of these reserves, in relation to their varying influence, as to timing or degree, on the yields and prices of each of the principal types of debt securities, including Treasury bills, open market commercial paper, prime customer loans, short, medium, and long term Treasury securities, high and second grade corporate bonds, state and municipal government bonds of various maturities, and VA and FHA mortgage rates. It would be desirable to explore differences in the effects of changes in free reserves according as such reserves were created through open market operations or at the discount window; and also to explore the influence of changes in Federal Reserve discount rates as such on other rates.

4 Finally, a study of tax influences on interest rates would be worthwhile. Such a study would explore the effects of prospective and actual changes in income tax rates upon the yields of tax exempt and taxable securities; and the effects of the varying tax treatment of important institutional investors, such as insurance companies and banks, upon their investment practices.

## 5. Changing Structure of Facilities for Credit and Savings

5  
Economic growth brings with it change in the kinds and quantities of goods and services demanded and produced, alteration in methods of production and in materials utilized in production, obsolescence of old and development of new kinds of plant and equipment, shifts in population, markets and industrial location, change in size and organization of industry, and new standards and responsibilities for the security of our people and the stability of our economy.

Along with these manifold developments come changes in the capital and credit needs of our businessmen, farmers, governmental units and consumers, as well as changes in the form in which individuals and corporations wish to put their savings and current funds.

But economic growth has not been the only factor in causing change in the structure of facilities for credit and savings. In addition this structure has been influenced by the momentous events of the great depression and the second world war.

Past Studies  
Bills by name  
Certain significant aspects of these changes in our financial organization have been described and subjected to analysis in the reports published by the National Bureau's Financial Research Program and by other research groups. A comprehensive outline is provided in the monograph on Financial Intermediaries in the Saving and Investment Process, 1900-1952, soon to come out of the National Bureau's Study of Capital Requirements and Financing. This report sketches the growth, over a fifty year period, of commercial banks, mutual savings banks, saving and loan associations, insurance companies, pension funds, and other financial institutions.

These changes have transformed the financial system. In many ways it is a new system, radically different from the structure even of twenty-

five years ago. While the broad outline of change is clear, we need to know more about the present structure and the events that have brought it into being. Everyone is aware, for example, that many new governmental credit institutions have entered the scene, and the forthcoming report on federal lending subjects this development to analysis. But how has the resulting shift of functions affected private financial institutions? Similarly, what changes in financial organization have accompanied the growth of large-scale nonfinancial business corporations with enormous quantities of liquid funds at their disposal? Within the financial sphere, what changes have occurred in the division of responsibility among the several types of financial institutions, and how have these been reflected in their relative rates of growth and in the composition of their assets and the sources of their funds? For each type of financial institution, further, what has happened to the regional distribution of offices and branches, and to the size of these and of companies as a whole? What role have mergers played in determining these distributions? What shifts have occurred in inter-company relations, as in correspondent banking arrangements?

If we are to understand the financial structure of today and the directions in which further change are tending, we need to come to closer grips also with the causes of these changes.

Particularly, we need to know more about the role of government policy, legislation and regulation. Finance is a closely supervised activity, and one in which government not only sets the rules and acts as umpire, but also participates directly in diverse ways. But our present system of governmental

regulations is not closely knit. It is the product of a multitude of separate pieces of federal and state legislative and executive decisions which have been made in incomplete relation to one another. Many were made in haste. All have been influenced by historical accident.

*Bene*

Government is not the only source of change in the structure of credit and savings facilities. We have already referred to the forces originating in economic growth and economic development. These have operated through many channels and with many partners. The shift in income distribution, one of the revolutionary changes of our time, has played a part: this shift has been accompanied by changes in savings habits and in the direction of investment of savings. The growth of life insurance, a trend of long duration, has proceeded in recent years at a rapid pace; along with the rise of pension systems, public and private, and related personal and social security systems, the growth of life insurance has had significant effects on the absolute and relative volume of "contractual" savings. Population and family formation have spurted ahead; facilitated by the rise in income, this has resulted in a great housing boom, an unprecedented level of home ownership, and -- in part because of the spread of the amortization-mortgage -- another significant addition to the volume of contractual savings. People have not only increased in numbers all over the country; they have also moved about in large numbers: migration from one region to another and from farm to city and city to suburb has been considerable. This too has meant shifts in financial needs and institutions. The rise in income brought not only housing but also a continuation and perhaps acceleration of the trend towards family acquisition of more and more durable goods like automobiles, refrigerators, washing machines and other appliances. And this has had important effects on the

volume of consumer instalment credit and personal loans, just as the availability of such credit has helped swell expenditures on these commodities. Improvement in equipment and methods in the offices of financial institutions has reduced costs of operation, and this has helped make possible services not otherwise possible.

Once we have a comprehensive account of the new structure of credit and savings facilities, and understand more fully its drift and its causes, we will be better able to consider such questions as those bearing on the equity and efficiency of present-day competitive relations among financial institutions, and the relationship of the present structure of facilities to economic stability and economic growth.

The questions that arise in this area, then, are important and well worth considering for formulation into a research project. At this time, however, we do not believe commitments should be made for immediate work in this area. For this there are two reasons.

First, since embarking on the exploration we have been able to start a study of the post-war capital market. This study is briefly described in the report on work in progress at the National Bureau. We expect to learn a great deal about the contemporary structure of this segment of our financial system, and some of the major reasons for the changes that have occurred over the past few decades. We hope also to derive certain by-products: to learn what new work in the credit and capital markets would be most useful, understand better the nature of the available information and perhaps stimulate the production of new data, and discover the best ways to tackle the problems outlined above. But the post-war capital markets project has barely begun.

Until it is further advanced, we feel we should defer embarking on the comprehensive survey of the credit market and its relation to the capital markets which would provide the basic underpinning to any description and analysis of the changing structure of credit and savings facilities.

There is another reason for deferring action in this area. Considerable discussion is now going on in financial and governmental circles of the problems of inter-institutional competition. The recent speech by Mr. Sproul reflects this thinking. It is quite likely that a good deal of basic information will materialize as a result of this interest. Until we know what this will be and what directions the surveys by the financial community and by our state and federal authorities will take, we cannot be sure what work would be most fruitful.

In this area, therefore, our proposal is to continue exploration and keep in touch with developments. When the time comes to turn to the range of questions involved in this area, it would be well to aim at developing, first, an essential complement to our capital markets project, and second, a comprehensive description and analysis of the credit and capital markets as a whole, including the many subtle interrelationships between the two major segments. It would be desirable, of course, to bring in information developed in studies of interest rates, such as those suggested above, and thereby explore the effect of changing credit and capital facilities on the structure of interest rates and of changes in the structure of interest rates on facilities for credit and savings and the flow of funds into various types of securities.

## 6. A Concluding Word

The coming decade promises new opportunities and new responsibilities for our banking and other financial institutions.

Projected additions to the nation's annual rate of production during the next ten years amount to as much as 150 billion dollars. These form the planning base of the national administration and of our leading business men, for they are well within the realm of probability. Such enormous growth will require correspondingly large growth in our credit and money supply and will push the rate of investment and reinvestment of the nation's savings scores of billions above present levels. The work required of the financial community will be larger. This will generate a demand for enlarged and improved capacity of our monetary, credit and savings machinery.

The next ten years will see also a major test of our power to ward off the perils of depression and inflation. Undoubtedly, determined efforts will be made by federal and state governments to strengthen our defenses, efforts that will be accelerated whenever business and employment suffer contraction or prices begin to rise rapidly. This too means a host of proposals, good and bad, for revamping our financial machinery and for extending the supervision of its operations.

Whatever else one may say about the future, then, one thing is certain: it will bring change; it will create demands to meet the problems that change uncovers.

It would be idle to suppose that any research program, no matter how extensive, could give us the full knowledge required to deal confidently

with all the problems of growth and stability that life may unfold, or to appraise adequately all the solutions that ingenious minds can offer. But whatever we can learn about the operations of our financial system will help us resist hasty solutions and prepare us to build sound ones.

This is the spur to those who engage in financial research and those who support it. As Mr. Simmonds put it last spring, research contributes to our knowledge of problems, to the formulation of policy, to the improvement of public supervision, and to the education of our citizens. These are worthwhile aims. Even a step in their direction is important, for the fundamental issue is nothing less than the shape of our political as well as our economic future.

Report of the National Bureau of Economic Research  
on  
Current Research in Finance  
to the  
Trustees of the Banking Research Fund  
of the  
Association of Reserve City Bankers

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February 6, 1956

Report of the National Bureau of Economic Research  
on  
Financial Research

A. Twenty Years of Fact Finding in Finance: 1936-1955

I. Origin and Results

In 1955 the National Bureau of Economic Research completed twenty years of fact finding in finance. The program of research under which much of this work has been conducted was started in 1936 at the suggestion of the Association of Reserve City Banks. By the end of 1955 a total of 57 books and papers had been published; 14 were in press or in an advanced stage of preparation reporting the findings of the investigations. A full list of the titles of these reports is attached to this Report (Appendix A).

The program has borne fruit in a variety of ways: first of all, in distinctive contributions to basic knowledge. The knowledge gained has been and is being used increasingly in the making of public and private policies, in legislation, in judicial decisions, in the operations of financing institutions, and in the teaching of economics, banking, and finance in universities and colleges throughout the United States and abroad. Textbooks in money, banking, and finance published in the United States have drawn extensively on the findings. Indeed many that have been published since the war are based so heavily on the National Bureau's work that they could not have been written without it.

The contributions, however, go beyond the additions to basic knowledge. Universities and research groups have adopted the National Bureau's methods and techniques in studying finance. Public agencies have taken over and continued on a current basis data that the National Bureau began in its

Source  
National  
Bureau  
(1944 work  
has Fall 1935)

NBER  
methods  
used  
by him.

studies. Members of the research staffs of banks and other financing institutions, of the Board of Governors of the Federal Reserve System and of the Federal Reserve banks, of banks in foreign countries, and of many government and private agencies have visited the National Bureau and drawn upon the experience of its staff and utilized its findings and methods.

*Saulnier*  
Many economists working at the National Bureau on studies in finance have received training that strengthened them when they subsequently transferred to responsible positions in universities, government agencies, and private institutions.

*Not WW2*  
Examples of data taken over and continued by public agencies are statistics of consumer credit and measures of the flow of funds. The basic statistics on consumer credit now compiled by the Federal Reserve Board and made available currently in the Federal Reserve Bulletin are a continuation of those developed by the National Bureau in the study of consumer installment financing. Similarly, the measures of the flow of funds published by the Federal Reserve Board in October 1955 and soon to be put on a current basis were made possible by the National Bureau's basic report published in 1952 entitled A Study of Money Flows in the United States.

*Personnel*  
Examples of economists receiving training in research in finance at the National Bureau and subsequently moving into high positions in research, administration, and policy making elsewhere are Raymond J. Saulnier, a member of the President's Council of Economic Advisers; Neil H. Jacoby, a member of the Council in 1953 and 1954 and now Dean of the School of Business, University of California at Los Angeles; Ralph A. Young, Director of Research and Statistics of the Board of Governors of the Federal Reserve System; W. Braddock Hickman, economist, New York Life Insurance Company; and Donald H. Thompson, Vice President, Federal Reserve Bank of Cleveland.

Use of the findings in legislation is illustrated by amendments to the laws regulating the investments of trust funds, savings banks, and life insurance companies, based on the National Bureau's corporate bond data.

The importance and use of the findings in administration and policy making are illustrated by the letter from an official of the Board of Governors of the Federal Reserve System concerning the studies in consumer instalment financing, excerpts from which are attached (Appendix B).

Use of the findings by banks and other financing institutions in their operations is evidenced by the many requests to the National Bureau -- coming from institutions throughout the United States and abroad -- for books from the series on consumer instalment financing, on business financing, on urban real estate financing, and others.

## II. Amounts and Sources of Funds

Contributions of funds and services from many different sources and the cooperation and collaboration of many public and private agencies have made the studies possible. Starting with its major initial support from the Association of Reserve City Bankers, the work has received financial contributions from many other sources as well. The Association has been the largest single source, but its grants have so stimulated, and been supplemented by, contributions from other sources that its grants have amounted to less than 30 per cent of the total over the twenty years. The amounts and sources of support are given in the following table.

Appropriations and Grants for Research in Finance  
1936-1955

Source and Purpose	Amount	Per Cent of Total
Association of Reserve City Bankers	<u>\$904,604.51</u>	26.3
L Exploratory Reports	\$ 32,500.51	
Consumer Instalment Finance	106,500.00	
Business Finance	103,000.00	
War Finance and Banking	154,000.00	
Urban Real Estate Finance	193,162.00	
Agricultural Finance	134,853.00	
Corporate Bond Research	10,559.00	
Federal Lending, Loan Insurance, etc.	100,000.00	
Bank Capital Project	70,000.00	
Life Insurance Companies	<u>859,188.00</u>	25.0
Corporate Bond Research	91,012.00	
Urban Real Estate Finance	56,890.00	
Agricultural Finance	34,386.00	
Capital Formation and Financing	451,900.00	
Postwar Capital Market	225,000.00	
L The Rockefeller Foundation	630,000.00	18.3
Financial Research		
L Federal Agencies	586,000.00	17.0
Corporate Bond Research* <i>WPA FLD</i>		
L National Bureau of Economic Research (General Funds)	<u>207,191.62</u>	6.0
Central Financial Research Staff	103,604.28	
Corporate Bond Research	65,705.19	
Urban Real Estate Finance	3,868.02	
Agricultural Finance	11,012.49	
Federal Lending, Loan Insurance, etc.	8,907.48	
Flow of Money Payments	639.19	
Research in Capital and Securities Markets	469.65	
Capital Formation and Financing	12,985.32	
The Merrill Foundation	71,625.00	2.1
Corporate Bond Research		
International Business Machines Corporation*	44,200.00	1.3
Committee for Economic Development	50,000.00	1.4
Flow of Money Payments		
Carnegie Corporation of New York	<u>41,000.00</u>	1.2
War Finance and Banking	30,000.00	
Pattern of Financial Asset Ownership	3,500.00	
Agricultural Finance	7,500.00	
Trust Investment Study Committee	15,000.00	.4
Corporate Bond Research		
National Association of Securities Dealers	<u>8,750.00</u>	.3
Research in Securities Markets	5,000.00	
Research in Capital and Securities Markets	3,750.00	
Moody's Investors Service	7,500.00	.2
Corporate Bond Research		
J. Reed Morss	5,000.00	.2
Corporate Bond Research		
Savings Banks Trust Company	5,000.00	.2
Corporate Bond Research		
Investment Bankers Association	3,750.00	.1
Research in Capital and Securities Markets		
<b>Total</b>	<u><u>\$3,438,809.13</u></u> **	100.0

\* Value of services contributed.

\*\*Not included above are services, research data, tabulations, etc. contributed by public and private agencies to an amount estimated at well over \$1,500,000.

B. Status of Current Financial Research Studies ✓

Current work on studies by the National Bureau under the Financial Research Program includes the printing of three reports that are in press, the completion of five that are in advanced stages of preparation, and exploration of suggestions for new studies.

I. Reports in Press

The reports in press are:

1. Urban Mortgage Lending: Comparative Markets and Experience, by J. E. Morton

This will be the sixth report in the series of studies in urban mortgage financing. The Urban Real Estate Finance Project under which the study was made is being financed in part with grants of funds by the Association of Reserve City Bankers, the Life Insurance Association of America, and the American Life Convention. All of the funds authorized by the Association of Reserve City Bankers for the support of the Project have been paid to the National Bureau.

Printed copies of the book are expected to be ready in February 1956.

The report summarizes factual materials developed in earlier studies in the series bearing on the markets and lending experience of major mortgage lending institutions, and supplements them with information on mutual savings banks, which were not covered in the related monographs, and on the mortgage market as a whole. Its cross-institutional comparisons contribute significantly to an understanding of the supply side of the mortgage market, and its review of loan characteristics and lending outcome for institutional lenders brings into focus the lessons that may be learned from the mortgage investing experience of the last thirty years.

2. Patterns of Farm Financial Structure, by Donald C. Horton

This book will be the fourth report resulting from the Agricultural Finance Project. The Project is being financed in part with grants of funds from the Association of Reserve City Bankers, the Life Insurance Association of America, and the American Life Convention. All of the funds authorized by the

Association of Reserve City Bankers for its support have been paid to the National Bureau.

The manuscript was sent to press in January 1956. Printed copies should be available in the fall.

The book points out how the economic and physical characteristics of agriculture affect its financing and describes the role of credit and equity funds in the financing of agricultural production.

3. The Pattern of Financial Asset Ownership: Wisconsin Individuals, 1949  
by Thomas R. Atkinson

This report has been financed with funds obtained by the National Bureau from the Carnegie Corporation of New York and is included as one of the reports of the Financial Research Program.

The manuscript was sent to press in September 1955 and galley proof is now being read. Printed copies should be ready in the summer.

The report contributes to an understanding of the factors affecting individual investment choices. Although it deals chiefly with Wisconsin individuals, many of the relationships disclosed appear to be of general application. Data of accumulated financial assets are examined for what they tell of the flow of personal savings into alternative forms of investment: traded stocks, untraded stocks, bonds, and investments made through financial intermediaries. Patterns of financial asset ownership according to income and wealth status, size of community, and occupation are analyzed, and through holdings of traded stocks the relation between income and risk taking is studied directly.

## II. Reports Nearing Completion

The five reports in advanced stages of preparation and nearing completion are:

1. Federal Programs of Lending, Loan Insurance, and Loan Guarantees  
by R. J. Saulnier, Neil H. Jacoby, and Harold G. Halcrow.

This study is being financed largely with a grant of funds from the Association of Reserve City Bankers. The grant has been paid in full to the National Bureau.

Reorganization and revision of the manuscript and extension of all statistical series to 1954, in some cases to mid-1955, were completed by the authors in the fall of 1955. Editing and remimeographing for final review and approval for publication are now under way. Copies of the full report should be remimeographed and ready by the end of February for submission for approval for publication to the Directors of the National Bureau and for circulation to the Trustees of the Banking Research Fund.

The book shows how the various credit programs of the federal government developed and where they stand today, describes the services they offer, records the experience of the government as a lender, and analyzes the impact of its credit activities on the economy.

The first draft of the material was made available to the Hoover Commission in connection with the Commission's study of federal lending programs.

2. Bank Stock Prices and the Bank Capital Problem, by David Durand

This study is being financed with a grant of funds from the Association of Reserve City Bankers. The grant has been paid in full to the National Bureau.

The text of the study, except the foreword, has been completed and will presently be remimeographed for submission for approval for publication to the Directors of the National Bureau and for circulation to the Trustees of the Banking Research Fund. The foreword is being written by R. J. Saulnier and is expected to be ready at an early date.

The study analyzes bank stock prices and the cost of bank equity capital. It examines systematically the ratio of price to book value during the period 1946-1953 when bank stocks frequently were selling at discounts from book value and many banks were reluctant to float new issues for fear of diluting the stockholders' equity. Estimates of the rates of earnings and dividends that are required to support bank stocks at book value are developed for 117 banks broken down into six groups, and means are provided for estimating how these required rates may be modified by various strategic factors -- such as size of bank, the ratio of deposits to capital, and the ratio of risk assets to capital.

3. Corporate Bond Characteristics and Investor Experience, by ✓

W. Braddock Hickman

This study is the second volume of substantive findings growing out of the Corporate Bond Research Project. It is being financed mainly with grants of funds by the Merrill Foundation for the Advancement of Financial Knowledge. Appropriations by federal agencies and grants by the Life Insurance Association were the major sources of the funds that covered the cost of compiling

the data on which the study is based. A limited amount of funds were authorized by the Trustees of the Banking Research Fund for the project all of which have been paid to the National Bureau.

Revisions of this manuscript and mimeographing are expected to be completed by March 31, 1956, at which time it will be ready to be submitted for approval for publication to the Directors of National Bureau and to be circulated to others.

Basic data on the volume, characteristics, and experience of corporate bonds issued and outstanding since 1900, as developed by this study, provided investment institutions and public regulatory agencies with information they needed to appraise prevailing investment policies. In addition to influencing these policies, the results of the study became the basis for amendments to the laws of New York and other states regulating the investments of trust funds, savings banks, and life insurance companies, and also for the setting up of loss reserves for employee pension plans, and for broad economic studies underlying the establishment of the variable annuity program of the College Retirement Equities Fund of the Teachers Insurance and Annuity Association.

4. Statistical Measures of Corporate Bond Experience,

by W. Braddock Hickman

This compilation, the third and final volume growing out of the Corporate Bond Research Project, is proceeding concurrently with the completion of the second volume mentioned in the preceding paragraphs. It contains the detailed data on corporate bond characteristics and experience and is expected to be ready for printing late in 1956.

5. Economic Fluctuations and Urban Real Estate Finance,

by Wolfgang Stolper

This report is the seventh and final volume in the series of studies in Urban Mortgage Financing.

The Urban Mortgage Real Estate Finance Project, as noted above, is being financed with grants of funds from the Association of Reserve City Bankers, the Life Insurance Association of America, and the American Life Convention. All of the funds authorized by the Association of Reserve City Bankers for the support of the project have been paid to the National Bureau.

The manuscript of this report is in draft awaiting review by the National Bureau's staff. It is hoped that the review can be completed by mid-1956 and that during the summer the author can prepare his work for consideration by the Directors of the National Bureau and others.

III. Related National Bureau Studies

In addition to the studies included under the Financial Research Program that are being conducted with the support of grants from the Association of Reserve City Bankers, other investigations in finance are going forward under the National Bureau's general and other programs. In the belief that some of these will be of interest to bank officers and to banks the following are listed.

1. Studies in Capital Formation and Financing

In mid-1950 the National Bureau began an inquiry into factors that determine the long-run demand for capital investment and for capital funds in the economy of the United States. The project is being conducted with grants of funds from the Life Insurance Association of America.

The inquiry is organized primarily about the major capital using sectors of the economy -- agriculture, mining, manufacturing, public utilities, residential real estate, government, and the foreign sector. Each is the subject of study designed to analyze the factors that have determined trends in capital formation and financing in the sector and to indicate, so far as possible, the significance of these factors for the future.

Another part of the investigation focuses on intermediary financial institutions in order to establish trends in external financing channeled through the different kinds of institutions and to link them with various groups of capital users.

Titles of the books in preparation are:

- a) Capital Formation in Residential Real Estate: Trends and Prospects by Leo Grebler, David M. Blank, and Louis Winnick
- b) Financial Intermediaries in the Saving and Investment Process in the American Economy, 1900-1952, by Raymond W. Goldsmith
- c) Capital Formation and Financing in Agriculture, by Alvin S. Tostlebe
- d) Capital Formation and Financing in Manufacturing and Mining, by Daniel Creamer, Sergei Dobrovolsky, and Israel Borenstein

- e) Capital Formation and Financing of Public Utilities, by Melville J. Ulmer
- f) Capital Formation and Financing in Government, by Morris A. Copeland
- g) Capital Formation and Financing in the American Economy: Summary Volume, by Simon Kuznets

The first two of the above-listed books are in press. The others are nearing completion and are expected to go to press in 1956 or 1957.

## 2. Postwar Capital Market Study

This study is an integrated analysis of developments in the American capital market during the postwar decade, 1946-1955, to show how the functioning of the market has changed in response to social and economic changes over the past quarter century.

The rise in the federal debt; the shift toward greater dependence by corporations upon internal sources of funds; the changes in the financial structure of banks; changes in the sources of and outlets for savings; the rise in the importance of life insurance companies, pension funds, investment trusts, and mutual funds among financial intermediaries; and other developments have made the postwar capital market different from the prewar. The study is designed to analyze such changes and to throw light on their significance.

The investigation is being financed by a grant of funds to the National Bureau by the Life Insurance Association of America. Work on it began in July 1955.

IV. Explorations for New Studies

The Trustees of the Banking Research Fund at their April 1955 meeting expressed interest in three financial areas -- lending policies and their bearing on the quality of loans in booms and depressions, the structure and behavior of interest rates, and the changing structure of credit and savings facilities -- and requested the National Bureau to make exploratory studies and to plan new work in one or more of those areas.

The results of the National Bureau's explorations and its recommendations are included in the attached report, Suggestions for Further Work.

Appendix A

Publications in Finance, 1936-1955

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National Bureau of Economic Research, Inc.

February 6, 1956

Publications in Finance, 1936-1955

Marked & init by  
WWR to indicate  
studies he supervised  
& guided.

A. Financial Research Program

I. A Program of Financial Research

BOOKS

Report of the Exploratory Committee on Financial Research, Exploratory  
Committee on Financial Research, 1937 ✓

Inventory of Current Research on Financial Problems, Exploratory  
Committee on Financial Research, 1937 Young

PAPERS

Research in Securities Markets, Exploratory Committee on Research in  
Securities Markets, 1946

Research in the Capital and Securities Markets, Exploratory Committee  
on Research in the Capital and Securities Markets, 1954

II. Studies in Consumer Instalment Financing

BOOKS

Personal Finance Companies and Their Credit Practices, Ralph A.  
Young and Associates, 1940 ✓

Sales Finance Companies and Their Credit Practices, Wilbur C.  
Plummer and Ralph A. Young, 1940 ✓

Commercial Banks and Consumer Instalment Credit, John M. Chapman and  
Associates, 1940 ✓

Industrial Banking Companies and Their Credit Practices, Raymond J.  
Saulnier, 1940 ✓

Government Agencies of Consumer Instalment Credit, Joseph D. Coppock,  
1940 ✓

The Pattern of Consumer Debt, 1935-36: A Statistical Analysis, Blanche  
Bernstein, 1940 ✓

The Volume of Consumer Instalment Credit, 1929-38, Duncan McC.  
Holthausen in collaboration with Malcolm L. Merriam and Rolf  
Nugent, 1940 ✓

Risk Elements in Consumer Instalment Financing, David Durand, 1941 ✓

WWR  
10 Books  
2 Bull

Publications in Finance, 1936-1955

Consumer Instalment Credit and Economic Fluctuations, Gottfried Haberler, 1942 ✓

Comparative Operating Experience of Consumer Instalment Financing Agencies and Commercial Banks, 1929-41, Ernst A. Dauer, 1944 ✓

BULLETINS

The Statistical Pattern of Instalment Debt, R. A. Young and Blanche Bernstein, 1939 ✓

The Volume of Consumer Instalment Credit, 1929-1938, Duncan McC. Holthausen, Malcolm L. Merriam, and Rolf Nugent, 1940 ✓

TECHNICAL PAPERS

Factors Affecting the Demand for Consumer Instalment Sales Credit, Avram Kisselgoff, 1952

III. Studies in Business Financing

BOOKS

Term Lending to Business, Neil H. Jacoby and Raymond J. Saulnier, 1942 ✓

Financing Small Corporations in Five Manufacturing Industries, 1926-36, Charles L. Merwin, 1942 ✓

Accounts Receivable Financing, Raymond J. Saulnier and Neil H. Jacoby, 1943 ✓

The Financing of Large Corporations, 1920-39, Albert Ralph Koch, 1943 ✓

Financing Equipment for Commercial and Industrial Enterprise, Raymond J. Saulnier and Neil H. Jacoby, 1944 ✓

Financing Inventory on Field Warehouse Receipts, Neil H. Jacoby and Raymond J. Saulnier, 1944 ✓

The Pattern of Corporate Financial Structure: A Cross-Section View of Manufacturing, Mining, Trade and Construction, 1937, Walter A. Chudson, 1945 ✓

Corporate Cash Balances, 1914-43: Manufacturing and Trade, Friedrich A. Lutz, 1945

Business Finance and Banking, Neil H. Jacoby and Raymond J. Saulnier, 1947 ✓

WWR  
8 books

Publications in Finance, 1936-1955

Corporate Income Retention, 1915-43, Sergei P. Dobrovolsky, 1951

Conference on Research in Business Finance, Universities-National  
Bureau Committee for Economic Research, 1952

IV. Studies in Urban Mortgage Financing

BOOKS

Urban Mortgage Lending by Life Insurance Companies, R. J. Saulnier,  
1950

The Impact of Government on Real Estate Finance in the United  
States, Miles L. Colean, 1950

Urban Real Estate Markets: Characteristics and Financing, Ernest M.  
Fisher, 1951

History and Policies of the Home Owners' Loan Corporation, C. Lowell  
Harriss, 1951

Commercial Bank Activities in Urban Mortgage Financing, Carl F.  
Behrens, 1952

Urban Mortgage Lending: Comparative Markets and Experience, J. E.  
Morton (in press)

Economic Fluctuations and Urban Real Estate Finance, Wolfgang  
Stolper (in manuscript)

V. Studies in Agricultural Finance

BOOKS

Mortgage Lending Experience in Agriculture, Lawrence A. Jones and  
David Durand, 1954

Patterns of Farm Financial Structure, Donald C. Horton (in press)

OCCASIONAL PAPERS

Cost and Returns on Farm Mortgage Lending by Life Insurance Companies,  
1945-1947, R. J. Saulnier, 1949

Agricultural Equipment Financing, Howard G. Diesslin, 1955

Publications in Finance, 1936-1955

VI. Studies in Corporate Bond Financing

BOOKS

The Volume of Corporate Bond Financing since 1900, W. Braddock  
Hickman, 1953 ✓

Corporate Bond Characteristics and Investor Experience, W. Braddock  
Hickman (in manuscript) ✓

OCCASIONAL PAPERS

Trends and Cycles in Corporate Bond Financing, W. Braddock Hickman,  
1952 ✓

TECHNICAL PAPERS

Basic Yields of Corporate Bonds, 1900-1942, David Durand, 1942 ✓

Basic Yields of Bonds, 1926-1947: Their Measurement and Pattern,  
David Durand and Willis J. Winn, 1947 ✓

VII. Studies in War Finance and Banking

OCCASIONAL PAPERS

The Banking System and War Finance, Charles R. Whittlesey, 1943

The Effect of War on Business Financing: Manufacturing and Trade,  
World War I, Charles H. Schmidt and Ralph A. Young, 1943

The Effect of War on Currency and Deposits, Charles R. Whittlesey,  
1943

British and American Plans for International Currency Stabilization,  
J. H. Riddle, 1943

Canada's Financial System in War, Benjamin H. Higgins, 1944

Nazi War Finance and Banking, Otto Nathan, 1944

The Federal Reserve System in Wartime, Anna Youngman, 1945

Bank Liquidity and the War, Charles R. Whittlesey, 1945

Lombard Street in War and Reconstruction, Benjamin H. Higgins, 1949

WWR  
2 Bks  
3 papers

Publications in Finance, 1936-1955

VIII. Other Studies

BOOKS

The Pattern of Financial Asset Ownership: Wisconsin Individuals, 1949, Thomas R. Atkinson (in press)

Federal Programs of Lending, Loan Insurance, and Loan Guarantees, Raymond J. Saulnier, Neil H. Jacoby, and Harold G. Halcrow (in manuscript)

Bank Stock Prices and the Bank Capital Problem, David Durand (in manuscript)

B. Related Programs

I. Studies in the Flow of Funds

BOOKS

A Study of Moneyflows in the United States, 1952, Morris A. Copeland, /

II. Studies in Capital Formation and Financing

BOOKS

Capital Formation in Residential Real Estate: Trends and Prospects, Leo Grebler, David M. Blank, and Louis Winnick (in press)

Financial Intermediaries in the Saving and Investment Process in the American Economy, 1900-1952, Raymond W. Goldsmith (in manuscript)

Capital Formation and Financing in Agriculture, Alvin S. Tostlebe (in preparation)

Capital Formation and Financing in Manufacturing and Mining, Daniel Creamer, Sergei Dobrovolsky, and Israel Borenstein (in preparation)

Capital Formation and Financing of Public Utilities, Melville J. Ulmer (in preparation)

Capital Formation and Financing in Government, Morris A. Copeland (in preparation)

Capital Formation and Financing in the American Economy: Summary Volume, Simon Kuznets (in preparation)

nwr  
1

Publications in Finance, 1936-1955

OCCASIONAL PAPERS

The Role of Federal Credit Aids in Residential Construction, Leo Grebler, 1953

Capital and Output Trends in Manufacturing Industries, 1880-1948, Daniel Creamer, 1954

The Share of Financial Intermediaries in National Wealth and National Assets, Raymond W. Goldsmith, 1954

The Growth of Physical Capital in Agriculture, 1870-1950, Alvin S. Tostlebe, 1954

Capital and Output Trends in Mining Industries, 1870-1948, Israel Borenstein, 1954

TECHNICAL PAPERS

The Volume of Residential Construction, 1889-1950, David M. Blank, 1954

III. Other Studies

TECHNICAL PAPERS

Currency Held by the Public, the Banks, and the Treasury, Monthly, December 1917-December 1944, Anna Jacobson Schwartz and Elma Oliver, 1947

Members -

SEcon.

Icon  
11/12/22

## MEMBERSHIP - 1937-1948

5 (2/6/58)  
 5 10

## SCHOOL OF ECONOMICS

<u>Period</u>	<u>Name</u>
1937	H. C. B. Mynors
1939, 1949/50, 1950	Sir Henry Clay
1940/41	Erich Roll
1941, 1941/42	David Durand
1941/42	W. Braddock Hickman
1941/42	Robert D. Leigh
1941/42, 1942/43, 1943/44, 1944/45	Jonathan Mitchell
1941/42, 1942/43, 1946	Clarence D. Long, Jr.
1941/42	Etienne Mantoux
1943/44, 1944/45, 1945/46	Friedrich Lutz
1944, 1945/46, 1946/47, 1947/48	Walter B. Schiffer
1944/45, 1945/46	Richard P. Blackmur
1945	C. W. Everett
1944/45	Adrienne Koch
1945, 1945/46, 1946/47, 1947/48	Lucius Wilmerding, Jr.
1945	J. R. N. Stone
1946	Alexander Loveday
1946, 1946/47, 1947/48, 1948-49, 1949/50	E. A. Goldenweiser
1946	Noel Hall
1945/46, 1946/47	William O. Aydelotte
1946	Alexander Baykov
1945/46	Norman S. Buchanan
1945/46, 1946/47, 1947/48, 1948-49, 1949/50	John C. Cooper
1946/47, 1947/48 (now permanent)	Jacob Viner

NBER (wvr  
 wvr

2 yrs 949 Fallow -  
 last 2 legal assist to  
 Cooper

RE wws  
 RE

EME  
 wvr

1946/47, 1947/48

WWR Ragnar Nurkse

1946/47, 1947/48

WWR John Lindberg

1947

E. F. Penrose

1947

EME Frank Tannenbaum

1947 (1 month)

David Mitrany

1948

WWS Arnold J. Toynbee

1948

Richard B. Morris

1947/48

Torquato C. Giannini

1948

S. V. Wantrup

1948/49, 1949/50

Ausley J. Coak

1948/49

Joseph S. Davis

1948/49, 1949/50

Herbert Feis

1948/49

Erich Kahler

1946

vert. file

6/27

SCHOOL OF ECONOMICS AND POLITICS

Academic Organization

Memberships and Stipends in the School of Economics.

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

Plea - Economy of op. - doesn't cost gas much

S File, Reports, Memoranda, 1946-7

File copy #2

June 27, 1946

Memberships and Stipends in the School of Economics

1936 - 1946

Since 1936 when the first members in the School of Economics were appointed, there have been a total of twenty-four members. The terms of membership have varied from a few months to as much, in a single instance, as four years. The average term per member has been 14 months. Of the twenty-four members, twelve received stipends from the Institute, sometimes supplemented by financing from outside sources. The other twelve members have been financed entirely without use of Institute funds. The principal sources of outside financing have been the Rockefeller Foundation (7 members) and the Guggenheim Foundation (4 members). The total stipends from the Institute over the ten-year period 1936-46 has been \$54,615.76. Divided among twenty-four members and after allowance for the varying duration of membership, the average monthly stipend from Institute sources has been \$163.00 per month or somewhat less than \$2,000 per year. The members that have received stipends from Institute funds have averaged somewhat longer terms (15 months) and the average stipend has been \$2600 per annum. Much the larger part of the Institute financing of membership in the School of Economics has not come from the so-called "Stipend Fund" but from the special grant made the School of Economics called the Rockefeller-Bamberger Grant.

Apart from fellowships from the Rockefeller Foundation and the Guggenheim Foundation, there have been several instances of substantial supplements to Institute stipends from outside sources and also cases where the entire financing was carried by outside agencies.

Reverse  
logic  
as sum!

1. During the first two years of the membership of Clarence D. Long, Jr. he was a Guggenheim fellow and his study was supported by funds from Wesleyan University and the National Bureau of Economic Research as well as by the Institute.

2. In the first year of his membership, 1944-45, <sup>R.</sup> Mr. R. F. Blackmur received a stipend from the Institute of \$4,000; in his second year the Institute's contribution was \$1500 and the Rockefeller Foundation made a grant for him through the Institute of \$2500.

3. During the year 1945-46, the Twentieth Century Fund supported the studies of Dr. Norman S. Buchanan and Dr. Friedrich Lutz at no expense to the Institute.

4. The Rockefeller Foundation made a five-year grant of \$8,000 per year in support of the studies of Mr. John C. Cooper, \$2,000 of which was a supplement to his Institute membership stipend of \$4,000 and the remaining \$6,000 per year was made available for research assistance, secretarial help, purchase of books and travel expenses.

5. The Institute received from the Rockefeller Foundation a grant of \$4,000 as an additional stipend for Mr. Alexander Loveday with the understanding that when Mr. Loveday takes up his fellowship at Nuffield College, the stipend balance will be administered by Nuffield College.

6. Beginning in the autumn of 1946, Mr. John Lindberg will be a member of the Institute entirely financed by a two-year grant from the Rockefeller

Foundation which provides \$6,000 per year as a membership stipend and \$1,000 for clerical assistance.

7. The Committee for Economic Development is financing through the Institute the studies of Mr. Ragnar Nurkse, beginning in the autumn of 1946.

*we believe*

This one-year grant provides for a membership stipend of \$6,000 and a sum of \$1,500 for clerical assistance.

8. Two memberships in the School of Economics are entirely without stipend or financial support from any source. One is Dr. Jacob Viner, who takes up his professorship at Princeton University in the autumn of 1946 and the other is Dr. E. A. Goldenweiser.

6/27/46

School of Economics

Members - 1946-47

*Bladen*

Financing

Cooper, J. C.	Inst. \$4,000	RF \$8,000
Goldenweiser, E. A.	-	-
Lindberg, John (Sep. 1946)		RF
Loveday, A.	Inst. 4,000	RF 4,000
Nurkse, R. (Aug. 1, 1946)		CRD
Schiffer, W.		Guggenheim
Viner, Jacob	-	-
Wilmerding, L.	Inst. 3,000	
Rousseaux, P. (May-Sep. 1946)		RF

*By Delata, W.*

File copy 5-10  
562/6755  
June 27, 1946

Memberships and Stipends in the School of Economics

1936 - 1946

See list 1937?

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1945

Commercial School? <sup>2/27</sup> ~~Wanted~~ S.E.P. Note most w/ Sel Sec Sec  
WWS tried to get \$4m p.a. for Cooper

from "Econ. surplus acct" rather than from  
stipend fund for S.E.P. F.A. to compare w/ Treas.  
about it.

(Cooper to get 10m p.a. from R.F.W. 2 for  
Sel to make 6m, 8 for exp. + secretary

Note disc. of proj. for Twentieth Cent Fd  
for a study of commercial policy.  
WWS - Kamm to be Terminated (Cordis)

Bladunne on grant RF + GA S.

Everett " " "

6/29/45 Note ambivalens in Viner -

2/17/47 Nutter Schiffer Fr asst Cooper w/o stipes

1947-8 SEP. Nts on stipes (from M)

(Becking, Cooper + (Dorina Fleming) out of WS. Fds in part  
SSRC RF Conyne)

goldenensis, Schiffer from CED + R-B H resp.

Mit from Mrs Hs

From outside - Feis, Viner, Woodman

" " Coale, Davis, Tompkin from SSRC-N RC,  
RF + RF resp.

See page 7  
1947-48

6/29/45.

Note 1st A where Mike  
is to be sought if necessary  
Pete - (FA to discuss w/Dick  
before w/s speaks to Van)

Note no mention SEP  
Mts of 47-48 Pot.

Shirley

Caro

Mark

Samuel

Also no mention Eddie

Memo -

New Report 6/27/46

reproduced for John

This Sec II  
is dated that Mrs  
Lang, London, Guyana  
Metcalf, etc did not  
work at OAS

But see 11/26/43

P 4 saying that  
Lutz also worked part of  
time at Hillside (all of time)

Note disc. possible of  
formerly being part of NBER

WIC -

Who was DeLann?  
brought into end 1940 -

1945-48

vert. file

SCHOOL OF ECONOMICS AND POLITICS

Academic Organization

School documents and memos.

Filed in Vertical File under "E" for School of Economics  
and Politics.

D, School of Economics and Politics

MEETING OF SCHOOL OF ECONOMICS AND POLITICS

February 27, 1945

(1) It was voted that an invitation to membership should be extended to C. W. Everett.

(2) It was agreed that the invitation from the National Bureau for the Institute to nominate a director should be accepted.

*Can wife*  
(3) It was agreed that Richard Stone should be invited to membership in the Institute for a period of three months with a stipend of \$600 per month for himself and his wife plus a travel allowance of \$1,200. It was suggested that the invitation be conveyed by cable immediately.

(4) Professor Riefler's invitation to Noel Hall was approved. It was expected that the Rockefeller Foundation will finance Mr. Hall's study at the Institute.

(5) The project of John Cooper for a study of the international laws of the air was carefully discussed and it was agreed that arrangements should be undertaken to carry through this project. It was suggested that the Institute be prepared to finance it at the rate of \$4,000 per year for five years, provided we can obtain a subsidy from the Rockefeller Foundation of \$10,000 per year for the same period, to provide stenographic and research assistance. It was agreed that Mr. Cooper's stipend should be \$6,000 per year, \$4,000 from the Institute and \$2,000 from the Rockefeller Foundation. It was urged that the expense of this project should be defrayed out of the Economics Surplus Income Account rather than from the regular stipend fund. The Director promised to consider this and to confer with the Treasurer about it. The Director has also undertaken to transmit to Dr. Willits Mr. Cooper's name and budget, together with a letter making a request for assistance from the Rockefeller Foundation.

(6) The project of the Twentieth Century Fund for a study of commercial policy, international investment and international monetary arrangements was discussed. For many reasons it seems particularly fitting that this study should be carried on at the Institute. No action was taken pending a consultation with Dr. Dewhurst March 7th and 8th.

(7) It was noted that Mr. Mitchell's membership expires March 31, 1945 and that Mr. Wilmerding begins his membership March 1, 1945.

(8) Dr. Goldenweiser is expected to visit the Institute March 13th to 15th and the question was discussed of extending him an invitation to membership at some future time. No action was taken.

Meeting of School of Economics and Politics

February 27, 1945

(9) The proposal to invite Miss Timlin to the Institute should she secure a Guggenheim Fellowship was discussed but no definite action was taken.

(10) The whole question of possible new appointments to the Faculty of Economics and Politics was discussed and it was agreed that a list of names should be prepared from the fields of economics, political science and history for future consultation.

(11) The possibility of the location in Princeton of some part of the work of the National Bureau was discussed but no action was taken.

(12) It was agreed that Dr. Kann should be notified that his period of membership in the Institute should end at the expiration of the present academic year.

Frank Aydelotte

MEMORANDUM

MEETING OF SCHOOL OF ECONOMICS

JUNE 29, 1945

1. Stewart thinks it probable that Viner will refuse the Princeton invitation. Viner returns to Princeton July 19th. If he has refused the Princeton offer by that time, Mr. Stewart may sound him out informally as to the possibility of his coming to the Institute. FA to discuss the matter with President Dodds August 1st before saying anything to Professor Viner.

2. If Mr. Loveday leaves the League of Nations, it is proposed to offer him membership in the Institute for two years with a stipend of \$4,000 per year plus an additional \$4,000 or \$6,000 from the Rockefeller Foundation.

3. FA to invite Professor Norman S. Buchanan and Dr. Friedrich Lutz to membership. FA to write a letter of invitation to Noel Hall and if possible see him in England.

4. Per Jacobson will spend a few months at the Institute as a visitor. He will need an office but no invitation to membership.

5. Mr. and Mrs. Richard Stone arrive in September. FA to see them in England if possible.

6. Dr. Goldenweiser will return from Europe and take up his work at the Institute in December or January.

7. During the absence of Mr. Blackmur and Miss Koch and various League members this summer, their rooms can be used for visitors. It is proposed to keep Mr. Blackmur's room especially for this purpose.

8. It was the sense of the Department that a suggestion should be made to Mr. Cooper that he resign his directorship of Pan American Airways about the time that he takes up his work at the Institute, say January 1st.

9. Dr. Stevens of the Rockefeller Foundation is prepared to make a grant for an exploratory study of a project on the Annals of Congress. It was suggested that Dr. Chester Wright who is now retiring from the University of Chicago might be a good man to make this study.

10. It was voted that the Department should very regretfully decline Professor Patton's application for membership.

Frank Aydelotte

FA:jsr

SCHOOL OF ECONOMICS AND POLITICS

STIPENDS

1945-1946

MEMBERS

Richard P. Blackmur, Rockefeller Foundation Grant, \$2,500	\$1,500
Norman S. Buchanan	No stipend
John C. Cooper, Jr. Rockefeller Foundation Grant, \$8,000 Institute for Advanced Study, 4,000	4,000 IAS 2,000 RF
Charles Warren Everett, Rockefeller Foundation grant-in-aid	2,000
E. A. Goldenweiser	No stipend
Noel Hall	No stipend
Adrienne Koch, Guggenheim Fellow ?	No stipend
Friedrich Lutz	No stipend
Richard Stone	\$600 a month for 3 months, plus travelling expenses up to \$1,200
Lucius Wilmerding, Jr. ?	

MEMORANDUM OF MINUTES OF MEETING OF  
SCHOOL OF ECONOMICS AND POLITICS

FEBRUARY 17, 1947

Present: Dr. Aydelotte, Professor Riefler, Professor Stewart  
and Professor Warren.

The following votes were unanimous:

(1) That Dr. E. A. Goldenweiser should have renewal of his membership in the Institute for the academic year 1947-1948 without stipend.

(2) That Mr. Lucius Wilmerding should be renewed for the year 1947-1948 with a stipend of \$3,000.

(3) That Professor Jacob Viner should be appointed member without stipend for the year 1947-1948. Since this is Mr. Viner's second year, no Faculty action is needed.

(4) The same applied to Mr. John G. Cooper and Mr. John Lindberg whose memberships and stipends are already arranged.

(5) Informal action of the School in appointing Professor E. E. Carr to membership for the second term of 1947-1948 with a stipend of \$3,500 from the Carnegie Corporation; Professor Hans Kohn of Smith College to membership for the second term of 1947-1948 with a stipend of \$2,500 and Colonel Shinkin to membership for 1947-1948 without stipend was approved.

(6) It was voted that in case Professor David Mitranj should find it possible to spend a longer time at the Institute during the academic year 1947-1948, his stipend might be increased from \$1,200 to \$1,500 at the general rate of \$300 per week for the time which he spends at the Institute.

(7) It was noted that Professor Walter Schiffer will become an assistant to Mr. Cooper without any call on Institute funds and there was general discussion of possible appointments for Professor Hargate and Professor Spangler of Duke in which cases no action was taken.

Frank Aydette  
Director

School of Economics and Politics  
1948-1949

7  
School

<u>Stipend Appropriation</u>	\$20,000.00	
Edward H. Buehrig (1st term) (+ \$ 837.50 from Carnegie Fund + \$1500.00 from SSRC grant)	\$ 837.50	
John C. Cooper (+ \$2000 stipend from Rockefeller + \$6000 expenses from Rockefeller)	4,000.00	
Denna F. Fleming (full year) (+ \$1500 from Carnegie Fund)	1,500.00	
	6,337.50	
	13,662.50	Balance

Special Grants

E. A. Goldenweiser (for expenses other than salary)	\$5,000	Committee on Economic Development
Walter Schiffer (\$100.00 per chapter, on submission and Faculty approval of chapter; expects to complete 12.)	\$1,200	Rockefeller-Bamberger Fund (Balance April 1, 1948: \$68,415.69)
David Mitraný (+\$2800 from available funds)	\$1,200	Institute Budget, fiscal 1948-49

Non-stipend Members

- Herbert Feis (full year)  
(may require grant later in year)
- Jacob Viner (permanent)  
(no formal appointment yearly)
- E. L. Woodward (1st term)  
(5-week visitor)

Fellowships and Special Grants  
(not handled by Institute)

Ansley J. Coale (full year)	\$5,000 (SSRC-NRC)	
Joseph S. Davis (2nd term)		Rockefeller Foundation
Arnold J. Toynbee (2nd term)		Rockefeller Foundation

## MEMBERSHIP - SCHOOL OF ECONOMICS - 1947-48

Term	Name and Project	Office	Financing	Comments
5-year project	Cooper, John G. (Miss Miers, res. Ass't.) Project: Study of the law of international aviation	305 306	Rockefeller Institute 8,000 (2,000 stipend) 4,000 (stipend) (6,000 other)	Unexpended balance of total RF grant of \$40,000 to revert to Foundation at 6/30/50
2nd yr of membership	Goldenweiser, E. A. Project: study of monetary and credit problems	206	no financing	C.E.D. project under consideration
2nd yr. of membership	Lindberg, John Project: preparation of ms. on a social philosophy	308	Rockefeller 6,000 stipend 1,000 other	Grant of \$14,000 made by RF for 2-year period with unexpended balance reverting July 1, 1948
2nd yr. of membership	Nurkse, Ragnar Project: study of inventories.	303	C.E.D. 6,000 stipend (first year only)	(office to be vacated end of 1st term; hold for Wantrup)
2-1/2 years membership	Schiffer, Walter B. Project: Study of conflicting ideas in international organization.	202	Guggenheim (two years) Institute 1,500 stipend for six months (also receives \$60 monthly from Cooper fund for part-time consultation)	First two years of membership under Guggenheim Fellowship interrupted one year to allow S. to teach at Syracuse. Fellowship completed 4/30/47. Present Institute membership to terminate April 1, 1948
3rd year membership	Wilmerding, Lucius, Jr. Project: study of government accounting offices	307	Institute 3,000 stipend	
2nd yr. of membership	Viner, Jacob	none	no financing	Prof. Viner is full-time at the University
end of membership	Giannini, T. C. Project: will work in conjunction with Cooper study	313	Rockefeller 3,000 stipend	(delayed in obtaining visa and passage from Italy)
2nd term	Wantrup, S. V. Project: study of economic fluctuations in their relations to political and institutional changes	(303)	Guggenheim (for seven months)	Arrives in January, 1948; membership through July. On leave from University of California
2nd term	Toynbee, A. J. Project: continuation of "Study of History"	A-wing	Rockefeller grant (through Chatham House, London)	Prof. Toynbee will arrive the middle of February for a three months' stay.
visitor 2nd term	Balogh, Thomas			on leave from Oxford; will spend approx. 3 weeks here March-April
?	Morris, R. B.		Guggenheim	
?	Copland, D. B.			"proposed membership"
Permanent Member	Mitrany, David			Proposal for annual visit under consideration.
1-year	<u>POLITICS</u> Shiskin, Demetri	107	Provided own financing (Social Science Research Council Fellowship)	
2nd term	Carr, E. H.	108-A	Carnegie Seminar Fund-\$3500 (\$2000 stipend, \$1500 expenses)	
2nd term	Kohn, Hans	108	Carnegie Seminar Fund-\$2500	
2nd term	Sumner, E. H.	107-A	No stipend: To pay expenses to and from England and expenses in this country (Carnegie Seminar Fund)	Visitor (About 4 weeks in spring)

THE INSTITUTE FOR ADVANCED STUDY

Founded by Mr. Louis Bamberger and Mrs. Felix Fuld

PRINCETON, NEW JERSEY

C. Toynebee

CC: Dr. Adelotte

October 3, 1947

Dear Toynebee:

Word has reached me through Dr. Willits that you now plan to come to Princeton in January and spend four months with us. We are delighted with this news and have already arranged such matters as living space and office accommodations for you and Mrs. Toynebee.

Since, owing to the pressure of increased memberships, certain changes in plans have been required, I will describe the present arrangements in some detail.

Living accommodations: Unfortunately it was not possible to reserve one of the small Institute houses for a four months' period, since they were required by members who will be in residence through the entire academic year. I believe, however, we have a substitute which you will find entirely comfortable and convenient. It consists of a furnished, three-room apartment (living room, bedroom, kitchen and bath) on the second floor of an apartment house on Palmer Square. I am enclosing a floor plan, so you and Mrs. Toynebee can see the scale and character of accommodations. The rent, to be paid to the Institute, is \$75 a month for January and February, and then is to be raised 19%, or to \$82.50 for March and April. The telephone, gas and light are separate.

While you will not be as near the Institute as you would be in one of the small houses, in some ways you may be more comfortable, particularly during the winter months. There is a regular Institute bus service between Palmer Square and the Institute. Unless I hear from you to the contrary, we will reserve this apartment for you from January through April.

Office space: The Institute cannot provide quite the same luxury of office space as during your visit in March. An office large enough for both you and Mrs. Toynebee has been set

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October 3, 1947

aside in the Humanities Wing. You will be nearer the classicists than the economists, but this may make you feel even more at home and in any case, it will be quiet and free from intrusions.

I hope you will have no difficulty in arranging your steamer accommodations. When you have made your booking, could you let us know as promptly as possible your expected date of arrival. If there is anything I can do for you please do not hesitate to let me know.

All of us are looking forward to your stay with us and want to make your period of membership as pleasant and productive as possible. I continue to feel that your decision to come to this country for the purpose of finishing The Study of History was not only basically right but well-timed.

My very best regards to both of you,

Sincerely,

Walter W. Stewart

Professor A. J. Toynbee  
Chatham House  
10 St. James Square  
London, England

School of Economics (and Politics)\*

	1935-36	1936-37	1937-38	1938-39	1939-40	1940-41	1941-42	1942-43	1943-44	1944-45	1945-46	1946-47	1947-48	1948-49	
20 Nassau Street	W.W. Rietler D. Mitrany <sup>10/35</sup> E.M. Earle <sup>11</sup>  H.M. Wise <sup>12/15/35</sup>														
69 Alexander Street (Summer 1936)		W.W. Rietler D. Mitrany E.M. Earle  H.M. Wise H.C.B. Mynors	W.W. Rietler D. Mitrany E.M. Earle  H.M. Wise	W.W. Rietler D. Mitrany <sup>21</sup> E.M. Earle  H.M. Wise V. Tscheboteroff (1/38)	...	...	...	...	...	...	...	... <sup>11/</sup>	...	...	
69 Alexander St. Princeton Inn, Dec. 1938 69 Alexander St (Summer 39) Fuld Hall - Sept. 1939					W.W. Rietler <sup>3/</sup> E.M. Earle 1/39 W.W. Stewart <sup>4/1 3/</sup> 1/39 R.B. Warren <sup>5/1 3/</sup>	Rietler Earle Stewart Warren	Rietler Earle Stewart Warren	Rietler Earle Stewart Warren	Ridler Earle Stewart Warren	Rietler Earle Stewart Warren	Rietler Earle Stewart Warren	Rietler Earle Stewart Warren	Rietler Earle Stewart Warren	Earle Stewart Warren	
					H.M. Wise M.C. Miller V.T. Bill <sup>(Tscheboteroff)</sup>	Wise Bill	Wise Bill	Wise Bill	Wise Bill	Wise Horton	Wise Horton Miers <sup>10/</sup>	Horton Miers Feltason Dawn	Horton Miers Dowey Braude	Horton Miers Farr Cowenhoran Eastman <sup>12/</sup>	
					H. Clay M. Fleming	Durand Hickman E. Roll	Durand Hickman J. Mitchell C.D. Long	Durand Mitchell Long	Mitchell Long	Mitchell Long	Mitchell Long <sup>11/</sup>	A. Lovaday Long <sup>11/</sup>	R. Nurkse Lindberg Lutz Schiffer <sup>21</sup>	Nurkse Lindberg Schiffer Schiffer	A. Coale H. Feis d.S. Davis
					League Group Oct. 1940	R.D. Leigh <sup>6/</sup> A. Landau <sup>act 6/</sup> Czeczowicka			F.A. Lutz <sup>act 7/</sup> W. Schiffer	Lutz Schiffer <sup>21</sup>	Lutz Schiffer	E.F. Penrose Schiffer	S.V. Wantrap Schiffer	Kahler Goldanweiser	
												J.R.N. Stone N.S. Buchanan U.C. Cooper A. Baykov A. Lovaday Long <sup>11/</sup> Lutz Schiffer <sup>21</sup> R.P. Blackmur A. Koch L. Wilmerding C.W. Everett	A.J. Toynbee A.J. Toynbee Cooper <sup>13/</sup> Viner <sup>13/</sup> Nurkse Lindberg Schiffer Schiffer F. Tannenbaum R.B. Morris Goldenweiser Goldenweiser Goldenweiser Goldenweiser T. Giannini		

\* Does not include those working with Prof. Earle.  
<sup>1</sup> Not in residence until 1937  
<sup>2</sup> Left summer of 1939 (May) on leave.  
<sup>3</sup> Treasury, Sept-Dec. 1939  
<sup>4</sup> 15 Wm. St. NYC. Summer '39  
<sup>5</sup> F.R.B., Sept. 1939 - ?  
<sup>6</sup> Apr. - Nov. 1942  
<sup>7</sup> Left Nov. 1944 to take post at Syracuse  
<sup>8</sup> Second term  
<sup>9</sup> Second term to complete interrupted grant. Not in residence.  
<sup>10</sup> Res. Ass't to Mr. Cooper  
<sup>11</sup> Made Permanent Member of School by Trustees on April, 1946.  
<sup>12</sup> Res. Ass't. to Mr. Cooper, starting Jan. 1949 - May, 1950  
<sup>13</sup> Made permanent member - Feb. 1950.

League disbanded

School of Economics

	1935-36	1936-37	1937-38	1938-39	1939-40	1940-41	1941-42	1942-43	1943-44	1944-45	1945-46	1946-47	1947-48	1948-49	
20 NASSAU ST.	W.W. Riefler D. Mitranj E.M. Earle* 12/13/35 H.M. Wise														
69 Alexander St.		W.W. Riefler D. Mitranj E.M. Earle H.M. Wise	W.W. Riefler D. Mitranj E.M. Earle H.M. Wise	W.W. Riefler D. Mitranj** E.M. Earle H.M. Wise 1/28 V. Tschebotareff ✓											
69 Alexander Street Princeton Inn - Dec. 1938 69 Alexander Street Summer 1939 Fuld Hall - Sep 1939			W.W. Riefler D. Mitranj E.M. Earle H.M. Wise M.C. Miller H. Clay M. Fleming	W.W. Riefler D. Mitranj E.M. Earle Jan 1939 Jan 1939 H.M. Wise M.C. Miller Spring 1939 Winter-Sp 39	W.W. Riefler <sup>3/1</sup> D. Mitranj <sup>4/1</sup> E.M. Earle W.W. Stewart <sup>2/3/1</sup> R.B. Warren <sup>4/1/3/1</sup> H.M. Wise ✓ M.C. Miller ✓ V. Tschebotareff ✓ H. Clay M. Fleming										
Fuld Hall					Dec 1940 D. Durand W.B. Hickman Apr + Sep 1940 E. Roll League group Oct 1940	D. Durand <sup>1/42</sup> W.B. Hickman <sup>1/41</sup> J. Mitchell C.D. Long <sup>1/41</sup> R.D. Leigh <sup>Jan-Jn. 1941</sup> Wise ✓ Tschebotareff Wise ✓ Tschebotareff asst. <sup>10/43</sup> A. Landau <sup>asst.</sup> H. Czeczowiczka <sup>ant</sup> Apr. - Nov 1942	D. Durand <sup>1/42</sup> W.B. Hickman <sup>1/41</sup> J. Mitchell T. Mitchell <sup>1/43</sup> C.D. Long <sup>10/43</sup> F.L. Lutz <sup>7/1/43</sup> F.L. Lutz <sup>7/1/45</sup> W. Schiffer <sup>1/43</sup> W. Schiffer <sup>5/44</sup> R.P. Blackmur <sup>7/1/44</sup> A. Koch <sup>1/44</sup> L. Wilmerding <sup>3/1/45</sup> H.M. Wise <sup>1/44</sup> E. Horton <sup>7/9/44</sup> C.W. Everett	J. Mitchell <sup>4/1/45</sup> J. Mitchell <sup>4/1/45</sup> F.L. Lutz <sup>7/1/45</sup> F.L. Lutz <sup>7/1/45</sup> N.S. Buchanan <sup>5/44</sup> W. Schiffer <sup>5/44</sup> R.P. Blackmur J.C. Cooper L. Wilmerding L. Wilmerding H.M. Wise E. Horton B. Miers C.W. Everett	d.R.N. Stone <sup>1st term</sup> C.D. Long <sup>2nd term</sup> A. Loveday E.A. Goldenweiser <sup>1st term</sup> Noell Hall W.O. Aydelotte A. Baykov <sup>3mo</sup> F.L. Lutz N.S. Buchanan W. Schiffer R.P. Blackmur J.C. Cooper L. Wilmerding L. Wilmerding H.M. Wise E. Horton B. Miers C.W. Everett	E.A. Goldenweiser Jacob Viner J. Vinar A.J. Toynbee R. Nurkse R. Nurkse John Lindberg John Lindberg E.F. Penrose R.B. Morris W. Schiffer F. Tannenbaum T. Giannini J.C. Cooper J.C. Cooper L. Wilmerding L. Wilmerding S.V. Wantrup E. Horton E. Horton E. Horton E. Dowey J. Braude B. Miers B. Miers	E.A. Goldenweiser J. Vinar J. Vinar A.J. Toynbee R. Nurkse R. Nurkse John Lindberg John Lindberg R.B. Morris W. Schiffer T. Giannini J.C. Cooper J.C. Cooper L. Wilmerding L. Wilmerding S.V. Wantrup E. Horton E. Horton E. Horton E. Dowey J. Braude B. Miers B. Miers	E.A. Goldenweiser J. Viner J. Vinar A.J. Toynbee R. Nurkse R. Nurkse John Lindberg John Lindberg R.B. Morris W. Schiffer T. Giannini J.C. Cooper J.C. Cooper L. Wilmerding L. Wilmerding S.V. Wantrup E. Horton E. Horton E. Horton E. Dowey J. Braude B. Miers B. Miers	E.A. Goldenweiser J. Viner J. Vinar A.J. Toynbee R. Nurkse R. Nurkse John Lindberg John Lindberg R.B. Morris W. Schiffer T. Giannini J.C. Cooper J.C. Cooper L. Wilmerding L. Wilmerding S.V. Wantrup E. Horton E. Horton E. Horton E. Dowey J. Braude B. Miers B. Miers	E.A. Goldenweiser J. Viner J. Vinar A.J. Toynbee R. Nurkse R. Nurkse John Lindberg John Lindberg R.B. Morris W. Schiffer T. Giannini J.C. Cooper J.C. Cooper L. Wilmerding L. Wilmerding S.V. Wantrup E. Horton E. Horton E. Horton E. Dowey J. Braude B. Miers B. Miers	E.A. Goldenweiser J. Viner J. Vinar A.J. Toynbee R. Nurkse R. Nurkse John Lindberg John Lindberg R.B. Morris W. Schiffer T. Giannini J.C. Cooper J.C. Cooper L. Wilmerding L. Wilmerding S.V. Wantrup E. Horton E. Horton E. Horton E. Dowey J. Braude B. Miers B. Miers

\* Not in residence until 1937

\*\* LEFT May 1939

3/ Treasury Sep-Dec 1939

2/ 15 William St. Summer 1939

4/ FRB - Sep 1939 - ?

5/ Left Nov. 1944 to take post at Syracuse

League disbanded

Mitranj 1 mo. visit

Mitranj