

MINUTES OF REGULAR MEETING OF  
THE INSTITUTE FOR ADVANCED STUDY

October 10, 1938

A regular meeting of the Trustees of the Institute for Advanced Study was held at the Uptown Club, 60 East 42nd Street, New York City, on Monday, October 10, 1938.

Present: Messrs. Aydelotte, Edgar S. Bamberger, Louis Bamberger, Flexner, Friedenwald, Leidesdorf, Maass, Riefler, Straus, Veblen, and Weed.

Absent and excused: Messrs. Carrel, Hardin, Houghton, Stewart, Mrs. Fuld, and Miss Sabin.

In the absence of the Chairman, the Vice-Chairman, Mr. Maass, presided.

The minutes of the meetings held on April 18, 1938, namely,

Annual Meeting, Members of the Corporation  
Regular Meeting, Board of Trustees

having been distributed, their reading was dispensed with, and they were approved.

The following report was presented by the Director and, on motion, was accepted and ordered to be incorporated in the minutes of the meeting:

When the Institute was founded eight years ago, Mr. Bamberger and Mrs. Fuld were convinced that American institutions of learning should be enabled to do for themselves, for American students, and for students from various parts of the world, some of the things for which in the previous fifty or seventy-five years they had been resorting to universities in

the Old World. The need which was then felt has become infinitely more acute and pressing since that day and never more so than during the last weeks when the prospect of another European war loomed before us. For the moment that prospect has been averted. But President Dodds was certainly correct when in welcoming the incoming Freshman Class he declared that the cultural future of the world rested henceforth with the Western World. The Institute is one of many institutions that share this responsibility. May we do our part in coöperation with them!

Towards this end great progress has been made, but we are as yet far from intellectual and scientific self-sufficiency. In the field of elementary and secondary education progress has been as rapid and as substantial as could be expected. Our colleges have improved and are more nearly adequate to their responsibilities than they were even as recently as ten years ago. Graduate schools for the training of men and women seeking the Ph.D. degree have increased and also improved. But there is still a great lack in the realm lying beyond the graduate school, the realm to which the Rockefeller Institute for Medical Research, the Mount Wilson Observatory, and the Institute for Advanced Study belong. If it was wise to establish the Institute in 1930, events of the past few months have proved that that decision was founded upon what was really an absolute necessity. I have discussed this question with the heads of a number of leading institutions of learning. We are all in the same situation. We cannot advance speedily, but we cannot stand absolutely still. We can and must feel our way along, increasing our efforts in

this field or that without venturing too far from shore.

I should like to begin by quoting from a letter which Professor Veblen received recently from Professor Ketchum of the Department of Mathematics of the University of Illinois:

"When I left Princeton", he writes, "I did not have a good chance to give you a personal expression of my appreciation of the wonderful opportunity afforded by my two years at Princeton University and the Institute for Advanced Study. At the present time I can perhaps express that appreciation in somewhat more concrete form, for I have already begun to preach the gospel of Princeton mathematics and Princeton methods, and I find everyone much interested in what you are doing and receptive to your ideas.

On objectively evaluating my own accomplishments while at Princeton, I believe I did a satisfactory amount of research. I feel, however, that my mathematical insight and power have been greatly increased by what might be termed a superposition of Princeton generalization on Illinois specialization.

Aside from mathematics, I spent some time last year studying Princeton methods. As a result, I am instituting certain library reforms here, which I hope will improve the usefulness of our library. Also, I am carrying the banner for daily teas for the mathematics department and for informal seminars à la Princeton. It is too early to report on the success of these ventures, but the indications are definitely favorable.

Again I wish to thank you and to express to you my feelings of personal regard and admiration."

In the humanistic group Professor Meritt and those associated with him - particularly Professor Wade-Gery of Oxford and Mr. Malcolm F. McGregor of the University of Cincinnati - are now putting through the press a final volume dealing with the discoveries made in the course of excavating the Athenian Agora, and Professor Panofsky is putting through the Oxford University Press a volume devoted to a critical discussion of the work of Michelangelo.

It is obvious that the schools of both mathematics and humanistic studies are as vigorous and active as could be asked.

Our next move must therefore take place in the field of economics, and luckily Princeton University is making precisely the same effort in that field as I am now proposing. The result will consequently be that we shall have at Princeton a nucleus in economics which in time may attain something like the distinction that Princeton University and the Institute have attained in mathematics and in the humanistic studies. When the Institute was first endowed, I wavered between making a start in mathematics and making a start in economics. I decided upon mathematics because I thought that we could test our idea more fairly in that field and that our chances for success were greater. We have had no occasion to regret the decision which the Trustees made at the outset. On the other hand, after a year or two I became convinced that practical as well as theoretical considerations made it a matter of the highest importance that we should enter the economic field. I realized the dangers and risks connected with this step, but I also knew that, if dangers and risks were deterrent, our field of usefulness would be limited to activities which had already been successfully prosecuted elsewhere. It is indeed the confusion that exists in the economic world and the novelty of the problems with which men are wrestling that compel institutions like ours to endeavor to bring order out of chaos and to find if there exist underlying principles upon which the economic and social activities of human beings ultimately repose. With this in mind after searching in this country and Europe I recommended the appointment of Mr. Riefler. During his brief tenure at Princeton Mr. Riefler's services have been frequently requested by the Treasury of the United States and by the National Bureau of Economic Research in New York, of which he is one of the directing minds. I hope that

he will not take it amiss if I read to the Board a letter which I have received from Dean Joseph H. Willits, professor of economics in the University of Pennsylvania and executive director of the National Bureau of Economic Research. This letter is dated July 11, 1938, and runs as follows:

"At a meeting of the Executive Committee of the National Bureau of Economic Research, held on July 5, I was instructed to express to you the gratitude of the National Bureau to the Institute for Advanced Study for the contributions which Dr. Winfield Riefler has made during the past two years to the development of the program of the Bureau.

He, more than any other person, is responsible for the creation of the Bureau's present program of financial research in which specialists from government departments, banks, and universities are cooperating. Not only did he, as chairman of our Exploratory Committee on Financial Research, lay out the broad objectives and method of work, he has also aided in actual inauguration of the work and the choice of personnel. His imaginative insight into the problems in economic research, his knowledge of research method, as well as his varied contacts with people and situations have been invaluable to the Bureau in the initiation of this program.

More recently, Dr. Riefler has initiated a further study of major importance - an appraisal of the methods used by various commercial rating agencies in the standard ratings of bonds. This study is of especial significance to the various financial agencies of the government as well as to the banks of the country.

It is difficult for me to over-emphasize the value which Dr. Riefler's imagination, experience, and inventive-mindedness have been to the Bureau during the last two years. We wish to acknowledge that debt to the Institute for Advanced Study."

Although what I am about to say may be slightly premature, I should like to outline some of the activities to which the letter refers. During the academic year 1936-1937 Professor Riefler, acting as chairman of the Committee on Financial Research of the National Bureau of Economic Research, drew up a comprehensive program for the

coördination of financial research. The first part of this program, providing for a comprehensive investigation of consumer financing in this country, is now under way on the basis of grants made to the National Bureau of over \$100,000 by the Reserve City Bankers Association and of \$70,000 by the Rockefeller Foundation. It now also seems likely that the second segment of the program, a thorough study of the risk characteristics of bond investments at a cost of over \$500,000, will be inaugurated in the near future. In both cases, the program contemplates that the actual work of statistical tabulation and field research will be carried on at the headquarters of the National Bureau of Economic Research in New York. Both of these undertakings, however, also require theoretical economic studies of the first import. In the case of the program in consumer financing it is proposed that a distinguished economist will be requested to examine the relationship of installment financing to business fluctuations; in the second, similar arrangements will be made in the field of interest theory. Professor Riefler has brought me an informal communication from officers of the National Bureau of Economic Research seeking to ascertain whether the Institute would be agreeable to an arrangement according to which the theoretical studies would be carried on in coöperation with the economic group in Princeton. I replied that I consider it a remarkable opportunity for coöperation. If the plans go through, the economists invited by the National Bureau to undertake these theoretical investigations would take up residence for a period of one or two years at Princeton. The Institute would not be called upon to finance their services but would offer them space in its new building and clerical facilities. Thus a sum of approximately \$670,000 would be provided by outside sources for economic research, the final results of which will probably be worked out by members of the Princeton and Institute groups

and economists who may come to spend a year or more as guests of the Institute.

These undertakings go far beyond the powers of any one man. I have therefore for several years past been searching for economists in this country and abroad, especially Great Britain and Austria. In Great Britain I consulted Professor Henry Clay, formerly professor in the University of Manchester and now economic adviser to the Bank of England; Sir William Beveridge, formerly head of the London School of Economics, now Master of University College, Oxford; Professor Adams, formerly professor of constitutional law at Oxford, now Warden of All Souls College; and many others whom it is unnecessary to enumerate. There was a singular unanimity of opinion in America and Europe that the ablest man whom we could hope to procure is Mr. Walter W. Stewart, already a Trustee of the Institute. It is an accident, though a very fortunate one, that Mr. Stewart was Mr. Riefler's teacher when he was a student at Amherst, and likewise Mr. Riefler's own first choice as an associate. I had previously sounded Mr. Stewart out and found that up to last spring conditions were such that he did not feel that he could return to academic life, though he was profoundly interested in so doing. The death of his associate, Mr. Walter Case, changed the situation.

I met Mr. Stewart and his associate, Mr. Robert B. Warren, in London on my visit there last spring and with them, Mr. Riefler, and our mutual English friends I spent many hours discussing the possibilities involved in developing a school of economics devoted to the study of economic phenomena without preconception or bias. Two things became obvious to me in London: (1) Mr. Stewart, though confronted with various possibilities, was gradually inclining towards acceptance of

a post in the Institute; (2) Mr. Stewart regarded it as of vital importance to him and to Mr. Riefler that Mr. Warren should be added to the group as soon as it was formed. The Board will be interested in a brief account of each of these two men.

Mr. Stewart was born in Kansas in 1885 and studied at the Universities of Michigan and Columbia. He began his teaching career at the University of Missouri, was called after one year to the University of Michigan, then returned for two years to the University of Missouri, after which he became professor of economics at Amherst College. He organized and directed the Division of Research and Statistics of the Federal Reserve Board at Washington between 1922 and 1925 and was American adviser to the Bank of England between 1926 and 1930. In 1931 he became the American adviser of a committee appointed by the Bank of International Settlements to investigate the ability of Germany to resume reparations payments under the Young Plan. He is a Trustee of Bennington College, the General Education Board, the Rockefeller Foundation, and the Institute for Advanced Study. In recent years he has been in direct contact with business affairs in the City of New York. He therefore represents precisely the combination needed to develop economic theory adapted to concrete conditions, namely, the combination of thorough fundamental training followed by a prolonged period of great practical responsibility and experience.

Mr. Warren, like Professor Riefler, is in a sense one of Mr. Stewart's pupils, for he has been long associated with him in a most intimate and confidential capacity. He was born in New York State in 1891. Like Professor Meritt, he is a graduate of Hamilton College, from which Elihu Root was graduated over half a century ago. He received his first teaching experience at Robert College, Constanti-



nople, after which he returned to America to do graduate work in history and economics at Harvard University under Professor Taussig, where he was subsequently a member of the teaching staff. His training and experience therefore bring both history and economics together, thus fitting neatly into a school in which both these subjects are to be developed. Between 1922 and 1926 he was an understudy of Mr. Stewart in the Division of Research and Statistics of the Federal Reserve Board. He has for some time been contributing a weekly letter dealing with the problems of American finance to the London Economist, the outstanding English financial journal. For the last ten years Mr. Warren has been associated with Mr. Stewart in practical activities, thus once more combining theory and practice in an altogether novel fashion. The addition of these two men will give the Institute a strong group in economics, every member of which has had both academic and practical experience. I realize, of course, that additional financing will now be required, and I am, fortunately, in position to assure the Board that the requisite sum of money will be forthcoming whenever they enter upon their active duties - probably not before January 1, 1939.

The other day I called upon President Dodds to discuss some minor matters. As I left, he said to me, "I had luncheon the other day with Mr. Stewart. You have made no mistake. He is a person of extraordinary ability and wisdom. If anyone can make sense of economic phenomena, certainly the group which is being assembled at Princeton can be trusted to do so." At the same time he told me what I had already known, that Princeton University had offered a professorship in economics to Professor Morgenstern of Vienna.

Professor Morgenstern had fortunately left Vienna and was in London when the news of the German invasion came. That invasion ended all hope of developing economics in Vienna. Professor Morgenstern came to the United States and was promptly offered the professorship at Princeton which he accepted. He happens to be a personal friend of Mr. Riefler, Mr. Stewart, and Mr. Warren, so that in addition to the men already on the ground Princeton and the Institute will possess a group of men who will devote themselves, in the first instance, to economic research rather than to the ordinary task of teaching accepted economic doctrine.

While I was abroad, I also visited the International Labor Office at Geneva in order to have a talk with its director, Mr. Harold B. Butler, who had just accepted an appointment to be the head of Nuffield College, the graduate institution for the study of economics and social sciences recently founded by Lord Nuffield at Oxford. Mr. Butler is acquainted with all the persons whom I have mentioned in the course of this report. He told me that early in the new year he would come to Princeton for the purpose of discussing his own program at Oxford with our group in economics and politics.

The Trustees will also be interested to know that Princeton University has been strengthened by the appointment of Dr. Thomas Mann as professor of Germanic literature. Dr. Mann is beyond question the most eminent man of letters in the world, a Nobel Prize winner, who left Germany not because he was compelled to do so by the fiction of race but because his conscience would not permit him to remain in present-day Germany. Dr. Mann will conduct a seminar in German literature and give a course of lectures on Goethe to which members of the Institute will be welcome.

I am happy to be able to say that Mrs. Fuld's health has distinctly improved in recent months. She and Mr. Bamberger had a delightful summer at Lake Placid, where I had the pleasure of spending a few days with them. It is, I think, not too much to hope that in the very near future Mrs. Fuld will be able to resume her attendance at meetings of the Board - an event to which we look forward with very keen anticipation. I know I am expressing the sentiment of all those present when I say that nothing will give us greater pleasure than to have her with us on these occasions.

After concluding his report, the Director nominated Mr. Walter W. Stewart and Mr. Robert B. Warren as professors in the School of Economics and Politics.

Mr. Riefler in seconding the nominations expressed his extreme gratification at the new move in economics and what it foreshadowed. He stated that it seemed to him that the events of the last two weeks abroad made it infinitely more necessary that the Institute should go forward in this field, because the ultimate effect of recent events is still incalculable. He expressed the opinion that a grave responsibility in reference to the economic situation would devolve upon this country. He felt, however, that it was likely that we would have a "breathing spell" in which to make clear to ourselves what our economic system lacks and what errors were made following the last war. He considered that this afforded us an opportunity to prepare ourselves intellectually so that, if another crisis comes, we may be able to act more soundly and wisely. He expressed the hope and belief that such a group as the Director now proposed might well be expected to accomplish something towards this end.

Mr. Aydelotte approved Mr. Riefler's remarks, saying that he considered the appointment of Mr. Stewart and Mr. Warren a most significant act. Politicians and business men, he stated, look to the economists to guide them, but the science of economics is not ready to do what it is called upon to do in the way of guiding economic development. He compared the situation of economics with that of medicine before it became a science and urged that the most important thing at the present time is fundamental research, and that it has to be unostentatious research, carried on by supplying competent men with the opportunity to work quietly, as these men will do. He added that no one could say what would come out of this experiment, but that it is the most promising start he knows of in the world.

Mr. Maass stated that Mr. Bamberger had had some hesitation about the part of the Institute in trying to bring order out of chaos in the field of economics, but that after having gone over the subject with the Director and others he had become convinced that this is a noble effort which the Institute is about to undertake.

Mr. Bamberger said that he had been in doubt as to whether the School of Economics could bring about substantial results; that it was his understanding that the teaching of economics in our universities had thus far not given satisfactory results; but that after discussing the matter at length with the Director and others and after hearing the remarks of Mr. Riefler and Mr. Aydelotte he realized that the results of this experiment might inure to the benefit of the whole world, and he was convinced that the Institute was not only justified in undertaking the task, but ought to undertake it. He assured the Board of the cooperation of Mrs. Fuld and himself.

The Director, in expressing his appreciation of the cooperation of the Founders, stated that he had worked with many people in the past

forty years, but that he had never had a more beautiful and helpful relationship with anyone than he had had with Mr. Bamberger and Mrs. Fuld; they had never pushed him, but had always been skeptical, and nothing is better for a man in his position than to be dealing with skeptical men and women. He ventured to say that the study of economics at the Institute would be a different thing from that which Mr. Bamberger and others rightly criticized, and that out of it may ultimately come a more intelligent attitude in dealing with economic, political, and business problems. He added that the physical sciences have had exactly the same history that the social sciences are now having, and that it is only within a relatively short period that they had developed soundly.

Mr. Veblen expressed his pleasure at this move in economics and said that it would be welcomed warmly by all of his colleagues.

Thereupon, on motion, the following resolutions were adopted:

RESOLVED, That Mr. Walter W. Stewart be and hereby is appointed a professor in the School of Economics and Politics of the Institute for Advanced Study at a salary of \$15,000.00 a year, of which he will contribute 5% to the Teachers Insurance and Annuity Association of America, the Institute contributing an equal sum monthly, beginning at a date to be arranged by the Director in conference with Mr. Stewart, and that, unless his term of appointment is prolonged by mutual consent, he retire at 65 years of age.

RESOLVED, That Mr. Robert B. Warren be and hereby is appointed a professor in the School of Economics and Politics of the Institute for Advanced Study at a salary of \$15,000.00 a year, of which he will contribute 5% to the Teachers Insurance and Annuity Association of America, the Institute contributing an equal sum monthly, beginning at a date to be arranged by the Director in conference with Mr. Warren, and that, unless his term of appointment is prolonged by mutual consent, he retire at 65 years of age.

Mr. Maass presented the report of the Committee on Buildings and Grounds. He announced that the architect chosen to design the first building of the Institute was Mr. Jens Fredrick Larson of Hanover, New Hampshire. He

further stated that the contract for the construction of the building had been awarded to Hegeman-Harris Company of New York, who are to construct the building on a cost-plus basis, at a cost of approximately  $52\frac{1}{2}$  cents a cubic foot. To an inquiry regarding air-conditioning he replied that the Committee did not consider it necessary to air-condition the entire building but suggested the use of movable individual cooling units where and when necessary. After further discussion, Mr. Maass moved that this detail be referred back to the Committee on Buildings and Grounds for further consideration, and the motion was carried.

The Treasurer distributed among the Trustees copies of a detailed report on the finances of the Institute and gave a brief summary of the report.

On motion, the report was accepted and ordered to be placed on file.

Mr. Weed suggested that the Institute should publish once a year a financial statement showing a schedule of its securities, as is common practice with philanthropic and educational trusts.

There being no further business, on motion, the meeting adjourned.