

INTER-OFFICE CORRESPONDENCE

DATE: October 19, 1942

FROM: JHW

TO:

RBF ⁰		RMA
RFE	OCT 23 '42	RFE
AB		AB
ME	OCT 30 '42	ME
JMP		JMP

COMMENTS:

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SUBJECT:

I do not believe we have any comprehension of the degree to which the programs of work now being supported by the Foundation in the Social Sciences are being flexed in the direction of bringing to bear their knowledge and skill on the problems that are germane to the war effort. This is particularly the case where there exist organized research endeavors. Such organized research endeavors have lost personnel, but being organized entities they have recruited new personnel to fill the gaps in minor staff members, - and some of these are very promising.

These reflections were re-emphasized at a conference which I attended on Saturday morning of the Directors of the National Bureau of Economic Research and the major staff members, - to discuss the relation of the National Bureau to the war effort. Earlier, the Executive Committee had adopted the following resolution of policy as guiding the Bureau during the wartime:

- (1) Economic research is a function equally important in war and in peace.
- (2) In so far as possible, the National Bureau should be kept intact as a going concern.
- (3) Its program should be pushed energetically, because much of it bears directly upon war problems, and all parts will contribute to the understanding and handling of problems of economic re-adjustment after the war.
- (4) Whenever the National Bureau can aid in the emergency by adjusting or expediting its work, it should make every effort to do so.
- (5) It should help and encourage members of its staffs to participate in the public services wherever and whenever it is clear that an opportunity exists for constructive contributions.

The purpose of this meeting was to discuss specific work that was being done. I can't review it all, but the total was very impressive. One or two illustrations perhaps will serve:

- (1) Simon Kuznets, one of the ablest of the staff members at the National Bureau, is now Associate Director of the Division of Research and Statistics of the WPB. One of the questions that confronts all planning of our war effort, - and one that is receiving very little attention, - has to do with the optimum size of war effort which our productive mechanism can support. The tendency is for each agency, - War Department, Navy Department, Air Force, Maritime Commission, etc., - to worship the virtue of mere size in objectives set up and contracts let. If this results in a program that exceeds available raw materials, manpower and productive facilities, the result of this policy of "eyes bigger than ones stomach" will be a progressive failure of the program because of the competition for essential materials, facilities and manpower. The discerning of the optimum point of effective war contribution is obviously of major importance and one very difficult to answer.

Upon Dr. Kuznet's suggestion, WPB has asked the Bureau to state when in a war period a period of maximum production is reached and what are the factors that limit that maximum. The Bureau has analyzed the experience of the last war and of the present war to date, both in Germany and the United States. The striking thing is that the period of maximum production comes very early in the war. Maximum production in this country rose very little after 1916 and declined after 1917. In Germany the experience was still more marked. Kuznets presented the question at the session on Saturday and Arthur Burns, - the ablest young economist now in sight in this country I believe, - described the work that had been done. Both were as fine, penetrating, thoughtful presentations as I have heard in a long time. Specifically, the reports that are being prepared cover such material as the following: the output of basic products (raw materials and manufactures) in the two wars, production employment in Great Britain and Germany in the last war, construction in the United States in the two wars, comparison of output in the two wars, and German experience since 1939.

One interesting feature of this work is the way it is bringing to the front a new young man who has considerable promise. Although this work is done under Burns' direction, the actual work is being done by a man named Wohlstetter. His history is interesting. He received his degree in philosophy and started to teach logic and philosophy at Sweet Briar College. He received an SSRC fellowship because he wanted to study the subject of logic as applied in the social field; he chose the Bureau as the place to make this study. As a result, he has become interested in the substantive field and promises to be a valuable man for the future. As a matter of fact, I would be glad to see many more social scientists have their under-graduate and part of their graduate backgrounds in the Humanities before they start work in the Social Sciences.

- (2) Leonard Crum, Chairman of the Fiscal Policy Conference and in charge of the studies in fiscal policy, described a new book just issued on the financing of the war, - "Fiscal Planning for Total War."
- (3) Ralph Young described how the work in financial research has been pointed towards emergency problems under the following captions:

- (a) Treasury Financing and the Banks - World War II
- (b) Effect of War on Bank Lending and Investing
- (c) Effect of War on the Business and Financial Structure
- (d) War Financing and the Banks in Great Britain and Canada

The real picture is not one of social scientists engaged in business as usual in the midst of the war, but social scientists, since they study a flowing reality, are even, when they remain outside the war effort, inevitably drawn to following their phenomena under the conditions that obtain at present. I think this is particularly the case where there is some kind of an organized group at work as in the National Bureau. I know the case is similar in the Brookings Institution, the Food Research Institute, the Industrial Research Department, and various others. That is the basis for my statement made at the Officers' Conference week before last that the preservation of independent research centers is important both for the purposes of the war and for the purposes of the problems on beyond. It is particularly important that these centers be kept vigorously going as means of developing new personnel; the case of Wohlstetter above is merely one illustration of new talent recruited because of the emergency.

I attach certain notes, chiefly descriptive of the financial research project, which you may or may not wish to peruse.

JHW

JHW:SIR

Enclosures