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WHARTON SCHOOL OF
FINANCE AND COMMERCE

October 24, 1940

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Dear Joe:

I hope you will forgive my delay in answering your several letters. The working schedule has been rather crowded recently; and then I thought that recently you might have had a bit too much correspondence from me. But now I feel ready to write you an omnibus letter and attempt to discuss the various questions that you have raised.

1. First, with reference to Mr. Fosdick's question concerning the presumptive utility of adding further to the mountains of books in the social sciences. All I can say that books, articles, papers, etc. are the only way in which a scientific investigator can bring the results of his studies to the attention of the world and thus submit them both for a critical evaluation and for acceptance or rejection. (One may try to do the same by teaching, but it has obvious limitations as a method of presenting research results to a critical public.) In this respect the natural and social sciences are, as I see it, no whit different from each other.

But the question, of course, is whether the books have any effect; whether they at least serve to clarify opinions and thus lead to more intelligent judgments; whether they are implemented by application of conclusions to social problems. It is difficult to answer this question in abstract, except to say that at least some of the books published by economists, political scientists, etc. have had a marked effect; and that the channels by which the influence of a book spreads are so manifold and indirect that it is easy to overlook them. There is no question to my mind that in a great proportion of cases books judged and accepted by fellow scientists as up to standard certainly have an influence in that they contribute to a more enlightened public opinion and change the intellectual climate in such a way as to facilitate solution of current problems. And not a few of the books find actual implementation in public policy, in the sense that decisions are affected, among other factors, by the results of scholarly research. A great deal of economic study

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serves to change the social attitude, to reenforce one trend of opinion and weaken another and to forge new techniques of control (see e.g. the influence of A. Smith and Ricardo and the whole group of utilitarians in England; of the study of population on population policies; of the study of the banking and credit system on the various technical devices of central banking, etc).

We never had much study of the relation between research in the social sciences and its bearing upon the treatment of social problems in a functioning society (of course, I am not familiar with the literature and am probably overlooking many investigations on this subject). Recently there have been numerous and vigorous complaints by people like Hogben and Bernal in England and Lynd in this country that much of the research in the social sciences fails to address itself to vital problems. Such complaints may be justified. But the inference, of course, is not less research or fewer books: it is a reorientation of research and academic work to a closer consideration of realities of changing life, a broader historical perspective that would free the social student from slavish acceptance of preconceptions of a given social system as a static unit, a more extensive use of quantitative checks on speculative theorizing.

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2. With reference to your document concerning the study of totalitarian systems. I fully agree that we should study, carefully and dispassionately, the development of totalitarianism, economic, political, cultural, in the countries in which such development attained striking proportions; and that we should also not forget the emergence of similar tendencies in the democracies. But I do not quite see why, if careful and dispassionate study is to be made, it is necessary to utilize the journalistic approach. Is it that you do not feel confident that the trained historians, economists and political scientists will have sufficient sense of reality and power of synthesis to construct a cogent picture of the forces that brought about totalitarianism? Or that the data to which research men are accustomed are not available, and that journalists are needed to provide a vital supplementation on the basis of direct information and knowledge?

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I hope that you won't consider these questions of intellectual snobbery. A good journalist may in essence be a good research man, equal of a good economist or historian in power of insight, assembling of information, organization of data, and weighing of emphasis. But in that case he really ceases to be a journalist par excellence, i.e. a man whose special gifts are in the direction of inferring information when it is not directly available and gauging the trends of current events before they have reached the form in which they can be studied more circumstantially and securely by the research man in the social sciences. Is it your idea that we need these special gifts in

October 24, 1940

a current study of totalitarianism so as to produce inferences as to the immediately foreseeable tendencies of development within the coming short run?

There are also some doubts in my mind as to the advisability of breaking down the field by subjects as indicated on the bottom of page 3 of your memorandum. It would seem to me important to study at once for any given country the whole system of policies that constitute totalitarianism, because a great deal lies in their interrelation. It would, perhaps, be better to subdivide the subject by countries, allowing the full perspective of the country's historical development to illuminate the emergence and blooming of totalitarian tendencies, the latter to be studied in the full interrelation of economic, political, and cultural aspects. This might mean more than one investigator for a country. But those are questions of practical organization on which I cannot express an informed opinion.

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National Income & Wealth

3. With reference to the movement of the share of wages and salaries to national income. Slichter's figures relate to private payrolls only, exclusive of government payrolls and they are compared with income paid out and not income produced. Even thus defined, there is, I believe, an error in the figure given for private payrolls including employers' social security contributions and workmen's compensation payments for 1939. The figure should be not \$38,704 million but \$40,573 million. The percentage therefore is also wrong and it should be not 56.42 but slightly over 59. This comparison therefore even as given by Slichter shows no significant decline in the ratio from 1929 to 1939. (I am using in this calculation the figures of Nathan in the June Survey of Current Business)

If we compare private payrolls not with national income paid out but with national income produced the picture changes significantly. Nathan's figures for income produced are \$82,885 million in 1929 and \$69,378 million in 1939. The percentage of private payrolls inclusive of security contributions and workmen's compensation payments in income produced shows a rise in 1939 as compared with 1929 (the percentages are less than 58 in 1929 and 58.5 in 1939).

But the whole comparison strikes me as suggesting an unwarranted implication. If government payrolls have to be excluded from the picture of payroll receipts they should also be excluded from national income. It is quite obvious that the decline in a share of private payrolls to total national income may be due to two factors: (a) the decline of the share of payrolls in the total income originating in private industry; (b) a decline in the share of private industry as compared with the share of public income in total national income.

Dr. Joseph H. Willits

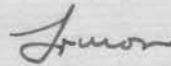
- 4 -

October 24, 1940

If the share of private payrolls in total national income has declined it may be part of the general decline in the relative importance of private industry as compared with public industry.

This letter above represents my attempt to answer the questions that you have raised with me. I expect that you will receive this letter tomorrow and might have a chance to look at it before I see you at Hillside.

Yours sincerely,



Simon Kuznets

SK:R

P.S. I have not gone into the Lickor question in much detail. If you wish, I can let you the full set of figures.

S.K.