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March 17 '39
March 21/39
March 16, 1939

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SHW	SHW
SM	SM
MS	MS

acknowl. discarded

Dr. J. H. Willits
The Rockefeller Foundation
49 West 49 Street
New York, N.Y.

Dear Willits:

The accompanying comment on the National Bureau, I am sure you understand, is wholly my own. I have given some time to thought, but under pressure little to the actual writing, as will be evident on reading.

You can easily imagine that I would like to be able to support the request for endowment presented in behalf of the Bureau by you before assuming your present office in the Foundation. I can only give an honest opinion, as you expressly desire, and rest on the hope that you will not attach much weight to it, remembering my personal limitations of comprehension and wisdom and my total lack of competence in the field of economics.

Sincerely yours,

Robert T. Crane

RTC/set
Enc.

APR 13 1939

March 16, 1939

Memo

To: J H W

From: R T C

Subject: National Bureau of Economic Research

Function

Current activity of the National Bureau of Economic Research reveals three functions.

One of these is execution of a program of research initiated and developed by the Bureau itself. The chosen field, of economic change, is of such importance that a national body devoted to its study is justified. Actual work has been somewhat narrowed to studies of the business cycle. Dominant in this program has been the central objective of discovery of a pattern of cyclical movements. Outside of the Bureau, the belief is frequently expressed that the point of diminishing returns from this particular approach has been reached, and that other attacks on the problems of economic fluctuation promise more significant results. With due respect for this criticism, it would seem that the existing line of attack should be continued at this time under its present momentum and able direction. Not only is there prospect of additions to the very valuable contributions to date by the Bureau to our knowledge of the business cycle, but there is also scientific value in pushing a given line of inquiry to certainty of exhaustion of its utility. On the other hand, it would seem that the specific emphasis which has marked

the work of the Bureau is not clearly indicated for indefinite duration; and indeed, in some important developments of the program, notably in the studies of national wealth and income, this emphasis is not apparent. Research by the Bureau is what research should be - coherent, persistent, progressively penetrating.

A second function is revealed in occasional execution of research projects originating extraneously, or at least initiated not wholly by the Bureau itself as a part of its own integrated program. Thus the Bureau is conducting a series of studies planned by a committee of the SSRC in the field of banking and credit and others planned in conjunction with federal reserve bankers. These enterprises are all appropriate to an institute of economic research. Some of them might be, and perhaps in part have been, developed as part of the Bureau's own program. The fact remains that their execution has been undertaken by the Bureau not wholly of its own initiative. In effect, the Bureau is accepting occasional commissions for the conduct of research appropriate to it. This is a most useful function. There is a dearth of institutions in the United States for the execution of projects not originating spontaneously in their own programs.

The third current function of the Bureau is represented at the moment by its conferences on prices and on national wealth and income. On these two subjects it assembles periodically in two groups a considerable number of the better personnel of the country engaged in relevant investigation. The conferences are useful in stimulating individuals in their respective areas to make more

concentrated and more concerted effort. They provide a means for communication of knowledge of research under way and of plans, and thus for more intelligent and economical employment of research effort and division of labor. They are directed also to clarification of the problems on which, and of the concepts with which, individuals are working. The attempt to clarify concepts in particular is of great significance, for only when the terms in which individuals work and express their results are truly interchangeable, are results comparable and capable of comprehension in a coherent and continuous body of knowledge. The two experimental conferences thus far assembled have shown value for the coordination of research. Further development of such conferences appears desirable and, when they fall within the field of economics, appropriate to an economic research institution.

A fourth function may develop in connection with the recent gift to the Bureau of a piece of property in an outlying section of New York City containing a fine old private residence of large proportions. It is proposed to make this a center for economists, to provide lodgings, and ultimately to develop facilities for research. Possibilities of successful development can be regarded at this time only as problematical.

Organization

The Bureau is governed by a self-perpetuating board of national character, which is composed of members representing a number of universities and scientific associations as well as of members at large. For a period there appeared a trend toward a more local character, in some measure in the direction of an appendage of

Columbia University. Fortunately this trend has been completely reversed by the Bureau, though apparently not wholly ex proprio motu.

Of two co-directors of research there remains one. He is unexcelled among American scholars and completely immersed in research of the Bureau to the distinctive character of which he has so largely contributed. For the planning and execution of this program of research, an admirable staff has been built.

The organization of the Bureau, designed for execution of its own program, does not appear to have been yet fully adapted to functions subsequently assumed; though the need was met in a measure several years ago by addition to the staff of an executive director. It would seem, as is natural where there is slow accretion of functions, that the existing organization has been unpremeditatedly loaded with new, and in some degree unpalatable, tasks. When research not wholly arising out of its own program is undertaken by an institution, it is desirable that neither the institution's program nor the extraneous undertakings should suffer through these latter undertakings being confided to members of the institution's existing staff. In such undertakings, when not wholly in line with its own program and when the desirable personnel is not found in its own organization, the Bureau has shown commendable readiness to add special staff of the highest capacity available for the specific research. With respect to all organizations, nevertheless, safeguards seem desirable to insure observance of the principle of selection of desirable personnel and to avoid temptation to take advantage of opportunity simply for maintenance of existing staff. The added burden of the extraneous research undertakings impinges rather upon the overhead organization

of the Bureau than upon its research staff. The attention which should be given to the conduct of these enterprises could be given by the director of research only at the expense of attention to the Bureau's own program. Multiplication of these enterprises would make distraction serious. With respect to the board, also, the regular procedure of individual reading and criticism of manuscript by all members would seem to be rendered impracticable. On the other hand, it is upon members of the research staff that heavy burdens have been thrown by the cooperation initiated by the Bureau through its price and wealth and income conferences.

Finance

Financial support of the Bureau might conceivably be in the form of occasional grants or of endowment, for specific or for general purposes within its field. Actually without endowment, the Bureau has been financed through occasional grants for specific research projects or for its own limited research program.

The prosecution of its own program of research on economic fluctuations, the execution through an established and responsible operating agency of appropriate research originating extraneously, the cooperation induced through its conferences, have all been found above to be sound and useful functions of the Bureau. They clearly merit financial support.

Obviously, the extraneous research projects or programs taken on by the Bureau will be financed separately and specifically. The question of the form of support arises, then, in relation to the Bureau's own program of research, to the conferences, and

possibly to maintenance and development of the Hillside center.

In view of doubts as to the desirable duration of the orientation which has been dominant in the Bureau's own research program, in view of the yet experimental character of its conferences, in view of question as to the feasibility of development of a useful center for economists in the location of the recently acquired Hillside property, it would seem clear that these functions do not in their present stage warrant endowment. With regard to the first, the Bureau's own program of research, irrespective of possible change of emphasis, there is further a valid question whether a research program should ever be endowed. It is the facilities offered by the Bureau for the execution of research for which an established and responsible operating agency is sought, that constitute the most solid basis for endowment at this time. On the whole it would appear that temporary financing for a period of perhaps three years is in order, with the possibility of later review of the question of endowment.

An annual income of something between \$25,000 and \$50,000 would assure maintenance of an effective operating agency for the management of research within its own program for which it may secure other funds, for management of extraneous research confided to it and accompanied by special grants for execution, and for the continued experimental development of cooperative conferences.