

# Patronage and the Directions of Research in Economics: The Rockefeller Foundation in Europe, 1924–1938

EARLENE CRAVER

THE PHILANTHROPIC foundation of the twentieth century is distinguished from earlier charitable endowments chiefly by its support for research on the causes of fundamental human misery, rather than for devotion to its temporary alleviation. The “best philanthropy”, John D. Rockefeller Jr wrote, “is constantly in search of finalities—a search for cause, an attempt to cure evils at their source”.<sup>1</sup> Trustees of the Rockefeller foundations tried to realise this aspiration in a variety of ways. They supported fundamental research in medicine, especially in fields concerned with public health, set up programmes of medical education in China and the Near East, and gave considerable attention to the establishment of sound educational institutions for negroes of the American South. However, for a number of years, foundation officials refused to do the same sort of thing for the social sciences—perhaps because they were too “new”, perhaps because they had too little to do with “science”, perhaps because they seemed to draw their inspiration from something too close to common sense. Certainly, John D. Rockefeller Sr, and his *éminence grise*, the Reverend Frederick Gates, thought economic theory an unnecessary and obscure departure from common sense. In 1914, when the trustees deliberated on the proposal of Edwin F. Gay, the Harvard economic historian, for a major venture into research in economics, Gates urged rejection, explaining that since “the fundamental principles of economics are well known”, one just needed “to find out ways that will put a few fundamental economic facts into every home in the land”.<sup>2</sup> The trustees of the Rockefeller Foundation were also reluctant to enter this field because the foundation’s first venture into the social sciences—a rather hastily composed study of industrial relations, commissioned after the “Ludlow massacre” of striking workers at a Rockefeller mine on 20 April, 1914—had subjected the foundation to public scrutiny and political denunciation. By the 1920s, however, their attitude had changed.

In 1918, a new Rockefeller foundation, the Laura Spelman Rockefeller Memorial, came into being. Dedicated to the memory of John D.

<sup>1</sup> From Rockefeller, John D. Jr, *Random Reminiscences of Men and Events* (New York: Doubleday, Page, 1937), p. 177, quoted in Grossman, David M., “American Foundations and the Support of Economic Research, 1913–19”, *Minerva*, XX (Spring–Summer 1982), pp. 59–82.

<sup>2</sup> Fosdick, Raymond B., *The Story of the Rockefeller Foundation* (New York: Harper, 1952), p. 193.

Rockefeller's recently deceased wife and to her charitable interest in social welfare, the memorial was given a generous endowment of over 70 million dollars. By 1923, it had become the principal device of Rockefeller support of the social sciences. By 1929, when the memorial was absorbed into the Rockefeller Foundation, it had spent approximately \$40 million, more than half of it on the support of academic social science.<sup>3</sup> This transformation was largely the work of Beardsley Rumml, its director.

Just 26 years of age at the time of his appointment in 1922, Rumml came to the memorial with a doctorate from the University of Chicago in experimental psychology, some practical wartime experience developing occupational tests for the armed forces, and a little administrative experience as assistant to James Angell, then president of the Carnegie Corporation. Rumml was not one to hesitate before the door of opportunity. He was said to have "a creative ignorance which prevents him from seeing the No Thoroughfare, Keep Off the Grass, Don't Trespass, and Dead End Street signs in the world of ideas".<sup>4</sup> A vigorous expositor of his own views and an indefatigable optimist, he persuaded the trustees of the memorial to engage in large-scale support of basic social science research.

Rumml's general programme was formulated in a "Memorandum", approved by the board of trustees in October 1922. It became the major statement of the new policy of the Laura Spelman Rockefeller Memorial. It was called "one of the most important statements about the financial support of the social sciences in the United States in the twentieth century".<sup>5</sup> While the Russell Sage Foundation and Carnegie Corporation had supported particular pieces of research, Rumml envisaged a comprehensive and far-reaching programme in the social sciences. His own training led him to place great emphasis on the collection of data and development of rigorous methods of research. He thought, however, that the universities were ill equipped to conduct empirical research. There were few arrangements for the collection and tabulation of data and too many demands on academic social scientists for teaching and for publication: "As a result, production from the universities is largely deductive and speculative, on the basis of second-hand observations documentary evidence and anecdotal material. It is small wonder that the social engineer finds his social science abstract and remote, of little help to him in the solution of his problems."<sup>6</sup> Nonetheless, Rumml was of the view that, potentially, the university offered the best environment for conducting research, because of its "stability" and continuity, the "presence of a wide range of professional opinion", the "existence of scholarly and scientific

<sup>3</sup> Bulmer, Martin and Bulmer, Joan, "Philanthropy and Social Science in the 1920s: Beardsley Rumml and the Laura Spelman Rockefeller Memorial, 1922-29", *Minerva*, XIX (Autumn 1981), p. 385.

<sup>4</sup> Alva Johnston, quoted in Fosdick, R. B., *op. cit.*, p. 195.

<sup>5</sup> Bulmer, M, and Bulmer, J., *op. cit.*, p. 367.

<sup>6</sup> Rumml, B., "Memorandum", quoted in *ibid.*, p. 363.

standards of work” and “reasonably effective channels of inter-university communication”.<sup>7</sup> By providing funds for equipment, books, statistical and clerical assistance, the memorial would be able to play a major role in the development of the social sciences. As a means to this end, it would grant scholarships and would subsidise, when warranted, the publication of books and journals which could not maintain themselves. As a matter of principle, the memorial would not carry out investigations itself but would work through existing institutions or, if necessary, through institutions it would help to create. Finally, the “Memorandum” said, it was preferable that the patronage of the memorial be given to teaching institutions rather than to institutions which only conducted research.

In the United States, the Laura Spelman Rockefeller Memorial’s principal arrangement for extending patronage in economics, as in other fields, was the “institutional grant”. Sometimes called a “fluid grant” or “block grant”, because the precise allocation of funds was left to the institutional recipient, these grants were usually intended to cover three- to five-year periods. They were given to established universities such as Chicago, Columbia, Harvard and Iowa State, and to research institutions such as the National Bureau of Economic Research. In an effort to avoid the kind of controversy that had arisen around the foundation’s work in the social sciences before the First World War, the trustees required that the prospective institutional recipient, rather than foundation officials, initiate the formal request for support; the institution, rather than the foundation, was to remain responsible both for the selection of problems for research and the selection of staff. Nonetheless, officers of the memorial were far from being inactive distributors of funds. Ruml himself travelled widely, met informally and frequently with leading academics, and actively encouraged the development of broad programmes of social science research.

*The Memorial in Europe: Institutional Grants and Individual Fellowships*

Ruml also commissioned academics whom he knew and trusted to travel in Europe, the Near East and Asia, to assess the fitness of institutions in those parts of the world to receive the support of the memorial. His goal was to foster the growth of intellectually strong centres of interdisciplinary research where empirical methods of research were used. The choice of institutions for support on a large scale rested on how well the institution under consideration appeared to fit the general objectives of the memorial, or how willing the academic staff and administration were to work towards these goals. Thus, in Europe, the London School of Economics—the founders of which wished to “break up economics, to make it something utterly different from before, to advance knowledge by collection and

<sup>7</sup> *Ibid.*, p. 364.

examination of facts”<sup>8</sup> was a major beneficiary of the Rockefeller foundations, receiving between 1924 and 1928 alone \$1,245,000. Cambridge University, on the other hand, was not. The comments of one academic adviser consulted by the memorial explains why. In his report on the state of the social sciences in Great Britain, J. J. Coss told directors of the memorial in 1924 that the faculty of economics at Cambridge was “not at all anxious to grow” but was “satisfied” with being an “isolated” university: “Robinson, Keynes in Econ. little interested in social side, but only in financial analysis.” Therefore, he recommended that the memorial “not do anything at Cambridge”.<sup>9</sup> Even later when funds were granted to establish the Institute of Statistics at Oxford University, Cambridge, despite its greater eminence in economics, continued to be passed over. The lack of interest of Cambridge University in the informal overtures by representatives of the memorial regarding the establishment of an endowed chair in sociology led the foundation to abandon its plan in this field as well. However, a chair in political science was established during this time because administrators showed greater enthusiasm for the foundation’s informal proposal.<sup>10</sup>

Elsewhere in Europe, the Laura Spelman Rockefeller Memorial gave substantial assistance to three major centres where economics flourished in a setting in which interdisciplinary work was encouraged. These were the Institut universitaire des hautes études internationales in Geneva, the Institute of Social Science at the University of Stockholm—Socialvetenskapliga Institutet, Stockholms Högskola—and the Institute of Economics and History at the University of Copenhagen—Afdeling for Økonomi og Historie, Københavns Universitet. However, on the Continent these were the exceptions.

Even during the years of Ruml’s administration when enormous sums were spent in the hope of developing the social sciences, officials of the memorial were reluctant to make large grants to institutions in most European countries, including France, Austria and Germany, although in the latter the social sciences were considered relatively advanced. There were a number of reasons for their caution. Officials of the memorial found few senior members liberated from the “speculative inertia” of traditional social science.<sup>11</sup> In addition, they were bothered by the degree of strife

<sup>8</sup> Beveridge, Lord [William H.], *The London School of Economics* (London: George Allen & Unwin, 1960), p. 50. On the relationship between Ruml and Beveridge, see pp. 84–95. See also Lord [Lionel] Robbins’s disparaging comments on Beveridge’s preoccupation with facts at the expense of theory in his *Autobiography of an Economist* (London: St Martin’s Press, 1971), pp. 136–138.

<sup>9</sup> Memorandum of J. J. Coss to Ruml, 28 February, 1924, Rockefeller Archive Center, Laura Spelman Rockefeller Memorial (hereafter referred to as RAC-LSRM), Series III, Box 51.

<sup>10</sup> Bulmer, Martin, “Sociology and Political Science at Cambridge in the 1920’s: An Opportunity Missed and an Opportunity Taken”, *Cambridge Review*, CII (21 April, 1981), pp. 156–159.

<sup>11</sup> Frank, Lawrence, “The Status of Social Science in the United States”, 1923, a report for the memorial, quoted in Bulmer, M. and Bulmer, J., *op. cit.*, p. 375; similar opinions were expressed on the state of the social sciences in Europe in other memoranda and reports.

among professors in many continental universities. For example, the bitter quarrel between the economists at the University of Vienna—Hans Mayer, a vigorous representative of the “Austrian School”, and Othmar Spann, who was determined to reformulate economics in Aristotelian terms—was one reason why foundation officials concluded that research in economics would be better supported outside the university.<sup>12</sup> Moreover, the officials feared the capacity of bureaucratic academics and administrators to divert funds and thwart the development of new programmes. To circumvent these obstacles, officials of the memorial preferred to make appropriations to independent institutions and to concentrate their attention on helping a new generation of well-trained social scientists. Towards that end, the memorial inaugurated a programme of fellowships in 1924.

A programme of fellowships had been suggested by Ruml in his “Memorandum” of 1922. A year later, the economist Lawrence Frank, an official of the memorial, added more specific recommendations. The fellowships were intended to emancipate a future generation of teachers, at least in part, “from the traditional conceptual thinking and *a priori* generalizations of the present generation of teachers”.<sup>13</sup> About 40 fellowships were awarded annually, almost one half of these to European scholars nominated by “national advisers” who were usually eminent professors such as Gösta Bagge in Sweden, Alfred Pribram in Austria and A. F. Fehling in Germany. European fellows were initially required to study in the United States. After 1925, however, they were allowed to include other countries in their itineraries. Nonetheless, European fellows in economics almost invariably chose to visit the United States where the National Bureau of Economic Research, Columbia and Harvard Universities, the Brookings Institution and the University of Chicago were the main places on their itinerary. The London School of Economics was also popular.

Not all these fellows were to make notable contributions to economic theory but among those who did were the Nobel memorial prizewinner in economics, the Norwegian mathematical economist, Ragnar Frisch, and two Viennese economists, Gottfried Haberler and Oskar Morgenstern, who later made major contributions in macroeconomic theory and game theory respectively. One former fellow, Ezio Vanoni, became minister of finance in the Italian republic; he played a large part in the ten-year plan for the development of southern Italy launched in 1955. Although the programme favoured younger scholars rather than those with established reputations, both Ludwig Mises, the liberal Austrian economic theorist, and Paul

<sup>12</sup> Rockefeller Foundation Archives, Rockefeller Archive Center (hereafter referred to as RAC-RF), RG1.1, series 705, Austria, and Van Sickle, John, Diary, RAC-RF; see also Craver, Earlene, “The Emigration of the Austrian Economists”, *History of Political Economy*, XVIII (Spring 1986).

<sup>13</sup> Frank, Lawrence, “The Status of Social Science in the United States”, 1923, in Bulmer, M. and Bulmer, J., *op. cit.*, p. 375.

Mantoux, a French economic historian, were granted fellowships during the lifetime of the memorial.<sup>14</sup>

*New Policies under Edmund E. Day*

In 1929, when the various Rockefeller philanthropic institutions were consolidated into the Rockefeller Foundation, Ruml resigned and was replaced by Edmund E. Day as director of the activities of the foundation in the social sciences. Day was a statistician and economist trained at Harvard; his most recent appointment had been as dean of the school of business administration at Michigan University. Miss Sydnor Walker, whose primary experience and responsibilities lay in social welfare and public administration, remained from the administrative staff which Ruml had assembled. Day made a number of new appointments. He asked John Van Sickle, a former student of economics at Harvard and then his colleague at Michigan, to assist in the transition; he later made him assistant director of the social science division office of the foundation in Paris. In 1934, Van Sickle was moved to New York where he became associate director of the programmes of the foundation in "social security"; he was replaced in Paris by Tracy B. Kittredge. In 1934, Stacy May became the fourth member of Day's administrative staff.

Under the new organisation of the Rockefeller Foundation, the office in Paris assumed primary responsibility for the selection of fellows and the award of grants-in-aid; it also undertook much of the evaluative work formerly done by academic advisers from the countries under consideration, and it commissioned investigative teams. The foundation tried to make certain that the institutions it helped to support did not become wholly dependent upon the assistance of the Rockefeller Foundation. Van Sickle in his autobiography recalled: "One of my tasks was to make sure that local support would not be reduced by an amount equal to Rockefeller support."<sup>15</sup> In addition to requesting informal assurances on this matter from institutions requesting support, the Rockefeller Foundation tried the device of "matching grants" when entering into major undertakings with institutions.

Day shared Ruml's view of the foundation and the role it could play in strengthening empirical research in the social sciences. In the early years of his administration, grants continued to be made to institutions, often on the basis of "matching grants". The London School of Economics was the main European recipient of such beneficence; large grants were made in Stockholm and Copenhagen for new buildings, as well as for administration, libraries, staff and research. Smaller awards were given to the Institute

<sup>14</sup> Fellowships: Yellow Sheet, RAC-LSRM, Series III, Box 51; also Kittredge, Tracy B., "Social Science Fellowship Program in Europe: 1924-1938", RAC-RF, Series 1.2; Box 384, 100ES.

<sup>15</sup> Van Sickle, John, unpublished autobiography.

of Economics—Universitetets Økonomiske Institutt—at the University of Oslo, the Dutch Economic Institute—Nederlandsch Economisch Instituut—in Rotterdam, the Institut für Weltwirtschaft und Seeverkehr in Kiel, the Romanian Institute of Social Science—Institutul Social Roman—in Bucharest, and the Institut für Sozial- und Staatswissenschaften in Heidelberg.<sup>16</sup> In addition, policies which began in the years of the Laura Spelman Rockefeller Memorial came to fruition with the establishment of two new centres of social science undergraduate teaching and research in France and in England: the Institut scientifique de recherches économiques et sociales directed by Charles Rist, founded in Paris in 1931 after years of protracted negotiations with Rockefeller officials and supported in 1933 with a seven-year grant of \$350,000, and the Oxford Institute of Statistics—later incorporated into Nuffield College—which received \$130,000 in 1934.<sup>17</sup> Yet these examples obscure the ways in which Day's administration departed from Ruml's at the memorial. Where Ruml had promoted an interdisciplinary social science and had relied, wherever possible, on grants to institutions, Day was sceptical of the interdisciplinary interest and preferred to make grants for particular projects and for work in clearly delimited fields.

By 1930, over one third of all appropriations for the social sciences went towards the “promotion of scientific inquiry in the field of industrial hazards and economic stabilization”.<sup>18</sup> This major innovation was partly the result of the change in economic conditions in the United States. Ruml had ruled the memorial when the country was flourishing economically and optimism prevailed. A few months before the “crash” on Wall Street in the autumn of 1929, John Van Sickle, then a new member of Day's team, remembered travelling on the same morning train to New York as Ruml, a journey during which they argued vigorously “as to what lay ahead for the world of business. Rummel [*sic*] predicted an era of endless prosperity. The fact that corporations in the last months of the booming 20's were cutting or admitting [omitting] dividends simply meant as far as Rummel was concerned that they were plowing back additional earnings.”<sup>19</sup> Day, acceded to his post a few months before the crash, and the dark mood of the severe depression coloured his thinking and gave him a sense of the urgency of particular types of inquiry. Speaking before the board of trustees of the Rockefeller Foundation in September 1931, he appealed for their help in finding the causes of cyclical fluctuations:

The costs imposed by serious business depression—of demoralization, broken health, disorganized families, neglected children, lowered living standards,

<sup>16</sup> See Rockefeller Foundation, *Annual Reports* for 1930–35 (New York: Rockefeller Foundation, 1931–36).

<sup>17</sup> *Ibid.*

<sup>18</sup> Rockefeller Foundation, *Annual Report: 1930* (New York: Rockefeller Foundation, 1931).

<sup>19</sup> Van Sickle, John, unpublished autobiography.

permanent insecurity, impaired morale, as well as financial distress—are so appalling when viewed socially as well as individually that no problem of this generation calls more clearly for solution than this of economic stabilization. It is no exaggeration to say that unless the problem can be solved or at least measurably reduced the present social order is in serious jeopardy. . . . The need for more adequate data, for sustained analysis, for more constructive experiment is all too obvious to require elaboration. . . . No more important contribution could be made by the Foundation to the wise development of that social planning and control which seems ultimately so necessary and inevitable if contemporary civilization is to survive.<sup>20</sup>

As the world-wide recession deepened so, too, did Day's determination to seek its cause.

Economic stabilization became one of the three principal topics of interest of the social science division during Day's administration. The foundation supported programmes which it hoped would improve statistical measures of cyclical change and sharpen understanding of causal factors, and which would encourage the development of practical measures to reduce or restrict "industrial hazards"—a term that, in the language of the time, referred to the damaging effects of economic instability. In the United States, the Rockefeller Foundation was munificent in its support of the National Bureau of Economic Research. In Europe, the directors of the social science division in Paris—John Van Sickle and his successor, Tracy Kittredge—saw to it that institutes for the study of the business cycle were founded and supported.

Institutes to study the business cycle owed their inspiration to the Harvard Economic Service, a data-gathering and forecasting service directed by Charles Bullock, which had enjoyed considerable commercial success in the 1920s. The Harvard Economic Service had helped to start the Cambridge Economic Service in Great Britain and to support a similar venture directed by Lucien March in Paris. However, the first such institute to receive the financial support of the foundation in Europe was the Austrian Institut für Konjunkturforschung. Bullock was one of the experts asked to evaluate the request for support made by the young director of the institute, Friedrich Hayek, in 1930. In his reply to Day, Bullock said he had been favourably impressed by Hayek and approved of the intention of the foundation to support the trade cycle institute. Nonetheless, he found the deductive methods used by the Austrian school of economics, and, for that matter, much of German thought, uncongenial to his empiricist disposition:

The German writers on the business cycle seem to be nuts on the matter of equipping themselves with a lot of theories about the subject before they go to work to study the facts . . . I wonder whether [Hans] Staehle's opinion about the superiority of the Austrian Institute may not be based upon the fact that he sympathizes with their theoretical point of view and believes that you have to equip yourself with a theory, a beer stein, a porcelain pipe, a green Alpine hat, some jaeger underwear, a ton of

<sup>20</sup> Day, Edmund E., "Proposed Foundation Program in Economic Stabilization," 14 September, 1931, RAC-RF, RG3, Box 2, Series 910.



Wienerwurst and a lot of other “boloney” before you are prepared to take up the serious study of business cycles.<sup>21</sup>

Despite Bullock’s reservations, the foundation made a grant of \$20,000 to the Institut für Konjunkturforschung, to be spent over a five-year period; in the depressed economic conditions of Austria in the 1930s, this sum went a long way.<sup>22</sup> The grant was only the first of many made to similar institutes throughout Europe, some as far to the east as Sofia and Bucharest, for the collection and publication of data on the nature and causes of cyclical fluctuations. In addition to its contribution to research on trade cycles in Vienna, the Rockefeller Foundation contributed to business cycle institutes and business cycle studies in Berlin under the direction of Ernst Wagemann, in Louvain under León Dupriez, in Rotterdam under Peter Liefstinck and Jan Tinbergen, then at the Central Bureau of Statistics, in Budapest under Stephen Varga, in Sofia under Oskar Anderson, in Oslo under Ragner Frisch, in Stockholm under Bertil Ohlin, in Paris under Charles Rist, in Cracow under Adam Heydel, in Bonn under Artur Spiethoff, and in Bucharest under Dimitrie Gusti. The Cambridge Economic Service received assistance from the foundation for the first time in 1937.<sup>23</sup> The more important of these institutes also profited from their participation in another large project that received support of \$325,000 from the foundation. This was an ambitious comparative study of the history of prices and wages in the United States and Europe planned by Sir William Beveridge and Edwin F. Gay under the auspices of the Economic Foundation in New York, the parent organisation of the National Bureau of Economic Research.<sup>24</sup>

In the interests of “promoting international understanding”, the Rockefeller Foundation also gave generous financial support to several agencies of the League of Nations. A number of these grants were intended for investigations into specific economic questions. Thus, in 1930, \$90,000 was given to the Fiscal Committee of the League of Nations to gather data on international conventions regarding the taxation of property owned by aliens. This study resulted in proposals for the elimination of double taxation. Another large appropriation of \$125,000 went to the Financial Section and Economic Intelligence Service for a study on the causes of the world-wide recession. Two influential books on macroeconomic theory, the Swedish economist Bertil Ohlin’s, *The Course and Phases of the World Economic Depression*, and the Austrian economist Gottfried Haberler’s

<sup>21</sup> Letter to Edmund E. Day, 22 May, 1930, Rockefeller Foundation Archives, RG 1.1, Box 4, Series 705, Rockefeller Archive Center.

<sup>22</sup> See Craver, E., *op. cit.*

<sup>23</sup> Kittredge, Tracy B., “European Institutes of Economic Research”, 7 February, 1938, RAC-RF, RG1.1, Series 700.

<sup>24</sup> The initial grant was made in 1930 but was supplemented by others. Foundation officials wished to give the directors of the project, Beveridge and Gay, control over both the design of the study and expenditures.

*Prosperity and Depression*, resulted from the participation of their authors in this work.<sup>25</sup>

Many other projects were supported by the Rockefeller Foundation. Between 1929 and 1934 appropriations of nearly \$18,000,000 were made in the social sciences, a substantial portion of which went in support of research in economics.<sup>26</sup>

### *The Success of Day's Programme*

The studies conducted at the National Bureau of Economic Research in the 1920s and 1930s formed the model for the kind of empirical research Day sought to encourage in Europe. By this measure, the success of his programme was uneven. The most notable achievement was the series of statistical studies produced by Gösta Bagge, Gunnar Myrdal, Erik Lundberg, Erik Lindahl and their collaborators, on the history of wages, prices and national income in Sweden between 1860 and 1930.<sup>27</sup> Seldom was the work supported by the foundation of such high quality and such lasting historical value. The business cycle institutes, organised along the lines of the Harvard Economic Service, had to serve their private clients and patrons, and the data collected for the purpose of forecasting current business trends were not always the most useful for basic research on business cycles. Nonetheless, the support given by the foundation accomplished the objective of stimulating empirical research, and was important in bringing young mathematical talents, such as Abraham Wald and Gerhard Tintner in Austria, into the newly developing field of econometrics.<sup>28</sup> In this regard, the Rockefeller Foundation was genuinely successful.

Between 1924 and 1934, a total of 494 fellowships were given to young scholars in the social sciences at a cost of \$2,058,536, about 35 per cent of these awards went to fellows in economics and statistics.<sup>29</sup> How successful was the programme? If its success is measured by the number of European economists well trained both in economic theory and in the analysis of empirical data, then, on the whole, the programme paid a handsome

<sup>25</sup> Rockefeller Foundation, *Annual Reports*, 1930–35.

<sup>26</sup> Rockefeller Foundation, *Annual Reports*, 1930–38.

<sup>27</sup> Myrdal, Gunnar, *The Cost of Living in Sweden, 1830–1930* (Stockholm: P. S. King, 1933), the first of the series on Wages, Cost of Living and National Income in Sweden, 1860–1930, had received support from the memorial and was prepared for publication in summer 1929, but this was postponed until other volumes in the series were ready. The latter, under the direction of Gösta Bagge and financed by the Rockefeller Foundation, included Bagge, Gösta, Lundberg, Erik and Svennilson, Ingvar, *Wages in Sweden: 1860–1930* (London: P. S. King, 1935), and Lindahl, Erik, Dahlgren, Einar and Koch, Karin, *National Income in Sweden: 1861–1930*, Vol. I, Pts 1 and 2 (London: P. S. King, 1937).

<sup>28</sup> See Craver, E., *op. cit.*

<sup>29</sup> Compiled from Rockefeller Foundation, *Annual Report: 1934*, and *The Rockefeller Directory of Fellowship Awards, 1917–1950* (New York: Rockefeller Foundation, 1951). Other categories were sociology and criminology, history, anthropology, geography, psychology and philosophy, and political science and law. Political science and law had the second highest number of awards, though far fewer went to this field than to economics.

dividend. If the intent was to improve the teaching of the social sciences in Europe, then its success was smaller. Tracy Kittredge, who was asked in 1938 to evaluate the programme of fellowships from its inception in 1924, concluded that it had come closest to accomplishing these dual objectives in Great Britain and the Scandinavian countries, where the criteria of individual scholarly achievement and the attainment of influential academic positions were both handsomely satisfied by former fellows. He was most disappointed with the outcome of the programme in France, where it had failed on both counts since most fellows had entered the bureaucracy, abandoning scholarly study altogether. The success of the programme in Austria, he thought, was more difficult to ascertain. Measured by standards of scholarship, former fellows had done exceedingly well; yet, none could hope for a senior academic appointment in the foreseeable future, and by 1934 most had been forced to emigrate.<sup>30</sup> It was in Germany, however, that the hope of the foundation to contribute to the future development of sound science was most frustrated.

One year before Hitler's assumption of power, Kittredge reported to his superiors in New York that "Germany appears to be on the verge of important developments" in the social sciences. Where German economics in the past either had been "minutely descriptive or philosophically speculative", younger scholars now "are showing an interest in inductive work"; the best research groups were to be found in Heidelberg, Bonn and Kiel. Nonetheless, in making its appropriations the foundation should keep in mind that the distinguished director of the Institut für Sozial- und Staatswissenschaften in Heidelberg, Alfred Weber, was already quite old, and that the most distinguished economist of the reigning triumvirate in Bonn, Josef Schumpeter, had just resigned. This illustrated the difficulties of conducting a programme of research in Germany, "where institutes are built around one or two scholars with a flair for organisation and a capacity to raise money. When the leader dies or is called to another university, the Institute vegetates and disappears".<sup>31</sup> In Kittredge's view, the Institut für Weltwirtschaft und Seeverkehr in Kiel was least likely to succumb to this tendency.

When the Institut für Weltwirtschaft first came to the attention of the Laura Spelman Rockefeller Memorial in the 1920s, it had been transformed from its origin in 1911 as a small research unit wholly dependent on private support, into a major institute affiliated to the University of Kiel and provided with a place in the Prussian state budget from which it received one half of its income. Through the munificence of private donors, the institute had acquired in 1920 its permanent site on land formerly belonging to the Krupps. Visitors to the institute invariably commented on the beauty of its

<sup>30</sup> Kittredge, T. B., *op. cit.*

<sup>31</sup> Kittredge, Tracy B., "The Social Sciences in Germany", 9 August, 1932, RAC-RF 1.1, Series 717.

location, the magnificence of its library, and the high quality of its staff. The library, housed in the Kaiser's former yacht-house with a view of the sea, was the envy of economists in Germany. The memorial had helped to build the library's collection in economics with a grant in 1924. By 1931, this specialised collection consisted of over 150,000 books on economics, 1,650 periodicals, 55 foreign and domestic newspapers, and over 600 annual reports from chambers of commerce, industry and agriculture. The head librarian, Wilhelm Gulich, had also organised a records section where market reports, international trade statistics, figures on bank loans, newspaper cuttings of business and economic interest and other documents of this nature, were systematically filed by country and subject, making such information easily accessible to the research worker.<sup>32</sup> Details such as these assured the Rockefeller Foundation of the continuation of Kiel's research programme in the future. According to expert opinion, that programme was rapidly becoming the finest in Germany.

In 1931, John Van Sickle wrote in the "official" diary, which senior officials of the foundation were required to keep, that it was the general opinion in Berlin that the director of the Kiel institute, Bernhard Harms, had gathered around him some of the best young economists in Germany, without regard either to their political views or their race. The most important section was the department of statistical international economics and research on international trade cycles led by Gerhard Colm, "an able, attractive young Jew".<sup>33</sup> Since 1926, when the department had been joined to the institute, Colm had managed to bring together a group of talented young investigators who included two German Jews, Adolf Löwe and Hans Neisser, and a young Russian émigré, Wassily Leontief; Leontief was later awarded the Nobel memorial prize in economics. With an eye towards developing more predictive measures of cyclical phenomena, particularly as it affected international markets for raw and finished industrial products, Colm's group worked on data gathered from industry and commercial sources. Leontief has recalled that his last major project in Kiel, before coming to work at the National Bureau of Economic Research in New York in 1932, was to derive statistical supply and demand curves for the steel industry—a formidable task that required examining data on the labour force, on raw materials and on finished products.<sup>34</sup> In short, the work being done in Kiel was the kind of work, done by the kind of economists, that directors of the foundation most wished to support and encourage. Consequently, when depressed economic conditions led to reductions in the scale of private and public support in 1931, the foundation was willing to

<sup>32</sup> Memoranda by former Rockefeller Foundation fellow, Andreas Predöhl, 26 January, 1931, and former "national fellowship advisor", A. F. Fehling, 17 March, 1931, RAC-RF, 1.1, Series 717.

<sup>33</sup> Officials of the foundation were required to keep an official diary for intra-office circulation that became the property of the foundation. Van Sickle, John, Diary, entry dated 10 January, 1931, RAC-RF.

<sup>34</sup> Silk, Leonard, *The Economists* (New York: Basic Books, 1974), p. 154.

make an appropriation of \$30,000 for three years for general research, supplemented a year later by an emergency grant of \$16,000.<sup>35</sup>

*The Rockefeller Foundation and the Accession of Hitler*

The foundation had paid most of this grant when Hitler was appointed Chancellor on 30 January, 1933. On 23 March, 1933, the newly elected Reichstag passed the *Ermächtigungsgesetz* which established the legal basis for the Nazi dictatorship. As other political parties and the independent trade unions were *gleichgeschaltet* during the spring and summer of 1933, academic institutions were also brought into line.

In Kiel, as elsewhere in Germany, members of the local Nazi organisation demanded that the director of the Institut für Weltwirtschaft dismiss all Jews and persons politically offensive to the Nazis. Harms refused. In April, leaders of the local Nazi organisation arrived at the institute and forcibly removed Colm, Neisser and a research worker, who though not Jewish, had a “suspicious” name.<sup>36</sup> Harms was subsequently called to Berlin; in conversations with officials of the Prussian Kulturministerium, he received on 3 May strong assurances that the institute would continue to receive state support and, in fact, would be included for the first time in the ordinary budget. On the question of Harms’s staff, the ministerial officials were less clear. The next day, in a telephone conversation with John Van Sickle in Paris, Harms said he thought he could find a way of keeping both Colm and Neisser: the former, because he had been on active military duty during the First World War, the latter, because he came from “one of the fine old Jewish families”. He promised that, if the government tried to interfere “with the scientific work of the institute”, he would resign.<sup>37</sup> In July, Harms resigned, naming as his successor a “moderate” Nazi economist of mediocre reputation, Jans Jessen.<sup>38</sup> The University of Kiel, it was decided, would become with Königsberg and Breslau one of three “political universities”, beginning with the term of February 1934. Teachers who did not fit into the projected programme of these universities would be free to find posts elsewhere, it was said.<sup>39</sup> (Harms was later given a position in Berlin.<sup>40</sup>)

<sup>35</sup> See documents in RAC-RF, 1.1, Series 717, Box 20, Folder 180.

<sup>36</sup> Letter from Van Sickle to Day, 28 April, 1933, RAC-RF, 1.1, Series 717, Box 20, Folder 181.

<sup>37</sup> Memorandum, JVS [Van Sickle], telephone conversation with Professor Harms, Paris–Berlin, 4 May, 1933, *ibid.*

<sup>38</sup> Excerpt from letter by John Van Sickle to E.E. Day, dated 7 July, 1933, *ibid.*

<sup>39</sup> Letter from Alva and Gunnar Myrdal to John Van Sickle, 20 July, 1933, *ibid.*

<sup>40</sup> Documents contained in Rockefeller Foundation files give a rather sad portrait of this distinguished scholar after his resignation from Kiel. In August 1934 he asked Van Sickle, somewhat tentatively, if the foundation would consider financing a round-the-world study trip from 2 January, 1934, to 20 December as the culmination of a life of study of the world economy. He was told that the foundation could not do so. Harms made such a trip, nonetheless, before taking up the chair in Berlin in 1937. He died in 1940. RAC-RF, 1.1, Series 717, Box 20, Folder 181.

As word came of dismissals from the universities of Kiel, Heidelberg, Berlin and elsewhere, the Rockefeller Foundation was deluged with appeals for help. Sir William Beveridge, who was in Vienna when he learned the shocking news of the first academic dismissals, promptly joined in a plan to assist displaced scholars.<sup>41</sup> In the United States, Josef Schumpeter and Wesley Clair Mitchell sent letters to the office in New York listing those economists who, in their opinion, were most “deserving” of the foundation’s assistance.<sup>42</sup> The foundation responded by approving in 1933 a special “grants-in-aid” fund to be used to assist in the permanent placement of exiled scholars. Over \$100,000 of this fund was appropriated for the social sciences in 1933. Throughout the 1930s, the Rockefeller Foundation was one of the principal organisations active in aiding refugee scholars. By 1945, it had spent nearly a million-and-a-half dollars for this purpose, and had assisted 303 individual scholars, 113 of whom were in the social sciences.<sup>43</sup> Nonetheless, despite their discouragement, those officials of the foundation who had been most closely associated with the European programme were reluctant to see the foundation’s work in Germany terminated altogether.

In its patronage of the social sciences, the Rockefeller Foundation had tried to steer a course of political neutrality; it had supported research even in non-democratic countries so long as its directors were persuaded that scientific standards of scholarship were upheld. However, the actions of the Nazis raised serious questions. In March 1933, the foundation withheld payment on the final instalments of its five-year grant to the Kiel institute, while John Van Sickle attempted to evaluate the situation from his office in Paris. German scholars, such as Harms and A. F. Fehling, a long-time adviser to the foundation, argued against the withdrawal of support, and suggested that external support was one method of helping such institutes to maintain their intellectual independence. In fact, until his resignation, Harms continued to pay his suspended staff-members, Colm and Neisser, from research funds of the institute.<sup>44</sup> Jacob Marschak and Emil Lederer, dismissed members of the Institut für Sozial- und Staatswissenschaften in Heidelberg, proposed instead that the foundation shift the research it had been supporting in Kiel and Heidelberg to Geneva since, to quote Van Sickle’s memorandum of his conversation with Marschak on 3 May, “the only competent scholars there were the Jews who had now been expelled”.<sup>45</sup> Though noncommittal in his reply to Marschak, Van Sickle wrote that he was disinclined to accept this recommendation since “abrupt termination [of foundation support] at this time would appear to mean that in the past the

<sup>41</sup> Robbins, L., *op. cit.*, pp. 143–144; Beveridge, W. H., *op. cit.*, p. 49.

<sup>42</sup> See RAC-RF, RG2-1933; Series 717.

<sup>43</sup> Fosdick, R., *op. cit.*, p. 276.

<sup>44</sup> From excerpt of letter from Van Sickle to Day, 7 July, 1933, RAC-RF, 1.1, Series 717, Box 20, Folder 181.

<sup>45</sup> Memorandum by Van Sickle of conversation with Jacob Marschak in Paris, 3 May, 1933. RAC-RF, 1.1, Series 717.

only scholars enjoying the confidence of the Foundation were Jews”.<sup>46</sup> On Van Sickle’s recommendation, the foundation approved payment on its grant to the end of the year. Harms’s resignation in July, however, changed matters.

In a letter written to Van Sickle on 20 July in response to his request, the Swedish social scientists, Alva and Gunnar Myrdal, told him of impressions formed during their three-week stay in Kiel. The new director Jan Jessen, they described as “honest but naive, a jugendbewegt puritan type. . . . doctrinaire as to the Nazi ideas of race and nationale Gesinnung as first requirements”. Moreover, Gunnar Myrdal went on to say: “he is not a very prominent scholar, least of all not as compared with international standards.” In the opinion of the Myrdals, “free research” would be “endangered by political bias”, though “one of the strongest reasons for Rockefeller to stay on in Germany is the possibility of having an influence upon the academic development”.<sup>47</sup> With Harms gone, Van Sickle did not recommend continuation of support and Jessen was politely, but firmly, told that he could not expect further assistance from Rockefeller sources.

The foundation had tried to make this decision on the basis of rigorous standards of scholarship. In July 1934, therefore, when Jessen stepped down and was replaced by Andreas Predöhl, a former Rockefeller fellow, Van Sickle’s successor in Paris, Tracy B. Kittredge, was willing to look anew at the situation. Predöhl had been described by the Myrdals as an economist with “quite good scholarly achievement . . . in rather a restricted field”. But, they had warned Van Sickle, “He is a diplomat. . . . He most certainly wants to secure the freedom of the universities but he just as certainly would not sacrifice himself for it. He is going to conform. His staying at the Institute will of course always be a force in the good direction but not a very strong guarantee.”<sup>48</sup> Kittredge nonetheless had confidence in Predöhl. He came away from a week-long visit to the institute in July 1934 with sympathy for Predöhl’s desire to obtain external support. While it was true that research workers at Kiel could no longer do objective work on national problems, Kittredge said, they were able to work freely on international questions.<sup>49</sup> On the recommendation of Kittredge and Van Sickle, Day gave his approval to individual grants-in-aid for limited projects made at the discretion of the officials of the office in Paris. Kittredge continued to press for the participation of the group in Kiel in a number of international studies, including one in 1935 on international trade in raw materials and another in 1938 on exchange control.<sup>50</sup> However, recommendations for support on a larger scale were resisted by the new president of the foundation, Raymond Fosdick.

<sup>46</sup> *Ibid.*

<sup>47</sup> Letter from Alva and Gunnar Myrdal to John Van Sickle, 20 July, 1933, RAC-RF, 1.1 Series 717 Box 20, Folder 181.

<sup>48</sup> *Ibid.*

<sup>49</sup> Documents in RAC-RF, 1.1, Series 717, Box 20.

<sup>50</sup> *Ibid.*

*Fosdick in Charge: Turning Away from the Social Sciences*

Fosdick, who was 54 when he succeeded Max Mason on 1 July, 1936, came to the presidency of the Rockefeller Foundation with a long history of participation in the philanthropic endeavours of the Rockefeller family. For nearly two decades, he had been one of the most active members of the foundation's board of trustees and a trusted adviser to John D. Rockefeller Jr, even though, as a Wilsonian democrat, Fosdick was more liberal in his political views than the younger Rockefeller. Since 1920, his law firm had occupied offices in New York on 61 Broadway at the same address as the Laura Spelman Rockefeller Memorial and the Rockefeller Foundation. In 1922, Fosdick had been influential in the selection of Beardsley Ruml as director of the memorial and, though he became disenchanted with the young director over his lavish spending of the endowment of the memorial, had backed the decision to support basic research in the social sciences. In the late 1920s, he had been one of the trustees principally responsible for the reorganisation of the foundation; more recently, in 1934, he had been the principal author of a report which—in response to the general financial crisis affecting the endowment of the foundation—ended the older policy of the institutional grant and replaced it with project-grants which gave foundation directors greater control over both expenditures and programmes.<sup>51</sup>

From his long experience with the Rockefeller Foundation, Fosdick had developed clear convictions; upon taking office, he immediately moved to put them into effect. Unlike his predecessor, Fosdick sought to exercise greater authority over his divisional officers and considered abolishing the office in Paris, but was persuaded to renounce this idea after a visit there.<sup>52</sup> He had an especially low opinion of Van Sickle and of the entire social science division, and Kittredge's insistent pleas for a greater financial presence by the foundation in Kiel reinforced his negative view. In a memorandum to Miss Walker in September 1936, he rejected Kittredge's proposal for the inclusion of the Institut für Weltwirtschaft in a major international study financed by the foundation in strong terms:

I cannot share Mr. Kittredge's apparent belief that the Institute at Kiel is sufficiently free of political control to make it possible to do objective work there. . . . Unless we are grievously misinformed in this country in regard to the German situation we would be merely throwing away our money in trying to promote any kind of scientific research in the social sciences.<sup>53</sup>

<sup>51</sup> See Bulmer, M. and Bulmer, J., *op. cit.*, pp. 358–359; Kohler, Robert E., “A Policy for the Advancement of Science: The Rockefeller Foundation, 1924–29”, *Minerva*, XVI (Winter 1978), pp. 480–516, and Kohler, Robert E., “The Management of Science: The Experience of Warren Weaver and the Rockefeller Foundation Programme in Molecular Biology”, *ibid.*, XIV (Autumn 1976), pp. 279–307.

<sup>52</sup> Fosdick, Raymond B., Diary, entries in 1936 and 1937, RAC-RF.

<sup>53</sup> Memorandum to SHW [Sydnor Walker] from REF [Fosdick], 25 September, 1936, RAC-RF, 1.1, Series 717, Box 20.



Kittredge was allowed to exercise his authority in making small grants-in-aid to individuals at the institute up to the eve of the Second World War,<sup>54</sup> but Fosdick was reluctant to approve larger grants. In May 1938, he again rejected Kittredge's proposal that Kiel be included in international comparative studies:

As you point out, in order to avoid complications they have concerned themselves primarily with the study of "world" economic problems, i.e., with economic developments and policies in countries other than Germany. As long as they turn their eyes outward rather than inward, they can do as they please, but the moment they try to make any application from external to internal conditions, they run up against the wall of Nazi ideology. This to my way of thinking is not real research. It is a thwarted and truncated type of research which does not represent quality. . . .

You will say that this policy will prevent our carrying on any work in the social sciences in the totalitarian states. My answer would be: Very well, then we will not work in those states. We are not obliged to work there, and I see nothing to be gained for the world in general by supporting the cribbed and cramped type of research which present totalitarian ideology imposes. In the long run, I believe more will be accomplished by concentrating in those countries where tolerance is the intellectual rule than by trying to spread our activities in countries where real freedom of research is grudgingly acknowledged or sharply curtailed.<sup>55</sup>

Fosdick had already written in his official diary, in August 1937, of his doubts concerning the competence of Kittredge and his superior in New York, John Van Sickle, whose resignation Fosdick had requested in April:

Kitteridge is, I think, the weakest man in the Paris office, although everybody admits he is the best informed man on European conditions, and that he reads more than any other person in the office. He is no judge of personnel and has made some very bad appointments for social science fellowships and has a constitutional inability to say no, so that without supervision he would let us in for things that should be declined. He and Van Sickle made a bad team.<sup>56</sup>

Day read the writing on the wall and resigned from his post in June 1937, accepting the presidency of Cornell University. He was replaced temporarily by Sydnor Walker who, though considered competent by all who knew her, failed to enjoy Fosdick's confidence because she was a woman.<sup>57</sup> Joseph Willits of the Wharton School of the University of Pennsylvania was named director of social sciences in 1939. By 1940, all institutional grants were terminated, the European fellowship programme had ended, and the programme in business cycle research was finished. By 1942, none of Day's old team in the social sciences remained. While official reports of the foundation denied it, the social sciences had lost favour in the Rockefeller Foundation.

<sup>54</sup> RAC-RF 1.1, Series 717, Box 20, and RG1.1, Series 100.

<sup>47</sup> Letter from Alva and Gunnar Myrdal to John Van Sickle, 20 July, 1933, RAC-RF, 1.1

<sup>56</sup> Fosdick, Raymond B., *Diary*, 30 August, 1937. In his unpublished autobiography, Van Sickle says that Fosdick asked for his resignation in April 1937, to take effect two months hence, but, because of the difficulty of funding employment, was eventually persuaded to extend Van Sickle's term by one year.

<sup>57</sup> Fosdick, Raymond B., *Diary*, 26 April, 1937.

What accounts for the foundation's abandonment of the social sciences? Certainly, Fosdick's unsympathetic attitude towards the social sciences was affected by what he called the "retreat from reason" in Europe. But his scepticism had another source. Ruml and Day had "oversold" trustees on the "scientific" promise of the social sciences in general, and business-cycle forecasting in particular. Fosdick asked the new director of the social sciences, Joseph Willits, what the consequences of this work had been. What had it accomplished in "straightening out the tangled affairs of men"? In reconsidering his long experience with the foundation, Fosdick, wrote in his diary:

"We are less sure of what we get in the social sciences than we are in the other disciplines." At least the layman—too tempted, perhaps to draw comparisons with the natural sciences and even with the humanities—finds himself baffled in trying to get any adequate or satisfying picture of the advances which social science has made in recent years. . . . Institutions? Yes, i.e., Brookings, the SSRC [Social Science Research Council], the National Bureau etc. Statistics? Yes. But what have *these* accomplished? For example, do we know more about economic laws than we did twenty years ago? Can we point to specific advances in knowledge? Has there really been a "deepening of understanding of social processes and problems"?<sup>58</sup>

He thought the social sciences lacked the "concreteness" of the medical and natural sciences. Whereas the support given to research on yellow fever had led to tangible results that promised to benefit humanity, the millions spent in support of basic research in the social sciences had not given similar results.<sup>59</sup>

However Ruml, ever the optimist, maintained to Fosdick that more could have been done had the foundation persisted: "When you deal with universities in the social sciences, you have to make up your mind that one third of your money will be stolen, one third will be wasted and one third will do a lot of good. We got too impatient with the two-thirds loss and didn't realise what the one third might have accomplished if we had kept at it."<sup>60</sup>

Ruml's argument fell on deaf ears. From this period onward, the Rockefeller Foundation played a smaller part in the expansion of the social sciences. Its place was taken by other foundations, most notably the Ford Foundation.

<sup>58</sup> Willits had suggested a major institutional commitment in the social sciences; Fosdick replied by tracing his experience as a member of the board of trustees from the days of the memorial, *ibid*, entry of 12 November, 1943, RAC-RF.

<sup>59</sup> See also Fosdick's reflections in his diary, *ibid*, 7 February, 1946.

<sup>60</sup> Quoted by Fosdick, *ibid*, 12 November, 1943, from his conversation with Ruml in Washington the previous week.