Nov. 9, 1905 letter: says Murphy there the next week. Arrive Nov. 15, 1905

Report before March 10, 1905
Mr. Murphy, Secretary to J.D.R. visits university and makes a report. Says: "The whole atmosphere of the place reflects the personality of the President."

For General Items
In the faculty, President Harper has succeeded in gathering together a group of men and women which it would be hard to match in any university in the country, and this is the more remarkable when you consider the attractive force of the prestige and social position connected with the older institutions of the east. While you do not find the atmosphere of scholastic repose and of refining and uplifting culture which you do at Harvard, for instance, there is a virile energy and enthusiasm more suited to, as it is more characteristic of, the great young west. In productive power, especially along lines of original and creative work, I doubt if this faculty can be surpassed in any university in the United States.

The whole atmosphere of the place reflects the personality of the President, who is in many respects a most remarkable man. If in the course of my report it should become necessary to criticise some of the details of his conduct of his office, I do not wish to be considered as minimizing my appreciation of his strong qualities, and his wonderful ability as an organizer and administrator. The University and its founder are to be warmly congratulated on securing such a man for the head of the institution.

During my visit to the University, I made it my business to get as nearly in touch with the spirit of the institution and with the men who are doing the work as possible, and I stayed there long enough to see something of the inside workings. There is a splendid spirit of enthusiasm, which characterizes all departments of the University and almost all of the men on the faculty. Each man is keenly alive to the needs and possi-
Scrap of Murphy Report, from Murphy, Star & File (verticle file)
bilities of his department and is constantly exerting a pressure upon the authorities for the furnishing and development of the things which seem to him to be important. When you consider that this is the attitude of almost every man on the faculty, you can see that the accumulated pressure upon the authorities must be almost irresistible. This pressure is sincere and enthusiastic, and in almost every case, the thing asked for is in itself desirable. When one is familiar with these needs and in a position where the pressure of them can be exerted directly upon him, it requires great determination to resist it. This situation is, in itself, a most helpful one, and a condition of the most vigorous growth. The study of the principles of evolution shows us that, throughout the entire organic world, the condition of progress is this intense and persistent pressure upon the means of subsistence, which is the primary means of assuring that the unfit shall perish and only the fit survive. The same principle applies in the case of the University, which is, after all, a great, living organism, and subject to the laws of organic life. One cannot stay at the University and get into intimate touch with it, without realizing and being profoundly impressed with the enormous vitality of the institution, and it is this very vitality which accounts for the tremendous pressure which is brought to bear upon the authorities. The President is a man of the widest optimism. This is a quality of first importance, provided, only, it can be restrained by a cool and deliberate judgment. It is al-
most impossible to find these two qualities in the same individ-
ual, but it would be a great misfortune to eliminate this optim-
ism from the President, provided some means can be found in oth-
er quarters to control it. It is this quality which has led
to the really phenomenal growth of the institution, and to it is
largely due the inspiration of the other men in all departments.
The President is a man of great persuasiveness, and it is easy
for him to present to his Trustees, in a very convincing way,
the importance and necessity of the things which he desires to
see accomplished. Being subjected as they are to this pressure,
and realizing the value and the need of the various things recom-
mended, it is not surprising that the Trustees should be disposed
to acquiesce in his plans, so far as the resources of the in-
stitution will permit, and to be optimistic with regard to the
possibility of increasing those resources. The situation is
unusual. The founder is well known to be a man of great re-
sources and of great liberality, and the Trustees are justified
in believing that he has a profound interest in the institution.
Year after year he has added princely sums to its endowment, and
year after year as the annual budgets have been presented to
him and his immediate representatives, the annual deficit has
been provided for, and, so far as I am able to ascertain, this
has been done without any very grave protest. It would not be
fair, moreover, to charge the Trustees and Administrative Offi-
cers with leaving the whole financial burden to rest upon the
founder. They have exerted themselves most diligently and
most successfully in procuring funds from other sources. In the
twelve years of the institution's life, contributions from people
other than the founder have exceeded the total aggregate resources
A page from a document discussing the importance of information, especially in the context of foreign relations. The text mentions the need for accurate and timely information to support strategic decisions. It emphasizes the role of intelligence and how it can influence policy. The document also discusses the challenges of maintaining information security in a globalized world.
of all but a very few of the larger institutions of learning in the country; and this result, apart entirely from the gifts of the founder, entitles the Trustees and the Administrative Officers to the highest praise.
LUCRETFS FROM MR. MURPHY'S REPORTS ON THE UNIVERSITY OF CHICAGO.

The general impression produced by a visit to and a detailed study of the University is that it is an institution of astonishing vigor and vitality. It seems almost incredible that in the short time which has elapsed since its founding, so much could have been done in the way of material equipment and intellectual productiveness. The buildings, while they have been constructed with a proper regard for economy, give evidence that those who had the matter in charge have recognized the fact that such an institution as this is not merely a factory, in the construction of which everything must be sacrificed to utilitarian considerations, but also that it is monumental in its character, and that its material side should be such as to appeal to the esthetic part of man's nature and to exercise through all the ages the uplifting influence of a noble and beautiful environment. I think it is a matter of much congratulation that this, the newest of our American universities, built in a section of the country so largely given over to the pursuit of material aims, should have been established on lines which will forever insure a noble and uplifting exterior, as well as an inner ministry to the higher life. In response to the spirit of the age, the side of the physical sciences is the one which has been most developed, and the laboratories are the most beautiful and best equipped which I have seen. At the same time, the plans provide for the ultimate erection of an equally commodious and beautiful equipment for the humanities.
Critique on "Murphy Report."
Apparently Secretary's notes on Board meeting?

1. Comments of Mr. McV. ["Mac Vaughan"]
2. " " " Walker
3. " " " B. [Baldwin, Barton, Bartlett]

[Items for discussion, Trunc., 1905]

[from: things to be questioned file]
Committee on Research Projects

[Handwritten text]

1. Committee Report
2. Minutes
3. [Other notes]

(Handwritten notes at bottom)
Mr. Walker wanted to know how this letter struck the other members of the Board. For himself, if he thought Mr. Rockefeller knew of it before its being sent and approved of it he would immediately resign. He felt sure Mr. Rockefeller knew nothing of it. The tone of it was that of a paid advocate trying to earn his money and trying to state as strong a case as possible on one side only, irrespective of what he knew or could state on the other side; that he at first thought it ought to be answered, but on reflection he considered that, while the matters mentioned by him ought to be covered in some report made and put in the right light, yet should not be made as a reply to this report and that the report ought to be considered simply as a private communication to the individual members; was not directed to the Board and should not be made a part of the record of the Board.

If this letter is to be taken as an authorized intimation that Mr. Rockefeller desires the University run on its present income the Trustees must strictly confine it to that and we can do it, but it must not be expected that the University can in that event run on its present basis and as at present organized. As I understood the letter of Mr. Rockefeller, Jr. which stated the result of a conference in New York in December 1903, they (the Trustees in the East) did not conceive of the University as going backward, and my understanding is that what has been done, with the exception of the centennial Report and the Press Investment, has been carefully submitted to them beforehand. What this Board ought to find out now is whether the University must run on its present income absolutely or whether it is the desire of Mr. Rockefeller that it shall run as at present organized; the latter I consider impossible without an income of about $300,000. in addition to that which it now has, and I think experience will prove I am right. I have gone into this matter carefully and in detail and have made careful comparisons of the expenditure of each department for the last four years. I have made a careful study of this thing and I believe I know what I am talking about, and that while economies below that sum might be realized they would only be temporary and that with the very best management it will require this amount to run the University permanently on its present basis or as at present organized. Many of Mr. Murphy's statements are misleading as figures which I am making will show.
Mr. Murphy was invited, as I understand it, by members of the Board who visited New York to make an examination as to the situation of the work of the University and its affairs. I think some answer should be made to this letter he has written, not necessarily to be a part of the record of the Board. I consider myself unembarrassed in relation to this matter and at liberty to state freely my mind in this matter because I came in last and am not affected by any feeling of personal connection with most of the matters mentioned.

The particular thing which attracted me and induced me to take an interest in this work was the educational part. That interested me. I was deeply interested in the work which Dr. Harper was engaged in and felt anxious to do anything I could to help it forward. I knew, of course, that the duties of the Trustees were to attend to the financial part and was willing to do my share and have tried to do that. I soon found that the University interests were of so vast and complicated a character that I could not immediately get hold of it all completely, but felt that I should do so gradually, and feel that I am becoming acquainted with its complicated details. I was not prepared to find such sacrifice of time and such assiduous attention on the part of the members of this Board to its business and its details as I at once saw was being devoted to it by this body of men each of whom has important responsibilities of his own. I do not believe that the like of it exists in any charitable or educational institution of this Country and I doubt whether many business institutions in Chicago have so much time and close attention of so high an order bestowed upon them by their directors. I was not prepared to find a body of men such as compose this Board giving gratuitously such an extraordinary amount of valuable time and making its interests foremost and subordinating their own engagements to it. Now to find such a body of men so engaged and so devoted to this work attacked in this extraordinary fashion by a man of this caliber in this impertinent way, in the manner of a paid subordinate trying to earn his salary, makes me feel that the tone and contents of this letter are inconsistent with the selfrespect of the Trustees. If I supposed it was sent with Mr. Rockefeller's approval or knowledge I should of course present my resignation at once.

I make these suggestions excluding from consideration the President of the University. I want to say that as to the President the sending of this communication was positively monstrous.
The question of whether or not to establish an educational institution in the University and the University's involvement in the matter is of particular importance to me.

As a member of the University family, I have had the opportunity to observe the work of the University and its administrators, and I am convinced that the establishment of such an institution would be a great benefit to the University.

In my opinion, the University has a responsibility to provide a comprehensive education for its students. The establishment of an educational institution would enable the University to offer a wider range of courses and programs, thereby enhancing the educational opportunities available to its students.

I believe that the University should take the lead in this matter, and I urge you to consider the establishment of an educational institution in the University.

Thank you for your attention to this matter. I look forward to hearing your thoughts and comments on this important issue. Please feel free to contact me at your convenience.

Sincerely,

[Signature]
Substance of Mr. B's remarks.

If Mr. Rockefeller wants a personal representative on the Board I think he ought to have it and I am very willing to resign to make room so that such a person may be designated. If I supposed that Mr. Rockefeller had knowledge of the letter before it was sent I should immediately place my resignation as a Trustee in your hands. I think this letter was written in a tone which he was not at liberty to use toward this Board and which it is not consistent with the selfrespect of the Board to receive from him. I do not think it should be made part of the record. The members of the Budget Committee seem to have invited him to make suggestions. He gave us no facts which we did not already have knowledge of. The facts in his letter have been thrashed over by us. It may have been proper for him to call attention to them, but I do not think he was called on to "rub it in" in the way he has done. It is simply presented to us in an offensive form. The suggestion that a representative of Mr. Rockefeller be set over this Board to keep watch over its members and their actions is an extraordinary one and if it comes from Mr. Rockefeller it is important. I should be very much interested to know if this letter was submitted to Mr. Rockefeller before being sent and if its suggestions had his approval.
Critique of Murphy Report

Mar. 16, 1905

[Signature]

A. McLeish

(from Goodspeed, 1900-1905, folder in cabinet)
Chicago March 16, 1905.

Mr. Andrew McLeish,

Care of Carson, Pirie, Scott and Company,
City.

My dear Mr. McLeish:

You have perhaps received the report of Mr. Murphy. I have gone through it, and wish to say three things. 1) It contains a large amount of valuable material and I am sure we ought to be able to get from it very considerable help. 2) Certain portions of the report are made from a point of view which does not cover all the facts, and therefore need modification. 3) I desire to present to the Board of Trustees a memorandum in which I shall take up certain items of the report and furnish additional points of consideration which, in my opinion, deserve to be presented.

Will you kindly present this letter in connection with the report to the Trustees at the next meeting?

Yours very truly,

[Signature]

[Name]
Mr. Attorney General,

Care of General’s House, Great Neck, N.Y.

Sir:

The great attorney:

You have been receiving the

Department of the Interior.
I have been furnished a

number of the interior letters, and I am sure we

ought to be able to get from it very considerable

aid from a prompt and accurate report of the results.

I therefore

request and inform you that I am ready to the Board of Trustees a

report and summary statement of the

results. I am, as you are aware, present at the

meeting.

Yours truly,

[Signature]

[Handwritten signature]
Critiques on Murphy Report

T.W. Goodegrade

(use thing to be questioned file)

Calvin
My dear Dr. Harper:—

On Mr. Murphy's report I wish to make two preliminary general statements.

1. The standpoint is that of a hostile critic, not at all that of a sympathetic reviewer. The tone is condemnatory throughout. There is hardly a friendly or approving word in the entire report.

The best efforts of many capable men have been given through many years to the work of originating, organizing, developing and conducting the University. Their efforts have been extraordinarily successful and have received high commendation from men well capable of judging of such work.

The University has never objected to criticism. I am not now objecting to Mr. Murphy's criticism. Much of it I recognize as entirely just. But we have had here a great and difficult problem. We have undoubtedly made mistakes, but just and searching criticism might well have been made, and made more effectively, if a friendly and sympathetic tone had prevailed it. If the course which it is evident Mr. Murphy would have preferred had been followed we should now have here a small and insignificant institution with half a dozen blocks of ground and nine or ten buildings. It will be the chief glory of your life that you have in these few years developed here one of the great Universities of the world. No doubt a great institution would have been developed on Mr. Murphy's plan, but it would have taken fifty years to accomplish what you have done in fourteen.

The time has now come doubtless to conform to the methods suggested in the report, and allow the University to develop at a very slow pace. Every passing year will justify your methods up to this time, though we must now make a radical departure from them. We The time has come when we can well afford to do so, as the character and standing of the University are now secure. It has taken its place among the very first and there it will remain.

I have often opposed your plans, because I feared you were going too fast, and I think that while you may still urge your views strongly and persistently, we must, if Mr. Mr. Murphy's report meets the approval of the Founder, in the future, loyally and
cheerfully conform to the letter and spirit of its suggestions.

2. My second general remark on the report is that the wording is needlessly and inexcusably offensive.

Under the heading "Unreliability of Budget Estimates" the report says "In fact these might almost as well have been dispensed with entirely." and again "Utter worthlessness of the budget estimates." "They are purely a matter of form." (I shall take up the matter of the reliability of budgets later.)

"A piece of unwarranted optimism."

"It is conceded that there is a great deal of padding in the journals as now published."

"Kiting checks."

These are the more offensive expressions which are not only in bad taste and inexcusable in so important a paper, but as I shall attempt to show later are for the most part without justification in fact.

The first point in the report is the "Increase in the Budget Deficits."

It seems to me that a little reflection would have made it clear that the last three years have been so exceptional that this increase is only temporary and had already come to an end. The expense connected with the Decennial Publications, the New Power, the first addition, Ellis Hall, Huntington Hall, the Press Building, House, the Law Building, the Gymnasium, the Group, Hitchcock Hall, the new Medical work, the new Law School, the organization of the High School, the new quarters and increased salaries in the Business Manager's office, much of which expense it was impossible to get fairly in hand at once, has placed the years chosen by Mr. Murphy for review, in a class by themselves and make conclusions drawn from them misleading and false. There is no reason whatever to suppose that the overexpenditure of these years will ever be repeated.

Take for example the present year. Mr. Rockefeller's contribution for the deficit is $245,000. Had it not been for the unfortunate mistake in putting $20,000 for scholarship receipts into the estimates of income, and for the loss of $9,000 of income on account of the unhappy sale of the Chicago Terminal Transfer bonds at 75 (they having since been quoted at 101) a sale for which the
University was not responsible, the deficit for this year would have been fully covered by the $245,000. The Budget appropriations would have been made $20,000 less but for the mistake on Scholarships referred to and we should have been able to make our income cover our expenses.

I call attention to the last sentence on this first point, referring to the need of $8,000,000 endowment to wipe out the annual deficit. We were asking for only $300,000. this year (not $314,000. as Mr. Murphy suggests), which would be covered by $7,000,000. Why, when the endowment required is large enough at the best, exaggerate and gratuitously add $1,000,000. in order to magnify our offenses? Such exaggeration weakens the argument and needlessly offends men who feel unhappy enough already.

2. Mr. Murphy's second point is headed -

"Unreliability of Budget Estimates"

It is under this heading that some of the most offensive utterances of the report are found. Mr. Murphy says "the history of the last three years will confirm this statement." Why should he have confined himself to the last three years? Why did he not take the last seven years? It is an axiom that you cannot prove a general proposition by two or three facts. Before you generalize you must get a sufficient number of facts.

Allow me to use Mr. Murphy's method to establish this generalization. "The budget estimates of the University of Chicago are singularly reliable." The history of the four years from 1897 to 1900 will confirm this statement-

<table>
<thead>
<tr>
<th>Year</th>
<th>Estimated Receipts</th>
<th>Actual Receipts</th>
<th>Appropriations</th>
<th>Actual Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td>1897-8</td>
<td>$709313</td>
<td>$706973</td>
<td>$703213</td>
<td>$678400</td>
</tr>
<tr>
<td>1898-9</td>
<td>729515</td>
<td>723083</td>
<td>729515</td>
<td>719923</td>
</tr>
<tr>
<td>1899-0</td>
<td>749607</td>
<td>740955</td>
<td>749607</td>
<td>747186</td>
</tr>
<tr>
<td>1900-1</td>
<td>769365</td>
<td>775655</td>
<td>769365</td>
<td>790584</td>
</tr>
</tbody>
</table>

Total for four years $2951700. $2946686.

The above table shows that in estimating receipts for four years aggregating $2951700. we came within $5044. of that sum, and that so far as expenditures were concerned we actually spent
§15607. less than the appropriations, and §10573. less than the receipts.

I venture the affirmation that there is not a large educational institution in the country that during a period of four successive years can make a showing indicating such extraordinary "reliability" in its budget estimates.

Have I not established my generalization by a larger number of facts than appear in Mr. Murphy's report?

Now why in the period covered in his report did this reliability of the budget estimates fail?

1. Because of the very exceptional character of those years to which I have already referred. We are not likely to see such years again or to have such excessive expenditures.

2. Because, wholly unexpectedly, the growth of the University was checked. No human foresight could have expected this. Even after one or two years passed without improvement, the experience of ten years preceding was such as to assure us that the halt in the increase of students was temporary and a very considerable increase must quickly follow.

We were as much surprised as any one could be that after we had made such a record as we did during the four years from 1897-8 to 1900-1 inclusive we failed so conspicuously during the succeeding years. But I submit that this was a matter, not for unmeasured criticism and condemnation, but for sympathy, for criticism indeed, but helpful criticism. Barring these years under review, with their serious disappointments as to income and their wholly exceptional character as to expenditures, the budget estimates so far from being worthless have been singularly reliable and exact. So far from being "purely a matter of form as the University authorities do not consider themselves in any way bound by them" I have shown that in ordinary years and therefore as a rule, they had been reduced to almost an exact science, and the authorities conformed to them most religiously.

Instead of it being true that "they offer no protection to Mr. Rockefeller as a limitation of the amounts to be demanded from him at the end of the year." I have shown that for the four years preceding the three under review with their unusual and wholly
unexpected circumstances they protected Mr. Rockefeller absolutely.

3. In Mr. Murphy's statement on Fellowships & Scholarships the last sentence would seem to mean that we are accustomed to pad our student attendance by issuing additional scholarships if we find the registration is not going to equal the estimate.

Of course this is pure absurdity. Such a thing never occurred, never was thought of, and in the nature of things could not occur.

4. Under the caption "Fuel & Light," Mr. Murphy says, "the reduction of the estimates so far below the actual expenditures for the two preceding years seems to be a piece of unwarranted optimism."

But does it? On the surface it would look as though it did. But it is to remembered that we had great hopes from the new power plant. We were constantly experimenting in the best kind of coal and the most economical way of running the plant. We believed that when we knew how, we could run it much more economically than during the first years.

And in fact it turns out just as we hoped. The budget estimates for this year are $22739. We are at this moment certain that the expense will not exceed this sum and the Superintendent of Buildings & Grounds is confident a part of the appropriation will be saved. It was not therefore "unwarranted optimism", but that kind of optimism which advances great causes, and I submit that the phrase is not only offensive but untrue and unjust.

5. As to the "Journals" I only remark that I have never before heard that "it is conceded that there is a great deal of padding in the journals as now published." As a matter of fact the editors have constantly on hand more good material than they can use. One editor has just written me that he has material now on hand for nine months which he is anxious to publish.

6. I cannot refrain from expressing my view of Mr. Murphy's suggestion that we should, instead of advancing our younger professors, "train them and then let them go to other fields of higher usefulness." It may be that some better and quicker method than this could be devised for destroying the character and standing of the University and denuding it of students, but I am not able to conceive of any. Should we adopt this policy it would soon be
known throughout the educational world that mediocrity was the thing that would assure our instructors' continuance in our faculty. That no man who showed signs of greatness would be encouraged, but be allowed to go elsewhere. As a result we should quickly lose the high privilege of training brilliant teachers and investigators for other institutions, for we could not get the bright young men to train, and other institutions, understanding that we are. encouraged only mediocrity, would not come to us for teachers.

7. Lack of Effective Control over Expenditures.

The principal point made under this head is the Decennial Publications. The Decennial Publications have been brought up repeatedly. The President has acknowledged his responsibility repeatedly. The incident might properly be regarded as closed. Yet Mr. Murphy calls it up again and again in this single report. This expenditure accounts for a very considerable part of the over-expenditure of the three years under review.

Most of the other overexpenditure was occasioned by the exceptional circumstances of these years and under the most rigorous management very difficult or impossible of control.

The over-expenditure in the University Extension Division for 1901-2 and 1902-3 was $38,309. occasioned by demands for lecturers most difficult to refuse, but during the same year the receipts were $30,472. more than the estimates.

The greater part of the expenditures for Libraries, Laboratories and Museums in 1901-2 was $7,500. for History books for which Mr. Rockefeller had previously made a special contribution.

A very large part of the over-expenditures was connected with the Power Plant and no oversight however rigorous could have reduced it. That problem we have now solved, but it took us three (3) years to do it. The estimates for it were made by Mr. Houghton. The over-expenditure could not have been regulated even by a personal representative of Mr. Rockefeller.

These three years were as I have shown exceptional years in many ways, and barring two or three items of expenditure for which we were in fault, for which we have made confession, and of which we have repented in dust and ashes, the over-expenditures of these
years could not have been avoided. Such things as coal bills, 
lawyers bills and the like are not amenable to "effective control".

The experience of the four years preceding the three under review show conclusively that the expenditures in ordinary years do not lack "effective control", but are held perfectly in hand.

At the beginning of these three years a sudden period of expansion opened. The Decennial was celebrated at large expense. It was an era of new departments, new schools, new buildings, etc., etc., that wholly transformed the University. It is not to be wondered at that we were temporarily thrown into confusion in our expenditures. It could not have been otherwise. We naturally expected from all the new facilities provided a large increase in the attendance. When for some reason still incomprehensible to me these hopes were disappointed, the confusion in our finances was inevitable.

It took us some years after the establishment of the University to learn how to make reliable budgets. We did learn and we made them with brilliant success, as I have shown and we regulated our expenditures by them with scrupulous fidelity as I have also shown.

We have now again got the situation well in hand and I shall be able to make budgets and live in accordance with them, and our expenditures will not lack effective control.

In conclusion I make two remarks.

1. Mr. Murphy's report is based on a total misconception. It takes three wholly exceptional years as representing the ordinary work of the University.

2. It is unfair and unjust. Selecting three (3) exceptional instead of three (3) ordinary years, it bases on this partial, incomplete view, and its unfavorable showing an indictment against the entire conduct of the institution calculated until fairly and fully examined to do the University fatal injury.

The fair and just thing would have been for a fair minded man in sympathy with the University ideas to make an examination of the six years 1898-9 to 1903-4.
If his mind was filled with a preconceived idea that the University should grow very slowly that its further development and complete organization should be indefinitely delayed, he still might draw conclusions from such a review that would be unfavorable to the University's management.

If, however, he occupied a different standpoint, if he believed it would be wise to round out the organization of the University, at least in outline, while our President still lives, and the University has the advantage of his genius for organizing wisely educational work which it will never enjoy after his death, whoever fills his place, if, in short, he believed it would be wise to hasten the development of the institution so as to make a well rounded whole during the first twenty years of its existence, he would reach a conclusion diametrically opposed to that of the first reviewer, and quite approve of the University's management.

Yours very truly,
To the management of the United States Department of Commerce:

I am writing to express my concern regarding the current state of the nation's steel industry.

The recent decrease in production and increase in imports have led to a significant decline in domestic steel output. This situation has not only affected the steel workers but also the entire manufacturing sector.

It is my belief that we need to take immediate action to address this crisis. One possible solution is to impose tariffs on imported steel to protect our domestic industry. This measure would help to level the playing field and ensure that American workers are not disadvantaged.

I urge you to consider the urgent need for action and to take the necessary steps to implement a policy that will benefit our nation's steel industry.

Yours sincerely,

[Signature]
Critique, Murphy Report

Harper?

(Things to be questioned, file, cabinet)
Report of Mr. Murphy.

In submitting a review of the report sent to the trustees on February 9th by Mr. Starr J. Murphy it should be stated at the outset that the figures given are in all particulars correct. They were as Mr. Murphy says taken from the carefully prepared reports of the Auditor and have from year to year been submitted to all the trustees.

It is therefore not to the figures that any exception can be taken, for they are our own. It is felt, however, that the conclusions drawn from them are not altogether correct.

1. Mr. Murphy's first point covers the "constant and alarming increase in the budget deficits." To establish this constant and alarming increase in the deficits, the following table of deficits is submitted by Mr. Murphy:

<table>
<thead>
<tr>
<th>Year</th>
<th>Deficit</th>
</tr>
</thead>
<tbody>
<tr>
<td>1901-2</td>
<td>$310644</td>
</tr>
<tr>
<td>1902-3</td>
<td>296114</td>
</tr>
<tr>
<td>1903-4</td>
<td>321412</td>
</tr>
</tbody>
</table>

But this table does not show a constant and alarming increase. Since the deficit of 1902-3 is $15530 less than that of the preceding year.

If the current year should be taken into the account, the table of deficits would be as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Deficit</th>
</tr>
</thead>
<tbody>
<tr>
<td>1901-2</td>
<td>$310644</td>
</tr>
<tr>
<td>1902-3</td>
<td>296114</td>
</tr>
<tr>
<td>1903-4</td>
<td>321412</td>
</tr>
<tr>
<td>1904-5</td>
<td>271000</td>
</tr>
</tbody>
</table>

4) 198170

299542

With reference to this table it is suggested:

1. That it is far from showing a constant increase in the budget deficits.
2. That three years form too short a period to justify generalizations.
3. That the record of the fourth year is reassuring and encouraging showing much the smallest deficit of any of the four years.
4. That the record of the four years shows that the average annual deficit is a trifle less than $300000.- the sum which it was hoped might be received from the Founder to cover the deficit of next year.

5. It may be stated further that the total annual budget expenditures for the three years ending June 30, 1905, have been as follows: 1902-3 $1020000. 1903-4 $1032000. 1904-5 not to exceed $1017000. showing a small increase in the second year and a larger decrease the third.- or not tending toward increased expenditures and larger deficits.

It is not forgotten that since 1901 the Founder has added to the endowments, but if something be allowed for the development of the University in four years, and the consequent increase of expense, it cannot but be gratifying that the current year shows so marked a decrease in the deficit.

In passing to Mr. Murphy's second point, it should be stated here that the review of it will, it is believed, reflect light on this first question of the large deficits of the three years covered by his report and give for them a somewhat reassuring explanation.

The second point in Mr. Murphy's report treats of the "Unreliability of the Budget Estimates." and stated that "they might almost as well have been dispensed with entirely."

The history of the three years from 1901-2 to 1903-4 inclusive is then gone over to show in Mr. Murphy's words, the "utter worthlessness of the budget estimates and that they offer no protection whatever to Mr. Rockefeller." They are declared to be "purely a matter of form, as the University authorities do not consider themselves in any way bound by them."

These are very serious, not to say, injurious statements. Are they true?

It must be acknowledged to begin with, that they are partly true. If our view should be confined to the three years considered by Mr. Murphy, much might be found in those three years to justify the language quoted above.

But is it quite just to a great and still new institution like the University to select three unfavorable years and from their showing deduce such sweeping generalizations as that the budget
estimates are as a rule utterly worthless? Indeed a little reflection would seem to indicate that the history of the three years under review put them in a class by themselves, as the particular period from which no trustworthy generalizations as to estimates and expenses could be made.

In the first place this was the period of the Decennial Celebration which itself cost $10,000, and of the Decennial Publications, the final cost of which no one foresaw. The financial lessons of this celebration and the publications are not likely to be forgotten.

In the second place this was the building era of the University. During this period the following buildings were erected—Elles Hall, Lexington Hall, the Power House, Foster Addition, Hutchinson Hall, the Press Building, the Bartlett Gymnasium, Hutchinson Hall, the Tower, the Reynolds Club House, Mandel Assembly Hall and the Law Building, to say nothing of the School of Education buildings. No period in the history of the University has witnessed such an extraordinary building expansion.

In the third place there was a corresponding enlargement of the scope of the University's work. New departments were erected within the University. The Medical department was begun. The Law School was established. The High School was organized.

New offices for the Board and Business Manager were opened in the City.

These various changes were so many and so great that they practically made of the University a new institution. So many and such great changes could not be made without introducing more or less confusion into the finances. It was impossible at once to make even approximately exact estimates of either receipts or expenditures. Such expansion occasions expense in every department which could not, without superhuman wisdom, be in all cases anticipated. For example, the Law School and the School of Education with its various departments which have their own budgets which are supposed to cover their operation, add to the expenditures of all the offices of the University from the president's office down. After such revolutionary changes it necessarily required time to get the expense in hand and estimate with approximate correctness what they would be.

It should be added in the fourth place that having furnished so many and great additional facilities and advantages for students it might fairly be anticipated that there would be a considerable and steady increase in the attendance and in receipts from this source. In justice to the Budget Committee it should be said that these anticipations as recorded in the budgets were moderate. But moderate as they were, they were, to our utter surprise disappointed. The increase in attendance, which, before these increased advantages, had been most encouraging year by year, suddenly ceased and during the past four years there has been almost no increase in receipts from tuition. This fact alone has been sufficient to account in large part for the increase in the deficit.

But a still more important point is urged against the charge that the budget estimates are utterly unreliable. The history of the four years immediately preceding the three Mr. Murphy has reviewed will indicate that in ordinary years the budget estimates are really remarkably reliable. In confirmation of this statement the following table is submitted:

<table>
<thead>
<tr>
<th>Year</th>
<th>Estimated Receipts</th>
<th>Actual Receipts</th>
</tr>
</thead>
<tbody>
<tr>
<td>1899-9</td>
<td>$703,213</td>
<td>$706,973</td>
</tr>
<tr>
<td>1898-9</td>
<td>726,615</td>
<td>723,663</td>
</tr>
<tr>
<td>1899-0</td>
<td>749,607</td>
<td>749,955</td>
</tr>
<tr>
<td>1900-1</td>
<td>879,636</td>
<td>879,685</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$295,1700</strong></td>
<td><strong>$294,666</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>Budget Appropriations</th>
<th>Actual Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td>1897-8</td>
<td>$703,213</td>
<td>$678,400</td>
</tr>
<tr>
<td>1896-9</td>
<td>726,615</td>
<td>719,233</td>
</tr>
<tr>
<td>1899-0</td>
<td>749,607</td>
<td>747,186</td>
</tr>
<tr>
<td>1900-1</td>
<td>879,636</td>
<td>850,884</td>
</tr>
<tr>
<td><strong>Total Four Years</strong></td>
<td><strong>$295,1700</strong></td>
<td><strong>$293,808</strong></td>
</tr>
</tbody>
</table>

The above table shows that in estimating receipts for four years aggregating $295,1700. we came within $5044, of that sum, and that so far as expenditures were concerned we actually spent $165,077 less than the budget appropriations and $105,737 less than the receipts.
It may perhaps be doubted whether there is another large educational institution in the country that during a period of four successive years can make a showing indicating such extraordinary reliability in its budget estimates. It took the authorities some years after the establishment of the University to get the expenditures well in hand and learn how to make budgets that were reliable. The history of these four years shows that they did learn and as long as ordinary conditions prevailed made them with somewhat extraordinary success. It shows that, barring the years reviewed by Mr. Murphy with their inexplicable disappointments as to income and their wholly exceptional character as to expenses, the budget estimates, so far from being worthless have been singularly reliable. So far from being purely a matter of form, the University authorities not considering themselves in any way bound by them, it shows that as a rule the authorities adhered to the budget estimates most rigidly. Instead of it being true that they offer no protection to Mr. Rockefeller it is shown that these estimates protected Mr. Rockefeller absolutely.

The authorities prepared a budget for the year beginning July 1, 1908, calling for a contribution from Mr. Rockefeller of $300,000, to cover the deficit for that year. Had this budget been approved or had even $25,000 been taken from the appropriations, the work of the University could have been carried on without embarrassment, and it would have been proved, that, normal conditions again prevailing, the budget estimates would be found reliable, they would be rigidly adhered to, expenditures would be under effective control, and Mr. Rockefeller would be perfectly protected.

Whether with the extraordinary reductions that have been made, all this can be done, without seriously crippling the educational work of the University, may be doubted. It is the few thousand dollars for books, equipment, etc., which have been cut out of our budget that are likely to make the educational work incomplete and unsatisfactory.

"Financial discredit" is an evil into which the University must not be permitted to fall, but it would be just as serious a calamity to permit it to fall into educational discredit.
Instruction in the University has from the first been based on three fundamental principles. These principles have determined the character and quality of courses offered, the professional character and the salary value of members of the faculty. The principles in question are as follows:

(1) Provision has been made for graduate instruction and research courses on a liberal scale. It has from the first been planned to do work of this character in all the departments of instruction, with perhaps one or two exceptions (the department of Household Administration and the department of General Literature are such exceptions). Such work necessarily implies the use of high priced instructors, small registrations in the classes, and a considerable variety in the work offered. Such departments, for instance, as that of Comparative Philology will always have in its classes few students at a given time, but the courses offered by this department are essential to advanced work in the departments of Latin and Greek. The same is true of Germanic Philology, which is in the Germanic department. It is obvious that all this is necessarily expensive to a high degree; in fact, the most expensive part of the University work.

(2) It has been another fundamental principle that members of the faculty should have time and strength which they might devote to investigation. Every member of the faculty without exception is expected to be engaged in investigative work, and thus be carrying on his own specialty and keeping in it quite abreast of the latest thought. In order to do this, it is necessary not to require an excessive amount of teaching. For this reason the normal quantity of instruction required has been not to exceed two courses at the same time. The younger men of the faculty
may be called upon, and frequently are called upon, to give three courses for two quarters out of three of the academic year. This is especially the case because two out of these three courses are usually sections out of the same subject. However, even in these cases the third quarter is reserved for investigation by requiring not to exceed two courses. The fruitfulness of this plan has been marked. The faculty as a whole is actively engaged in original work, which indeed is quite as much a part of real University work as that of teaching. The President's Occasional Report illustrates this.

3) It has also been from the first the policy of the University to bring instructors directly in contact with students by keeping the number in any given class down to a small fixed maximum. This maximum has usually been thirty, although in special cases thirty-five and even forty are taken. In Mathematics the classes are seldom permitted to exceed twenty-five. The policy of conducting large classes with relatively low priced men to aid the instructors by reading papers and conducting quiz sections has been applied to English and to the earlier courses in History only. It is not believed by the University to be wise to extend such policy beyond those particular courses. Undoubtedly instruction can be given at much less cost if the policy of large classes is adopted. On the other hand the policy which has been followed at Chicago, while more expensive, cannot fail to be more efficient in every way.

The application of the above principles is in every case expensive as compared with the old policy formerly in vogue in colleges and now in vogue in some institutions called universities. A change can be made at Chicago whereby a large saving can be effected in instruction, but such change cannot be made unless at the expense of one or all of the
above fundamental principles. The first two of the three especially call for large expense. If they are discarded the result cannot fail to be very greatly to lessen the value of the investigative and graduate side of the University and to change the center of gravity from that to teaching in the colleges. The University must thereby sink to the level of the many institutions which, while really colleges, are adding a small portion of advanced work in the hands of overburdened teachers under the name of a graduate school.

After careful investigation it is not my opinion that the departments are provided with an excessive amount of instruction, assuming that the above fundamental principles are retained. Money may be saved from instruction by a change of these principles. Money may also be saved by cutting down salaries already determined. If this last device is imperatively necessary of course it can be done. The University has never heretofore had to resort to this means, and the unfortunate effects are obvious.