

MINUTES OF REGULAR MEETING OF  
THE INSTITUTE FOR ADVANCED STUDY

February 24, 1941

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, February 24, 1941.

Present: Messrs. Aydelotte, Edgar S. Bamberger, Louis Bamberger, Flexner, Hardin, Leidesdorf, Riefler, Rosenwald, Stewart, Veblen, and Weed.

Absent and excused: Messrs. Carrel, Douglas, Friedenwald, Houghton, Maass, and Mrs. Fuld.

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

The minutes of the meeting of the Trustees held on October 14, 1940, having been distributed, their reading was dispensed with, and they were approved.

Mr. Weed reported that a meeting of the Executive Committee had been held at noon immediately preceding the meeting of the Trustees and presented with the favorable recommendation of the Executive Committee the eight items enumerated below. Each item was discussed by the Trustees, and the following actions were taken:

1. Resignation of Mrs. Esther S. Bailey

The Executive Committee announced that it had received a letter of resignation from Mrs. Esther S. Bailey, Secretary of the Institute, to take effect on June 30 or at any time before that date at the convenience of the

Board. The Committee recommended that the resignation be regretfully accepted, that since Mrs. Bailey had not participated in the Teachers Insurance and Annuity Association plan she should be awarded a pension of \$50.00 a month, to begin at the age of 65, and that the following resolution of appreciation of Mrs. Bailey's ten years of service to the Institute be adopted by the Board and transmitted to her by the Director:

The Trustees learn with great regret of the resignation of Mrs. Esther S. Bailey as Secretary of the Institute. In her position, first as Secretary to the Director and afterward as Secretary to the Board of Trustees, Mrs. Bailey has played an active part in the organization and building up of the Institute from the time of its foundation in 1930. Indeed, as Secretary to Dr. Flexner for many years before the Institute was founded, she was familiar with his studies of American and European education, upon which the whole idea of the Institute was based. Dr. Flexner has paid frequent and generous tribute to the value of her assistance to him and to her clear understanding and tireless devotion - qualities which have marked her service to the Board of Trustees. She has been an efficient Secretary to the Board, a careful supervisor of the operation of the budget, and a thoughtful student of the best interests of the Institute in all its activities.

In regretfully accepting her resignation the members of the Board wish to record their grateful appreciation of her ten years of service to the Institute and their hearty good wishes to her for a long and pleasant period of retirement.

## 2. Seal of Institute

It was stated that there was some confusion regarding the official seal of the Institute, as one seal was used by the Treasurer and another by the Secretary. Mr. Aydelotte called attention to the following extract from the Minutes of the Regular Meeting of the Institute for Advanced Study, held October 13, 1931:

The Director submitted designs for seal made by M. Damman, Mr. Metcalfe, and M. Turin. The Trustees selected the drawing by M. Turin and suggested that the word, "founded", be substituted for the word, "established", in his sketch,

whereupon, on motion, it was

RESOLVED, That the design for seal submitted by M. Turin be adopted, the word, "founded", being substituted for the word, "established".

On motion, the seal designed by M. Turin was readopted as the official seal of the Institute.

### 3. Proposed meeting of the League of Nations

The Director stated that Mr. Hambro and Mr. Sweetser had proposed a meeting at Fuld Hall of persons who have been at one time or another associated with the League of Nations - persons like Mr. Raymond B. Fosdick, Professor James T. Shotwell, Mr. Norman H. Davis, Mr. T. Jefferson Coolidge, and others - as well as the members of the technical group now in residence for the purpose of discussing the work of the League as it is now proceeding. President Dodds, Dr. Ten Broeck, and the Director had discussed the matter and thought it advisable that invitations for such a meeting with luncheon or dinner at the Princeton Inn be issued at an appropriate time by Princeton University, the Rockefeller Institute, and the Institute for Advanced Study, the delegates taking care of their own traveling expenses, etc. Thereupon, on motion, it was

RESOLVED, That the Director be and hereby is authorized to proceed on these terms and cooperate with President Dodds and Dr. Ten Broeck in arranging a meeting in Princeton of persons now or previously connected with the League of Nations.

### 4. Gest Oriental Library: Gift from Rockefeller Foundation Dr. Chung's proposal for Korean books

It was reported that the Rockefeller Foundation had appropriated to the Institute \$2,000 for the purchase of certain objects of art owned by Mr. Gest and of interest in connection with the library proper.

On motion, the Director was authorized to express to the Rockefeller Foundation the gratitude of the Institute for this gift.

It was stated that Dr. Chung was making a collection of Korean books to be added to the Gest Library, and it was voted that a letter be sent by the Director to Dr. Chung thanking him for his services.

There was discussion as to the future of the Gest Oriental Library. It was thought that this question was connected with another, namely, what is the future of Chinese studies in the United States. The whole problem is now under study by the Director, who is not yet prepared to make a recommendation to the Board of Trustees.

#### 5. Battle Road Circle

It was voted that the name, Battle Road Circle, be substituted for Battle Road Court as the post office address of the road which the Institute constructed off Battle Road.

#### 6. Status of Professor Mitrany

It was reported that Professor Mitrany on leave of absence was continuing his work at Chatham House at the British Foreign Office and for his services was receiving £1,000 annually from the British Government. It seemed desirable to discontinue his Institute salary payments, which had been done at his request since October 31, 1940, and upon his return to America to make an adjustment, the Institute to pay the difference between his salary at \$10,000 and £1,000 at the rate of \$4.04 to the pound.

The Board voted that this sum be kept as a general reserve.

## 7. Operation of budget for first half of 1940-1941

It was reported that during the first six months the expenditures were approximately \$20,000 less than estimated in the budget, the items of difference being as follows:

	<u>Less Estimate</u>	<u>Exceeding Estimate</u>
School of Mathematics	\$ 2,700	
School of Economics and Politics	16,000	
School of Humanistic Studies	3,200	
Library Appropriation		\$3,000
Equipment, supplies, printing, etc.		2,000
Contingent Fund	2,100	

Satisfaction was expressed that Fuld Hall had been operated within the limits of the budget, inasmuch as it was being utilized to full capacity and on a much larger scale than was anticipated when the budget was adopted in May, 1940.

On motion, it was voted to include the following statement in the minutes:

## OPERATION OF BUDGET - July 1-December 31, 1940

INCOME		1940-1941	Estimated $\frac{1}{2}$ Year	Received	
		\$457,200.00	\$228,600.00	\$228,600.00	
EXPENSES		Estimated.	1940-1941	Estimated $\frac{1}{2}$ Year	Expended
Pension		\$ 12,000.00	\$ 6,000.00	\$ 6,000.00	
Office of Director		32,495.00	16,247.50	16,247.50	
Office of Treasurer		9,350.00	4,675.00	4,675.00	
School of Mathematics		129,759.00	64,879.50	62,185.39	
School of Economics and Politics		127,180.00	63,590.00	47,961.36	
School of Humanistic Studies		90,575.00	45,287.50	42,000.00	
Gest Oriental Library		4,980.00	2,490.00	2,490.00	
Library Appropriation		25,000.00	12,500.00	15,577.58	
Fuld Hall - Operation and Maintenance		12,000.00	6,000.00	5,956.74	
Equipment, supplies, printing, etc.		4,000.00	2,000.00	3,937.49	
Travel, communication, entertainment, etc.		4,000.00	2,000.00	1,658.25	
Contingent Fund		5,861.00	2,930.50	750.00	
		<u>\$457,200.00</u>	<u>\$228,600.00</u>	<u>\$209,439.31</u>	

#### 8. Progress of fourth floor

Mr. Veblen reported that the paneling in pine is now complete on the fourth floor of Fuld Hall. The problem of fourth floor sounds which would disturb persons working in the library below has been solved by making the floor covering of a heavy layer of cork with rubber tiling over that. Equipment for the kitchen will soon be installed, the tables and chairs are ready, and the dining-room will then be in use. The League of Nations will have library and office space on the fourth floor, thus relieving somewhat the crowded condition in Fuld Hall.

Mr. Hardin, Chairman of the Finance Committee, reported that meetings of the Finance Committee had been held once a month, that they had been occupied with investments and reinvestments, and that the financial affairs of the Institute were in excellent shape, as Mr. Leidesdorf's report would show.

Mr. Leidesdorf, the Treasurer, reported that the book value of the stocks, bonds, and preferred stock was \$7,394,000 and the actual value \$7,334,000, indicating that the Institute's investments were about \$60,000 off from the book value, which was regarded as an excellent showing.

Regarding 69 Alexander Street, the Director stated that he had been in communication with the officials of Princeton University but had no actual progress to report, though he had offered it for sale at the cost price, taking a four per cent mortgage on the full amount.

On motion, the report was accepted.

The report of the Director was presented and, on motion, was accepted and ordered to be incorporated in the minutes of the meeting. This report (which is reproduced in full as an appendix to these minutes) describes the developing program of the School of Economics and Politics.

In the discussion which ensued Mr. Flexner stated that the report of the Director was a most interesting and important exposition of the work now going on in economics and that it showed that the economics staff is carrying out the realistic study contemplated from the beginning. Confidence was expressed that work of this kind in the field of economics would fertilize the whole subject of economics in the United States and economics would then become a real instead of an unreal, academic, or theoretical subject.

Mr. Leidesdorf announced that Mr. Frank Liveright had presented to the Institute a plaque of Mr. Bamberger and, on motion, it was

RESOLVED, That the plaque of Mr. Bamberger be and hereby is accepted and that a vote of thanks be extended to Mr. Liveright for this gift.

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

## A P P E N D I X

### REPORT OF THE DIRECTOR

February 24, 1941

#### I

In order to lay the problem of our future development before the Trustees I propose to begin, in this and the two or three meetings to follow, by a discussion of the work now going on at the Institute. The methods pursued here at present are as varied as the members of our faculty. This is as it should be in an institution which has no choice but to be experimental. It is only, it seems to me, by understanding the work now in progress that the Trustees can form any clear idea of the direction which growth should take in the future and form any estimate of the possibilities open to an institution of this character.

I shall begin today with the School of Economics and Politics, the work of which is closely bound up with research organizations outside the Institute: the National Bureau of Economic Research, with which Professors Riefler, Stewart, and Warren are all connected, and the American Committee for International Studies, of which Professor Earle is Chairman. Of Professor Mitrany's work I shall say nothing today. He is on his second year of leave, working with the Chatham House group at Oxford for the English Foreign Office, on confidential tasks concerning which he is not at liberty at present to make any detailed report. It should be a matter of satisfaction to the Institute to be able, by its loan of Professor Mitrany's services, to make a contribution to the English war effort.

#### II

The National Bureau of Economic Research, into which the members of our economics group are putting so much effort at present, was organized in 1920 by a group of leading American economists of which Dr. Joseph H. Willets, then Dean of the Wharton School of the University of Pennsylvania, now in charge of the Division of the Social Sciences of the Rockefeller Foundation, was a member. Dr. Wesley Mitchell of Columbia University from the beginning has acted as Director of Research of the Bureau, and its various Boards and Committees include a large number of the most forward-looking economists from universities, from departments of the Government, from research foundations, as well as forward-looking officials from trade unions, from great banks, and from business corporations. The work of the National Bureau is concentrated on a systematic attempt to codify and analyze the vast and complex data of modern economic activity in order to lay a basis of solid fact for the great work of understanding the forces which control economic phenomena in the modern world. It is undertaking to assemble and put into order the facts upon which any science of economics, valid for the present day, must be based. Such a task would be impossible for any man or group of men working as individuals. The only feasible method for performing it is by coöperative research in which a large number of individuals and groups combine their efforts. The need for coöperative research on the ambitious scale on which it is being attempted by the Bureau is widely felt and the work has been generously supported not merely by universities and



foundations but also by the Government and by associations of bank and business corporations.

In 1937 the National Bureau on the suggestion of the Association of Reserve City Bankers appointed an Exploratory Committee on Research in Finance to draw up plans for the initiation of an extensive program of financial research looking to a better understanding of the problems facing the country in the capital market and in banking. Professor Riefler was Chairman of the Exploratory Committee and after the adoption of the program outlined has acted as Chairman of the Committee on Research in Finance. He has also participated directly in the research work as a member of the Central Administrative and Research Staff. Professor Warren is a member of the Committee on Research, and Professors Stewart, Riefler, and Warren, along with Mr. Douglas of our Board of Trustees, are all members of the National Bureau advisory conference on financial research.

During the last two and one half years the Committee on Research, under Professor Riefler's leadership, has undertaken three important projects:

1. A comprehensive study of instalment credit
2. The corporate bond project
3. The financial structure project

The study of instalment credit, now nearing completion, has included such topics as personal finance and sales finance companies and their credit practices, the part played by commercial and industrial banking companies and by Government agencies in this business, the pattern and volume of consumer debt, the element of consumer risk, the operating experience of consumer instalment financing agencies, the legal regulations governing consumer financing companies, and the relation of consumer instalment credit to economic fluctuations.

Seven of the twelve projected monographs are already in print; two more are in manuscript form, and the remaining three are in course of preparation. Taken together they present economists, government officials, and business men with the first authoritative account of the volume of instalment credit in this country, the methods by which finance companies function, and the reasons why law, psychology, and prejudice have given this business to specialized agencies rather than to standard banks. We have a careful, quantitative estimate of the volume of instalment finance, the extent to which this credit is used by different income classes and occupational groups, the factors affecting risk, the effect of instalment credit on consumer purchasing power, the effect of economic fluctuations on instalment buying, and the reciprocal effects of instalment credit on business cycles.

The whole constitutes a study of far-reaching importance of a new economic phenomenon. The study has produced as by-products a new record in coöperation of Government agencies and private corporations in scholarly research and has as well opened up a whole range of new problems for investigation.

The work of the National Bureau in this and other studies has had another result of importance in the training of younger men in the techniques

of coöperative research. This result came about almost fortuitously. It was the first intention to have the study conducted by senior economists on leave of absence from their universities, but for various reasons this did not prove to be feasible. Older professors were often too busy, too much preoccupied with their own problems, and, in many cases, not sufficiently up-to-date and not sufficiently patient and flexible to adapt themselves to a new method of work. Able younger men, not more than four or five years beyond the Ph.D. - men of the type whom we welcome here as members of the Institute - proved better.

This might have been expected, but was not. It is on the whole a most fortunate development. It means that the members of our School of Economics, working at the projects of the National Bureau, are at the same time carrying out in New York one of the fundamental purposes of the Institute in taking capable young men from their positions in the various colleges and universities, training them in up-to-date methods of economic research, and then sending them back prepared to continue such research and revitalize the study of the subject in their own institutions.

The National Bureau is a rigorous training school in coöperative methods. Young men are not asked what they would like to do. They are appointed to perform definite tasks, closely related to a work which other men are doing, to be rigorously checked as parts of a complete whole. Even though they have won their spurs in scholarship, they enter this organization as apprentices with much to learn, and they must work not as free individuals but as members of a team. The training they receive in return is the breadth which comes from participation in tasks beyond the power of any single man to perform.

It seems to me that the Institute may be able to do more than that for the best of these young recruits. One of them, Mr. David Durand, who has made his contribution to the work in New York, written his study and had it approved, has now been brought to Princeton for a year of quiet study and reflection, and it seems probable that this procedure will be followed in the case of others in order to enable them to get the most out of their experience. The work of our professors at the National Bureau is thus not merely advancing the frontiers of knowledge but is also training men.

### III

The second of the projects of the National Bureau in financial research is the corporate bond study. It is designed to carry out the request of the Exploratory Committee for work which would throw light on the standards of investment credit. I think I may say that this is Professor Riefler's pet project. In addition to being Chairman of the Committee on Research in Finance he is also acting as Chairman of the Administrative Committee of the corporate bond project and has taken the lead in the organization and direction of the work of the large staff needed for so ambitious an undertaking.

The bond project is a quantitative study of the experience and behavior of domestic corporate bonds and the terms of corporate bond financing

in the U. S. A. from 1900 to 1940. It covers all corporate bonds issued in this country during that period, records the facts about their behavior, interest rates, loss experience, etc., analyzed according to industries, quality, and maturities. It aims to present an exact record of the use of the capital market by business corporations, the types of bonds issued, their terms and purpose, and to measure the cost of borrowing to industries and the net rate of return on bonds to investors. It will show the relative merits of agency ratings, market prices, and legal lists as indices of bond quality. It will check accurately the fluctuation of long term interest rates and their relation to capital market activity.

The cost of compiling the data over a period of forty years on 25,000 issues of bonds with a total market value of billions of dollars at first appeared staggering. Nothing like it had ever been done; the task exceeded the resources of any research organization, and it might have proved impossible for the National Bureau had not Chairman Crowley of the Federal Deposit Insurance Corporation suggested that the clerical work involved be made a W. P. A. white-collar relief project, with the National Bureau providing the technical supervision. This was arranged, and a staff of about two hundred clerical workers, costing for the duration of the study about \$300,000, was provided by the W. P. A. Substantial contributions of funds amounting in all to about \$100,000 for supervision and theoretical work were made by public agencies, the Rockefeller Foundation, Moody's Investment Service, and others. In addition, many private corporations and Government Departments have furnished data and technical advice costing in the aggregate a further large sum of money. The list of private and public bodies participating in the study includes the Federal Deposit Insurance Corporation, the office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Securities and Exchange Commission, the Interstate Commerce Commission, the Banking Department of the State of New York, the Federal Reserve Bank of New York, the Central Statistical Board, and the four private financial advisory services: Fitch's Investors' Service, Moody's, Poor's Publishing Company, and the Standard Statistics Company.

The project is essentially a tabulation of data on all corporate bonds issued over a period of forty years, of formidable extent and completeness.

It includes:

1. Data on the volume of corporate bond offerings by year, industry, size of issue, coupon rate, maturities, and types of issue
2. Data on market prices of bonds, yields at offering and yields realized, ratings, earnings of obligors, legal status at times of issue and extinguishment
3. Data on number and extent of defaults, analyzed by industries, types of default and settlement, and realized yields on defaulted bonds

4. Annual data on prices, yields and ratings for a selected sample of bonds
5. Monthly price and yield data for a small group of high-grade and low-grade bonds

The data when completed will be made available to all cooperating agencies for such theoretical studies as they may wish to make. Personally I hope that means may be found by photostat or microfilm to make these tabulations available at moderate cost to university libraries and departments of economics wherever they may be desired. Tabulations so carefully made and so complete will serve as bases for a large range of theoretical studies for a long time to come. The period covered includes the halcyon days before the war of 1914-1918, the war period itself, the boom of the twenties and the depression of the thirties. Among the topics listed in the National Bureau report as suitable for study from these data are: the cyclical behavior of investment values and long term interest rates; the role of risk in market interest rates; the efficiency of various criteria of future investment performance, such as market price, legal listing, agency ratings and corporate earnings; the value, for investment safety, of sinking funds, and of type and seniority of security; the characteristics of bond defaults and the problems which confront investors when default occurs; and the effects of market fluctuations on investment experience. Beyond these, the data will doubtless be used by scholars and financial experts in many ways which cannot now be foreseen.

#### IV

The third study undertaken by the National Bureau under the direction of Professor Riefler's Committee on Research in Finance is the so-called financial structure project. In a certain sense all three studies are parts of a comprehensive survey of the financial structure of the U. S. A. in the twentieth century. The third project leads up to a survey of contemporary relations between banks and business. To provide a background for this survey of the current scene, it undertakes to give a quantitative picture of the changing financial requirements of American business since 1900, the trends in commercial borrowing, the future of commercial loans, the demand for short term capital as affected by the cash balances and security investments of large business corporations, which often make them net creditors instead of being net debtors, the growing habit of financing capital requirements from non-banking sources or internally out of undistributed earnings and depreciation allowances. The study should afford an indication as to whether these devices represent a permanent change in the method of financing business operations or whether they are merely transitory phenomena.

The study includes three parts:

1. Trends in the financial structure of American Business, 1900-1940
2. The sources and uses of business funds, 1920-1940
3. Contemporary relations between banks and business

Work was begun just a year ago and is still to some extent in the preliminary stage. The aim is to trace quantitatively, from corporate financial records, the long term changes in business financing needs, particularly needs for short term capital, and to examine closely recent changes in the institutional facilities that serve the short term credit needs of business, and to compare the different facilities and methods of short term financing available to business firms of different size and industrial types.

The data are drawn from many sources. Here again the Bureau has been able to secure the cooperation of many agencies which never before had pooled the information at their disposal in a study of this kind. Among the sources from which information is being gathered are the financial manuals, special tabulations of corporate income tax data prepared by the Treasury W. P. A. Income Tax project, special compilations of financial statements by the Robert Morris Associates, credit files of banks, corporate tax return files of Massachusetts and Wisconsin and industrial loan application files of the Federal Reserve Banks of New York and Philadelphia.

#### V

The three studies which I have described, in which Professor Riefler has taken a leading part and to which Professors Stewart and Warren have also contributed, will, when completed, make available to economists new primary materials in three major areas of finance: consumer instalment credit, commercial credit, and investment credit. The data collected will provide a sounder basis than has been available hitherto for analytical and theoretical studies of problems in finance. The work of the National Bureau has furthermore made great progress in the development of rigorous technique for research in the field, has achieved unprecedented success in securing the cooperation of Government and private agencies in scholarly work, and has been the means of training an important group of young economists from all over the country in the methods of cooperative research.

It is inevitable that the work now in progress will show the need of similar exact and comprehensive data in other fields of economics. It has already set the minds of the members of our own department working on the need for similarly careful study of economic history. Under the leadership of Professors Stewart and Warren and Dr. Willits plans for work in this subject are already under discussion. The maturing of these plans will constitute one of the most important activities of our economics group during the next two or three years.

Contemporary and historical data will in turn call for interpretation and it may be expected that the studies now under way and projected, concerning the facts of economic activity in the present and the past, will call for important revisions of economic theory. Indeed this process has already begun. Thus the work which is now being done will expand to wider and wider circles of scholarly endeavor, and it appears extremely likely that the vitality of our School of Economics will eventually demand additions to our staff to deal adequately with the new vistas of knowledge opened up by the data now being so patiently and laboriously compiled.

## VI

For some time Professor Stewart has interested himself in the teaching of the social sciences in American colleges and universities. He has concerned himself with the organization of the subject into departments and courses, the character and quality of the textbooks used, and the preparation and background of instructors. One value of this study should be to enable the Institute to organize its activities in such a way as to be of maximum value to higher education. In order to reach sound conclusions Professor Stewart finds that it is not enough to study the work of colleges and universities but that it is also necessary to consider the teaching of the social sciences in secondary schools. A survey of this field is now being undertaken. President Leigh of Bennington College has secured leave of absence for one semester to become a member of the Institute and to do the field work involved. Dr. Leigh will visit a selected list of schools throughout the country and prepare a report on the work now being done in the social sciences. The report may or may not be published. Its purpose is to furnish Professor Stewart with the background information which he needs in order to estimate accurately the undergraduate teaching of economics and political science. Such studies of elementary work in subjects which are being pursued here on an advanced level indicate another way in which the Institute can render valuable service to our entire educational system.

## VII

The work which Professor Earle is doing touches both history and political science and is closely linked to the political and military problems confronting the United States in the present emergency. Five years ago Professor Earle began to turn his attention to military policy as a much neglected phase of political science. He has in various articles urged upon historians and political scientists the importance of coördinating the study of military and naval problems with the study of foreign policy and international relations. It so happens that Princeton University has in Professors Stacey and Sprout two men whose interests run very much in the same direction. In coöperation with these two men and a group of younger scholars who have come to the Institute, mostly on fellowships granted by the Rockefeller Foundation and the Carnegie Corporation, Professor Earle has conducted for two years a seminar on the foreign and military policies of the United States. From this seminar has issued already a noteworthy list of books and articles, which are creditable in themselves, and which have attracted additional interest because of the troubled international situation, the difficult problems in foreign policy confronting the country, and the threat to our security.

The topics which have been discussed in the seminar and which have been elucidated by publications of the members include the American dogma of isolation, its origins and its applicability to the present-day world situation, the diplomatic history of the United States, the historical significance to this country of the balance of power in Europe and the Far East, the problems of foreign policy confronting the country at the present time, various problems of international law, the development of American naval power, and the study of war as a social phenomenon.

There appears to be no other institution of learning in the United States which has concerned itself with this group of interests - which together might be denominated studies in political and military strategy. Although the emergency gives to this work a character of importunity, it should be strongly emphasized that it was not in the first instance undertaken because of the emergency. We feel that the integration of military, foreign and domestic policies is a phase of history and political science which has been much neglected since the days of Adam Smith and Alexander Hamilton and that it would be of inherent interest to the scholar even if the world situation were not as critical as it now is. If scholarship be justified of and for itself, it is surely further justified if, without departing from the canons of learning, it can contribute to the problem now confronting us as a nation.

Leaving aside the imminent dangers of the moment, it is obvious that the greatest political and social problem confronting this and every other country is the need for some kind of international organization, like the League of Nations but more effective, which will rid the world of the danger of such calamities as the wars which have ravaged it twice within this generation. To accomplish this pacificm, friendship, and good will are not enough. To attribute wars to the baleful activities of munition makers or international bankers or diplomats entrusted with too much power, or to the excesses of economic nationalism, is to ignore the political realities of the world situation. War is the product of international anarchy, and this anarchy is the inevitable result of the doctrine of unlimited national sovereignty with all of its emotional, psychological, political and economic consequences. Until the nations of the world can combine into some kind of effective political organization, sacrificing some part of their national sovereignty and delegating to this supra-national organization the power to enforce peace and to settle international controversies by political and judicial processes, the world will continue to live in danger of war; and if the formation of the international organization is too long delayed, the resulting conflicts bid fair to bankrupt the states concerned, lower the standards of living of the masses of the people, and destroy the material and moral foundations of our civilization.

These considerations have enlisted the active interest of historians, political scientists, and educational foundations throughout the country. During the past two years a number of voluntary groups have been organized to study the problem. Feeling the importance of coördinating these efforts, the Rockefeller Foundation called a conference eighteen months ago of leading members of various groups out of which sprang a coördinating committee, now called the American Committee for International Studies. Professor Earle is Chairman of this Committee and its research director. The headquarters of the Committee are here at the Institute, its modest budget is met by an appropriation from the Rockefeller Foundation, and the routine administrative work of the Committee is performed by Mr. W. W. Lockwood, its Secretary.

The Committee is a clearing and planning body, designed to aid and stimulate inquiries focussed upon American interests, opportunities, and obligations in the war and the post-war world. It is a purely research organization, with no responsibility for administering funds or conducting

propaganda. Its aim is to discover and encourage promising scholars in this field, advise them in their studies, and keep them informed of the work being done by others, in the hope that by this means useful contributions may be made toward the solution of the problems which will confront this and other countries at the end of the war.

The Committee is the American member of the International Studies Conference and acts as the sub-Committee of the Social Science Research Council for the study of international relations. It is engaged in a survey of research in progress and in directing scholars to the study of problems not covered in any existing program. It occupies itself with such subjects as military history and military problems, the character of totalitarian governments, both in their domestic aspects and in their relations with other countries. It assists in building up a collection of war documents in the Library of Congress and has initiated studies of American interests in such regions as Latin America and the Far East. The central issue of public policy with which it is concerned is the reconstruction of a more secure and prosperous world order. Its aim is to facilitate the work of American scholars in stating, if not solving, the problems which must be solved if such world order is to be achieved.

## VIII

My survey of the work of our School of Economics and Politics would not be complete without a note about the activities of the Economic and Financial Section of the League of Nations, ten officers of which are now housed in Fuld Hall. They are not formally members of the Institute but they make a real contribution to our intellectual life, and their very presence serves to strengthen the atmosphere of international understanding and good will which should always characterize this institution.

They carry on the work of their section here just as they did in Geneva before the war, gathering economic and financial information from all over the world, analyzing it and issuing their various bulletins and other publications in unbroken series. In addition, they are undertaking various studies of the economic situation which may be expected to confront the world after the war is over, seeking to contribute as much as possible to easing the difficult transition from war to peace economy.

They are an able and scholarly group and, whatever may be the outcome of this war and whatever form the new international organization may take, they will be needed. By giving them here a place in which they can hold the members of their staff together and continue their work uninterrupted, the Institute is making a contribution, the value of which it would be hard to overestimate, to the new and better world order which we all hope will succeed the horrors and confusion of this war.