

ECONOMIC RECONSTRUCTION

* REPORT OF THE
COLUMBIA UNIVERSITY COMMISSION

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COLUMBIA UNIVERSITY
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PREFACE

In his Annual Report for the year 1932 President Nicholas Murray Butler called attention to the "new opportunity for university service" created by the economic and social problems which were sorely besetting the civilized world and which presented a peculiar challenge to those scholars who devote themselves to the fields of study within which these problems have emerged. That there was a prophetic note in this pronouncement the response of the universities to the call for service has in the intervening period amply demonstrated. The relevant portion of President Butler's Report follows.

New Opportunity for University Service

The years through which we are passing have brought into new and unexampled prominence a series of difficult problems whose solution affects the happiness and satisfaction of the whole world. These problems demand with the utmost urgency study by the very best intelligence which our time can provide. They summon this University to a high task of interpretation and exposition on a scale that has perhaps never been reached. So rapid, so incessant, and so cumulative have been the changes going on in the economic, political and social structure of our modern civilization that they find us not only wholly unprepared to deal with the grave emergencies which they so constantly present to us, but even unable clearly and fully to understand their essential character. To find a way out of these economic and social dilemmas, with their serious and often distressing consequences, is a responsibility which rests peculiarly on the universities of the world, and in high degree upon Columbia University. It is pathetic that with problems of this kind confronting and perplexing men, some of the great funds which have been established by private benefaction for the service of the public are literally wasting the sums at their disposal by scattering them in relatively small amounts over fifty, over a hundred, different and usually unimportant fields of endeavor. These same sums, concentrated in large amounts on one, two, or three of the commanding problems of our time, might well justify in the public mind any fortune,

however great, which our economic and industrial system has made possible in past years. However this may be, the duty and the opportunity of this University are obvious.

No one of these problems is more urgent than that which is usually summed up in the phrase: Poverty in the midst of plenty. In this regard our own time reveals a contrast truly ironic and of a kind and extent never before witnessed in the world. This is the contrast between a technological and industrial development which offers for the first time in human history a universal standard of economic well-being and on the other hand an economic mechanism of exchange which seems to defeat, or at least to be unable to make good, that promise of satisfaction and prosperity. The question as to the relation of the consumer's demand to productive capacity is one which has gained increasing attention in late years, particularly since the end of the Great War, and to-day it is paramount in the economic situation which confronts us on every hand. Overflowing barns and impoverished farmers, surplus of raw materials and idle plants, new triumphs of technological skill and new multitudes of unemployed workers, all these point to some fundamental failure of that plan which seeks to adjust demand with supply through the ordinary medium of prices. This is itself a technical problem, since on the one hand all the elements of productive efficiency are present and anxious to cooperate, while on the other hand the human need for the products of this cooperative efficiency is imperative and universal.

The nature of the problem will be better understood if one recalls the elementary fact that all exchange is mediated barter. By progressive stages, as society increased in complexity and in specialized activity, the world passed from what may be called a simple barter economy, through commodity money, the direct use of the precious metals, and standardized metallic currencies, to the elaborate and varied systems of credit or fiduciary money which, with whatever reserves of a precious metal, are controlled by governments and by banks all over the world. In past years these developments went forward through gradual adaptation to conditions which changed relatively slowly. To-day, however, the process of change is so rapid that such farther adaptations as are quickly necessary can only be proposed, explained and brought about by the deliberate concentration upon them of the best constructive thought of the world. How absolutely necessary this has become may be judged from the fact that in the present economic blockade return has even been made, in some parts of the world, back to the ancient and once obsolete system of direct barter.

The problem which presses upon us can be more simply stated through separation from a multitude of complications, some national and some international, which have certainly worked together to create the disasters and maladjustments from which the world now suffers. This problem is not, for example, to be in any way identified with that of the so-called business cycle, though we may confidently expect that to solve it would help mightily in the control of the ordinary fluctuations of economic prosperity. Nor is the problem one which can be met by direct recourse to any of the competing economic philosophies of society, whether those which are based on that liberty which has made possible the accumulation of capital or those which are in whole or in part the outgrowth of the tenets of socialism. The essential point is that two parts of our economic mechanism, the technique of production and the technique of exchange, have evolved, not in interdependence but in semi-independence each of the other, with the result that they do not function in harmony for the service of society. This is a fundamental problem which did not come into being with the present world-wide depression, and it is not one which will be solved by the passing of that depression. One aspect of it has been strongly emphasized by a group of engineers who, impressed by the recent quickening of productivity and the enormous new possibilities which still lie ahead of us in this field, urge the desirability of an entirely new system of control which they term Technocracy. Without accepting their inferences, the data which they are accumulating regarding the efficiency of modern production and its methods will have to be taken into account in any serious study of this whole question.

Columbia University, so far as its resources will permit, should lead in an attack upon this problem. The trained competence and the high imagination of our wisest scholars should be given opportunity to fix their attention on these matters and the challenges of our changing civilization which accompany them. They now occupy the center point of the field of human interest.

The subjects to be attacked are not so much material for meticulous research of the traditional kind as for rigorous philosophic and economic analysis and for the wise and constructive formulation of policy. It would be an act worthy of Columbia University, and one with the greatest potentiality of public service, were it now possible to form a group, composed in part of members of the University staff and in part of others outside our ranks, to attack this problem without delay, in the confident expectation that they would be able, in coöperation, to think this question through and to offer some firm and sound ground

on which its solution could be built. The specific task to be entrusted to such a group, which in its conferences would naturally desire to establish fruitful contacts with leaders of finance and industry in this and other lands, would be to examine into and to report upon the adequacy of the existing price and credit system to serve the needs of the twentieth-century community under the conditions which modern technological methods and their application to modern industry have created. This may truly be said to be the fundamental question before the world to-day. Columbia University, with its high prestige and its great and many-sided company of scholars, should be put in position to attack it without a moment's unnecessary delay. Material things can wait; men cannot, and sometimes will not.

In furtherance of this program President Butler brought together a group, very representative in that it included, in addition to various members of the Columbia University staff, some leading economists from other universities and also some students of the problems under consideration whose work lay outside the academic field. In his letter to the Chairman of the Committee President Butler set out its scope and function as follows:

COLUMBIA UNIVERSITY
IN THE CITY OF NEW YORK
PRESIDENT'S ROOM

December 28, 1932

Professor Robert M. MacIver
Department of Sociology

My dear Professor MacIver

I ask your kind attention to the discussion with the title, "New Opportunity for University Service", contained in my Annual Report as President of Columbia University for the year 1932.

It has been made possible for the University to go forward promptly with the proposed intensive study there described. It gives me great pleasure to invite you to serve as Chairman of a group of representative scholars, not all of whom are directly associated with Columbia University, to undertake the proposed inquiry. This group, when constituted, will be at liberty to formulate its own program but among the topics which it is suggested should have consideration are these:

1. Analysis of the part played by the price system in the direction of production
2. Analysis of the fluctuating relationships of income, investment, and consumption within the present price system
3. Examination of price controls to maintain stability (a) of internal prices and (b) of international exchange parities in periods of industrial expansion and retraction
4. Examination of the adequacy of present monetary systems under modern industrial conditions
5. Examination of the economic consequences of improvements in productive technique
6. Formulation of consequent policies.

The consideration which is sought is really very intensive and very intimate. It will perhaps be found that if the members of this group can first spend a few days together either in New York or at some convenient place elsewhere, they might through an intimate meeting of minds accomplish much more and better organize their subsequent work than would be possible either by correspondence or by casual discussion . . . [Here follows the list of members given on p. xii.]

May I express the hope that you will find it possible and convenient to proceed promptly with the organization of this undertaking. It is my belief that a most striking public service can be rendered just now by focussing the thought and the experience of so representative a group as has just been named upon the outstanding economic and social problems of our time.

Faithfully yours,

(Signed) NICHOLAS MURRAY BUTLER

The depression was at its deepest when the Committee began its labors in the first months of 1933. Then followed the banking holiday and the departure of the United States from the gold standard. In rapid succession thereafter came the drastic and far-reaching measures of the "new deal." To take cognizance of these historic changes the program of the Committee had to be continually readjusted. Many of the members became engaged in activities directly or indirectly connected with the plans of the new administration. Three of them came to occupy positions of responsibility which involved their withdrawal from the work

of the Committee. Those who were able to continue with it gradually arrived, after much discussion and deliberation, at the considerable degree of consensus which made possible this report.

COLUMBIA UNIVERSITY

FEBRUARY 1, 1934

ROBERT M. MACIVER

LETTER OF TRANSMITTAL

January 31, 1934

President Nicholas Murray Butler
Columbia University

My dear Mr. President:

I have the honor to present to you the accompanying report which embodies the conclusions of the Commission appointed by you under date of December 29, 1932. It was a somewhat novel experiment which you undertook in bringing together with members of our own Columbia staff a number of economists from other universities and some other gentlemen whose special attainments qualified them to assist in our deliberations. Consequently, we formed a group representative of many diverse points of approach to the large and difficult social economic problem under consideration, the focus of which was the relation between the technological factors of productivity and the economic conditions under which they operate and which seem at various points to limit their effectiveness. I am happy to state that in spite of the difficulties of the problem and the diversities of approach, a very considerable degree of consensus was attained, the results of which are embodied in the report. The problem is so far ranging that only certain aspects could be included in our survey but I venture to think that in respect of these we have done something to clarify the issues involved and to suggest some practical steps towards their solution.

Owing to other engrossments, some of the members nominated by you were unable to take part in the work of the Commission, while some of those who actively assisted in our earlier deliberations found it necessary to withdraw at a later stage. Chief among the reasons for such abstentions were the tasks and responsibilities which fell to those members who have been participating in activities connected with the program of the present administration. We particularly regretted the loss of their services, though realizing that they were thereby devoting themselves more directly to the same ends which your Commission was seeking to further. The remaining members have given unsparingly of the time at their disposal to the work upon which we have been engaged and have shown a readiness to cooperate in the midst of their other activities which has been most gratifying and which alone has made possible the production of this report.

Faithfully yours,

(Signed) R. M. MacIVER

LIST OF MEMBERS OF THE
COLUMBIA COMMISSION

- Robert M. MacIver, *chairman*, Lieber Professor of Political Philosophy and Sociology in Barnard College, Columbia University.
- Benjamin M. Anderson, Jr., Economist of The Chase National Bank, New York.
- James W. Angell, Professor of Economics, Columbia University.
- Joseph W. Barker, Dean of the School of Engineering, Columbia University.
- Adolf A. Berle, Jr., Associate Professor of Law, Columbia University.
- John M. Clark, Professor of Economics, Columbia University.
- Arthur D. Gayr, *executive secretary*, Lecturer in Economics, Barnard College, Columbia University.
- Alvin H. Hansen, Professor of Economics, University of Minnesota.
- Alvin Johnson, Director of The New School for Social Research, New York.
- Wesley C. Mitchell, Professor of Economics, Columbia University.
- Harlow S. Person, Director, The Taylor Society, New York.
- James H. Rogers, Sterling Professor of Political Economy, Yale University.
- Josef A. Schumpeter, Professor of Economics, Harvard University.
- George H. Soule, Director-at-large of The National Bureau of Economic Research, New York.

Jacob Viner, Professor of Economics, University of Chicago.

Leo Wolman, Professor of Economics, Columbia University.

The following members found it necessary to withdraw soon after the appointment of the Commission because of the pressure of other work:

Edmund E. Day Walter Lippmann

The following members were unable to participate in the later deliberations of the Commission by reason of their duties in connection with their services for the National Government:

Adolf A. Berle James H. Rogers Leo Wolman

The following member was unable to participate in the work of the Commission after June 1933 by reason of his absence from the United States:

Jacob Viner

The following member resigned from the Commission at a late stage in our deliberations. He did not participate in the preparation of the final form of the report and therefore has no responsibility for any views expressed in it:

Benjamin M. Anderson, Jr.

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