Board of Arbitration

for the

Agreements Between the

Amalgamated Clothing Workers

and the

Chicago Clothing Manufacturers

(Preliminary Edition)

Decision of April 14, 1921
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TABLE OF CONTENTS

I. The requests presented to the Board of Arbitration. Page 4

II. The main points made by the Manufacturers in support of their requests 4 to 8

III. The Union's position summarized 8 to 14

IV. The power of the Board under the emergency clause. 14 to 16

V. An examination of some of the claims presented. 16 to 25

VI. Decision by the Board of Arbitration. 25 to 32

Following precedent set at Hart Schaffner & Marx, in May, 1919, practically all of the manufacturers of men's clothing in the Chicago market entered into agreements with the Amalgamated Clothing Workers of America. In addition to setting up certain standards of wages, hours and working conditions, and making provision for the settlement of any disputes that might arise by impartial boards established for that purpose, these agreements incorporated an "emergency clause" under which the Board of Arbitration may, under certain conditions, make such changes in wages and hours as in its judgment shall be proper. This "emergency clause" reads as follows:

"If there shall be a general change in wages or hours in the clothing industry which shall be sufficiently permanent to warrant the belief that the change is not temporary, then the Board shall have power to determine whether such change is of so extraordinary a nature as to justify a consideration of the question of making a change in the present agreement, and if so, then the Board shall have power to make such change in wages or hours as in its judgment shall be proper."

On two occasions the Union has requested the Board of Arbitration, acting under this clause, to grant increases in wages. The first occasion was in December, 1919, when the Board granted a substantial increase. The second occasion was in July, 1920, when, because of the critical business situation, a further increase was denied. Now the manufacturers have come forward and requested a reduction in wages and the setting of more effective standards of production for week workers. Closely following upon a general conference, formal public hearings were held by the Board on March 28 and 29, 1921. At these hearings the Manufacturers were represented by Mr. Hotchkiss, Mr. Meyer, Mr. Abt, Mr. Howard, Mr. Todd, Mr. Gilbertson, the several members of the Market Committee and a number of other manufacturers and labor managers; the Union by Mr. Hillman, Mr. Wolman, Mr. Levin, Mr. Rissman, Mr. Marimpietri and others. Inasmuch as Mr. Meyer and Mr. Hillman, the other two members of the Board, acted as representatives of the respective parties at these hearings, the Chairman has found himself in the position of being obliged to accept responsibility for the decision herein rendered.
I. The Requests Presented by the Manufacturers.

The specific requests presented to the Board by the Manufacturers read as follows:

"We respectfully request the following readjustments, and we ask that they be put into effect immediately after the conclusion of these proceedings:

1. A flat reduction of 25 per cent in the wage scales throughout the market.
2. A reduction to the ready-made market norm of all sections or operations, the earnings in which are found to be substantially above the market norm after the 25 per cent reduction above mentioned.
3. Provision by the Board of Arbitration for automatically enforceable standards for week workers, in accordance with that clause in the Agreement which undertakes to guarantee such production, and which provision has hitherto not been enforced."

As understood by the Board, the requests are (1) for a flat 25 per cent reduction of all wages and piece rates; then (2) for a levelling down of those piece rates which yield earnings per hour substantially in excess of certain sums, unless the earnings are due to unusual efficiency; and finally (3) for a different and a more effective system of standards of work in cutting and trimming rooms.

These readjustments are requested for all of the houses within the jurisdiction of the Board, and their several contractors.

II. The Main Points Made by the Manufacturers in Support of Their Requests.

The Manufacturers have presented a brief containing a statement of fact and a large amount of statistical data and have advanced and emphasized several arguments in support of these requests. The following summary, though it cannot do justice to the presentation of their case, must suffice.

1. For almost a year the clothing industry has suffered from acute depression. The manufacturers have taken large losses and have pared down to the bone all items of expense except direct labor costs which have been beyond their control. The direct labor costs have not been reduced, but have in fact increased because, with the small volume of production, the week workers as a whole have done less work for a fixed amount of pay. By reducing wages and profits the textile manufacturers have been able to reduce their prices, with the result that the cost of materials has been reduced about 37 per cent. Materials used normally amount to about 36 per cent of the cost of manufacturing clothing, so that in the total cost of manufacture (overhead and other items included) there has been a saving of some 13.32 per cent. The retailers have now done their part. Hence at every point from raw materials to the retail trade, except in direct labor in clothing manufacture, deflation has occurred. This exception must be eliminated. The manufacturers have waited patiently for months and now ask for a reduction.

2. The manufacturers' costs are too high. They must be reduced and a proper balance restored as a condition of return to normal business and a fair relationship. This is the most emphasized reason for the requests presented. "We base our request for a reduction upon necessity in the interests of all parties of stimulating a revival of business." "The reduction we have asked, in our judgment, is the least with which we can face the public with a fair expectation of a favorable response."

3. Labor costs must be reduced, first of all, by securing effective standards of production for week workers. "We regret to be obliged to register the fact that the performance of some of our week workers has not been satisfactory. Large numbers of these workers, operating under accepted standards of production, have persistently fallen far below these standards as to burden the plants in which they are employed with a large amount of unnecessary cost. The third item in our requests . . . refers to this situation, and is a matter upon which the Board should take immediate and effective action."

4. Labor costs should be reduced, in the second place, by equalizing downwards the high peaks. The contention with reference to this is summarized as follows: "Inevitably in the process of adjustment from time to time, there have developed in certain houses, and in certain sections, maladjustments, which may be fairly considered as historical accidents. There are individual houses in the market that have been so burdened by the result of direct action and unwise concessions during the period of labor shortage that there seems to be no way to continue in business on a reasonable basis, except through a more drastic reduction of labor costs than can be brought about through the market adjustment we are asking. There are also individual sections in the market that constitute just cause for discontent on the part of workers, who are doing work of equal difficulty at smaller rates of pay . . . . In any arrangement, such as the one under which we are now working, there must be some fair basis of justice as between different individuals and different groups."

5. In the third place, labor costs should be reduced by a gen-
eral flat reduction of 25 per cent. A distinction must be made between (a) the rate of pay and (b) earnings, for earnings depend upon the amount of employment as well as upon the rate of pay. It is contended that the proposed reduction would so stimulate sales and enlarge the volume of business that the workers' earnings would not be reduced but increased. A careful study of the facts "has convinced us that the readjustments asked for are absolutely necessary as a basis for return to normal business, and, consequently, to normal employment." "Our proposal is not to reduce the size of the pay envelope for we firmly believe that the effect of the readjustment of wage rates to the changed industrial conditions will be to increase the size of the pay envelope." "What we now propose is to create conditions under which we may hope to market our products, do a normal amount of business on the basis of a fair return to the different contributing factors, and give our workers, on a fair basis of compensation, a normal amount of work. That this will greatly increase the aggregate amount that goes into the pay envelopes of the workers there can be no doubt," for (a) the "buyers' strike" of last year against the high prices of clothing was not without a connection with the award of higher wages in December, 1919, (b) sales managers and others in close contact with the buyers of clothing are convinced that the volume of sales the ensuing season will be greatly influenced by the judgment of the public as to how honestly and sincerely all the production factors have deflated their costs, and (c) special price sales show conclusively that the public even now responds when they believe that prices are as low as they can be made.

6. Though it is not their main contention, the Manufacturers contend that the general market reduction asked for is warranted by the decrease in the cost of living already taken place or in early prospect. From June, 1920, to February, 1921, conservatively estimated, the cost of living in Chicago fell 15.8 per cent. It has fallen materially since February and the continued fall in wholesale prices of food and other commodities will be followed by further decreases in retail prices. It is true that rents will be increased some 20 per cent in the near future, but these account for less than fifteen per cent of the cost of living, so that this increase will not have much effect upon the cost of living as a whole. "Even though we should be disappointed in our hope of increasing earnings by the reductions asked, we should still be within the limits of justice if we based our requests on the cost of living alone."

7. The workers in the industry have since 1915 received such great increases in wages and now realize such high earnings that they can easily stand a reduction. "The rise in this industry has been so much more rapid than the cost of living that even though prices had remained at the peak of last summer, a reduction of 25 per cent would still leave the workers enjoying a greatly advanced standard of wages as compared to those in other industries. For, while their wages have increased 254 per cent since January, 1915, the cost of living has increased but 114.6 per cent (in Chicago). A reduction of 25 per cent would mean a net advance of 164 per cent in money wages." That wages have increased 254 per cent is shown by the data supplied by a ready-made house cited as typical. There "men are now averaging $46.23 per week against $15.16, January, 1915; women $34.73 now, against $8.82 then. The combined average is $41.07 now, against $11.60 then." Moreover, wages in the clothing industry have increased more rapidly than in any other. Even in the organized trades, according to the Bureau of Labor Statistics, wages increased on the average only 85.3 per cent between 1915 and 1920. Again, as against average earnings of $1.10 per hour of men in the tailor shops of Chicago, the Industrial Conference Board reports averages for men in furniture manufacture as $4.43; cotton manufacture, $1.52; paper manufacture, $1.52; hosiery and knit goods, $5.34; wool manufacture, $1.57; metal manufacture, $2.00; leather, $2.00; silk manufacture, $2.00; boots and shoes, $2.24; chemical manufacture, $2.62; printing, $2.62; and rubber manufacture, $3.93. Furthermore, if these comparisons are objected to because the Industrial Conference Board's data are drawn from all parts of the United States, data supplied to the Board of Arbitration show that wages are very much higher in the clothing trade than in those branches of employment in Chicago employing the same classes of labor as the clothing industry and in which, presumably, the workers would seek and find employment if they did not find place in the clothing industry. Finally, the industry is exceptional in the relatively large number of young persons and of persons without dependents, so that needs are not so great as in other industries. In a typical establishment (with some 2,000 workers) 31 per cent were found to be under 25 years of age, 57 per cent under 30 years of age, and 80 per cent under 40 years of age. In another establishment (with some 3,200 workers) 20 per cent were under 20 years of age, 42 per cent under 25 years of age, and 80 per cent under 35 years of age. Of this second group, an inquiry into conjugal condition and offspring showed that 51 per cent had no dependents,
16 per cent wife only, 20 per cent wife and one or two children, 
10 per cent wife and three or four children, and 3 per cent wife and 
five or more children.

8. Wages have been reduced in many other and less well paid 
industries. For example, in the textile industries the reductions 
have generally been 22½ per cent; in the packing trade 12½ per 
cent; in the manufacture of agricultural implements from 5 per cent 
up to 20 per cent. It is true that in most of the instances cited the 
industries are unorganized, but there are several instances in the 
organized building trades, the shoe industry, and the clothing trade 
where reductions have been made, some of them by agreement, 
some at the request of the workers in order to increase employment, 
and some by boards of arbitration. Moreover, in many instances new 
and lower hiring rates are being used, a method of wage reduction 
not available in the organized clothing industry.

III. The Union’s Position Summarized.

The main contentions of the Union, as presented in briefs and 
at the public hearings, may be summarized as follows. As far as 
possible its claims have been arranged so as to parallel those made 
by the Manufacturers.

1. Labor in the clothing industry has already been deflated, 
first by suffering unemployment, and second by suffering reduc-
tions in earnings per full time week.

2. Workers cannot be expected to share losses of employers 
except where they have agreed to share in profits. No such agree-
ment exists in this industry.

3. The purpose of labor deflation is said to be to reduce prices 
and to increase the volume of business. The employers have not 
proved that labor deflation would accomplish these purposes.

The depression through which the clothing industry has just 
passed is part of a general business depression due to a great com-
plexity of causes, both domestic and foreign. Any measures taken 
in the clothing industry alone give no assurance of business revival 
in this industry. The business of the clothing industry depends 
upon general business conditions in the country.

When the clothing manufacturers ask for a reduction in the 
cost of clothes, they must have in mind some standard cost at 
which it will be possible for them to market a considerable output. 
An analysis of the cost figures submitted by the employers shows 
a great diversity in costs of different houses. The employers have 
not indicated what they consider a proper cost at which they can 
market their output. What is proper for one house would be 

improper for another. In fact on the showing of some firms it 
would take an enormous reduction in wages, assuming the figures 
to be correct, in order to eliminate the loss under which these firms 
say they are now operating.

The Union contends that the only issue with regard to costs 
relates to the fairness of the present general level. The figures 
the manufacturers have presented show that the present costs in 
this market are fair. They are fair because even after the reduc-
tions which employers say they have made in other items of cost, 
direct labor cost still remains for ten of fourteen houses reporting, 
less than thirty per cent of the total cost of manufacturing. Even 
if these figures for 1921 are not directly comparable with those of 
1915, they still show very little change in this period of six years 
in the relation between direct labor cost and total cost.

Moreover, it does not follow that any lower cost would be a 
fair cost. The industry is under obligations to its workers to assure 
them a decent standard of living. It may very well be that a reduc-
tion in costs would reduce the price of clothes but it is opened to 
question whether either the reduction in cost or reduction in price 
would yield a cost and price fair either to the workers or to the industry.

Assuming that a reduction in wages will lead to a reduction in 
price, it is nevertheless true that stimulation in buying will come 
not as a result of a series of continuous reductions in prices but 
with the restoration of confidence in the minds of consumers. The 
consumers must be assured that prices are now stable and that the 
product is being sold at a fair level. It is the Union’s position 
that prices based on the present level of costs in this market are as 
fair as they can be made without reducing labor’s standards won 
after hard fights and at great expense.

4. There is no reason to expect that if a cut is made at the 
present time, there will be a substantial increase in the volume of 
business resulting from the cut.

Evidence submitted by the manufacturers of the opinions of 
sales managers and of the results of special price sales is not con-
clusive because it does not follow that an increase in the sales of 
an individual resulting from a price cut means an increase in the 
business of the whole industry resulting from a similar cut. A year 
ago in the clothing industry, according to statements of the employ-
ers, the price of clothes was considerably higher than it is now. 
Labor cost at that time was either the same or slightly different 
from what it is at the present time. The differentials that existed 
in 1920, between labor cost and price did not redound to the
advantage of labor. There is no reason why any differential which exists at the present time should redound to the disadvantage of labor.

5. The question of week workers' standards (cutters' standards) is now under consideration by the Board of Arbitration.

6. Changes in cost of living can be invoked as the basis of wage adjustment only if there has been some agreement with regard to the standard from which changes in wages are to be measured. No such agreement exists between manufacturers and the workers.

Wage adjustments in the past in this industry have not rested on changes in the cost of living at all. They have been due to attempts by the workers to raise their standard of living. An adjustment now on the basis of a change in the cost of living means a reduction in the standard of living, and not the maintenance of a standard agreed upon. There is here, in other words, a request not for a correction or a change in the purchasing power of the dollar, but a revision downward of the standard of living.

In any event, there is no warrant for measuring changes in cost of living from June, 1920, for no adjustments in wages of clothing workers were made in the period of December, 1919, to June, 1920, when the cost of living was rising rapidly.

With a proper allowance for rent, the cost of living in May, 1921, according to the Union's figures, will be only three per cent below that of December, 1919—an insignificant change.

It is the Union's position in this matter that under no conditions are wage adjustments justified on the basis of very small changes in an index number of the cost of living, first because these changes are not likely to find any counterpart in the actual experience of the workers, and second because there are too many debatable elements in the constitution of an index number of the cost of living to warrant its use with such refinement and precision.

The prospect for the future is for rising prices, particularly of food, first because of the proposed tariff on foods, and second because of the abnormally low point now reached in the price of staple foods in this country. Such a rise is already forecasted in the index number for the wholesale prices of food, prepared for the past ten weeks by the Annalist. A further evidence of the probability of a price rise is indicated by the fact that where liquidation has run its course, there are already rises in wholesale prices, e.g., wool, woolens, silk.

From the standpoint of the Union, it is clear that a reduction in wages at the present time would mean cutting the workers' standards of living. This imposes on the Union a task of consider-
8. The number of persons dependent upon clothing workers for full or partial support is much greater than that indicated in the figures presented by the employers. The Union has made an independent investigation of this matter. The results are necessarily incomplete but they point to widespread existence of drains on workers’ incomes which are characteristic of conditions among workingmen.

9. The industries in which wage cuts have been effectively made are for the most part unorganized industries, with which no comparison can fairly be made. Except for sporadic instances in small places, highly organized industries and trades have resisted wage reductions. In some cases they have found it necessary to strike. In other cases wage reductions have not even been proposed.

Moreover, the assumption behind the citation of wage cuts in other industries is that price reductions in other industries could not have been made without such cuts. Otherwise none of this material would be relevant to the present case. No one would propose cutting wages unless the cut was absolutely necessary. The employers have submitted no evidence to support this contention. Because of the great variety in percentage cuts in the textile industry alone, and because of the prosperity of this industry and of others in the past few years, the Union submits that the necessity for wage reductions has not at all been established.

The Union points out further that in many industries in which wage cuts were made, substantial increases were granted in 1920. In this year, however, an increase was denied to the clothing workers of Chicago. The effect of the wage reductions in such industries has therefore been to take from them only the increase which they received in 1920, when the clothing workers were not so favored.

10. It should be remembered that progressive standards for workers come generally through the maintenance of gains earned in periods of business activity. Unless such gains are held when business is dull, there can be no hope for progress among workingmen.

11. All signs point to the existence of a business revival in the clothing industry at the present time and to a continuance of that revival over an indefinite period. While newspaper comment must be discounted, there can nevertheless be no doubt that the general tone of optimism is much more decided now than it was two months ago. Indeed what is now taking place in the clothing industry is evidence of the accuracy of the predictions made several months ago of a general business revival and of a revival in the clothing industry. While the early figures for orders submitted by the manufacturers were not favorable, later data bringing this material up to March 15, 1921, indicate that business activity had set in.

All signs, so far as general business is concerned, point to the existence of a similar business revival. Banking statistics point to the end of the depression. The same is true of statistics of business failures.

12. Under the operation of the agreement, the Union has made contributions to the efficiency of the market for which it feels it should receive compensation. Co-operation of workingmen cannot be asked if the workingmen are led to believe that the results of this co-operation will bring them no advantage. There is no doubt that the Union position with regard to the introduction of piece work and the introduction of machinery has made possible with least friction substantial reductions in the cost of producing clothes. Of such reduction the members of the Union should receive some part.

13. In periods of rising prices and of business activity the Union has exercised its powers of discipline over its members, and has restrained them from accepting substantial increases in wages which they could have received with great ease and which indeed were frequently offered by the employers themselves. The agreement has therefore operated in such periods so as to stabilize the market and reduce labor turnover. The Union feels that in return for the stability and restraint granted in periods of business prosperity, the members of the Union should be assured by the agreement the same stability and protection against instability when there is a business lull and when the market is falling. It would be entirely natural for its members to feel that an agreement which made for stabilization in periods of business activity when they were asked to make sacrifices and which did not ask the same sacrifices of manufacturers in periods of business depression, was unfair to them. It would be unfortunate indeed if the workers were made to feel by a decision that the Board of Arbitration employed double standards.

14. In practically all of the adjustments in wage rates made in this market, the higher priced workers have always taken very low increases, since it was the Union policy to use the official increase granted to it to raise the exceedingly low levels of the most poorly paid workers. A wage reduction at the present time, therefore, would have the double effect, first of reducing the standards of the low paid workers whose standards were for the past
six years raised only after considerable effort, and in the second place of reducing the standards of the more highly paid workers whose wages never advanced nearly so rapidly as did the cost of living, and whose wages therefore at the present time should not be reduced because of a slight downward trend in the cost of living.

15. Finally, the Union questions the power of this Board, acting within the existing agreements, to make a wage award unless there has been "a general change in wages in the clothing industry." It contends that no such general change has taken place.

IV. The Right of the Board of Arbitration in this Case.

This last contention of the Union was not presented until after the preliminary conference and the public hearings had been held. The Union did not present it earlier because of the feeling that in any event requests should be accepted and an investigation made. The Chairman in the interest of best procedure wishes, however, to make the observation that investigation should not be merely for the sake of investigation, but with the end in view of taking appropriate action, and that when a question of power or right is in doubt, it should be cleared up by a ruling first of all.

Has the Board, acting under the "emergency clause," power to render a decision granting a reduction in wages in this case? The emergency clause was developed in the Hart Schaffner & Marx agreement and was copied with slight revision in the other agreements under which this Board acts. The Hart Schaffner & Marx agreements were entered into for periods of three years each, and it was felt that it should be possible to make changes in wages or hours by arbitration decision when needed because of changes in wages or hours in the rest of the Chicago Market or elsewhere in the clothing industry. Hence the original "emergency clause."

In so far as the Chairman is informed this emergency clause was employed only once at Hart Schaffner & Marx before the general market was organized. On that occasion the Union requested an increase in wages on the ground that the cost of living was rapidly rising and undermining the workers' standards of living and on the further ground that wages had been generally increased in the market. In his decision (May 1, 1917) the Chairman of the Board found that both assertions were true and granted an increase.

Since the general market became organized the power of the Board to act under this emergency clause has been questioned on two occasions. The first of these was in December, 1919, when the Union requested a general increase. The then Chairman found that there had been substantial increases in wages in practically all of the important clothing markets, and therefore held that there had been "a general change in wages in the industry" sufficiently permanent to warrant the belief that the change is not temporary, and hence that the Board had power to "make such changes as it shall judge to be proper."

The second occasion was last June when the Union requested a further increase in wages to offset the increase in the cost of living since the preceding December and to improve the standard of living of its members. The Manufacturers contended that no emergency existed of the sort for which the emergency clause provides. The Union, on the other hand, showed that changes in wages were under consideration in other markets and argued for a broad interpretation of the emergency clause. The then Chairman of the Board ruled "that the purpose of the clause was to provide flexibility and a safety valve; and that in construing the clause the principle of broad, rather than of narrow or technical interpretation should be used." He then proceeded to hear the case with the end in view of rendering such decision as he deemed proper.

It is evident that the circumstances in the first two of the three cases cited do not furnish close parallels to the case now presented to the Board. The third case, however, does furnish a close parallel, with the main facts in the situation reversed. Then the cost of living had increased; now it has decreased. Then there had been business prosperity so that the workers felt they were entitled to some improvement in the standard of living, now there has been business adversity and the manufacturers feel that an adjustment should be made. Then hearings had been held in Baltimore and Boston where requests had also been made for wage increases, but, except in certain Canadian cities, no award had been made; now hearings have been held on a request for a wage reduction in Rochester and reductions have been made in the relatively unimportant centers of Cleveland, Toronto and Montreal.

The parallel between this case brought by the Manufacturers and that brought by the Union last summer is so close that the ruling called for in the one would seem to be that made in the other. Moreover, the Chairman feels that in these days of rapid change "flexibility and a safety valve" are very necessary. He shares fully the opinion of his predecessor with reference to this. Sometimes a broad, non-technical interpretation is to the advantage of one side and at other times it is to the advantage of the other, but in the long run it is best for both and for the agreement. Finally, if the Union's present position were accepted, it would
always be necessary for the workers and manufacturers in Chicago, now the largest market, fully organized, and under one industrial government, to wait until something had been done in one or more of the other markets, before the Arbitration Board could decide a question of wages at issue. The Chairman, quite independently of the case in hand, feels that such procedure would be unfortunate.

The Chairman therefore rules that the Board has power under the "emergency clause" to render a decision in the case before it.

V. An Examination of Some of the Claims Presented.

The Chairman of the Board has examined and carefully weighed the claims and data presented by Manufacturers and Union and has himself collected considerable data for his guidance in arriving at a decision. However, before setting out the decision arrived at and the reasons for it, he wishes to make some observations bearing upon some of the claims as summarized above.

1. The partial data presented by the two sides do not accurately present the gains and condition of workers in respect to wages and earnings in this market.

The gain of 254 per cent in earnings realized since January, 1915, by the workers in the third largest clothing house in the market does not present an accurate picture of wage increase for a number of reasons. (a) Since 1915, and even within the last eighteen months, there has been a considerable extension of piece work effected with the co-operation of the Union. Piece rates are usually conservatively made but are of course so fixed that the workers will obtain a considerable gain in earnings in compensation for the additional effort they put forth. (b) The largest house in the market shows smaller increases in earnings so that the house cited by the Manufacturers is probably not typical. (c) The level of 1915 (an average of $11.60 per week), was a low one from the point of view of proper earnings, and a percentage of increase depends quite as much upon the initial as upon the final figure.

Nor are the comparisons of increases in the clothing and other industries well taken. Some of the comparisons are made between industries almost entirely without organization at the beginning of the period used. More recently the clothing industry has benefited by becoming organized while these others have remained without any corresponding change. Moreover, these particular comparisons begin with a time when the clothing industry was generally recognized as the least well paid of all industries of importance. Another comparison made is between increases in the clothing and in organized trades reported on annually by the Bureau of Labor Statistics. It is a comparison between an industry that was unorganized and then became organized, and trades organized and, presumably, with tolerably satisfactory standards of wages all the while. Moreover, it is a comparison of earnings influenced greatly by an extension of piece work in the clothing industry with wage rates reported to the Bureau of Labor Statistics.

On the other hand, the increases in wage rates which have taken place in the largest house (cited by the Union) understate the increases which have been made in the market as a whole, because many houses were not on a competitive level and had to make substantial adjustments. Moreover, some of them competed for labor by increasing wages in various sections.

The Chairman presents the following summary as the best statement he is in position to make with reference to the matters at issue.

Before the agreements other than that with Hart Schaffner & Marx were entered into, substantial increases in wages were granted by the several manufacturers. Omitting reference to special increases granted to certain groups of workers, there were a number of general increases, amounting to about $40 per cent all told and added to wages as of 1916. These advances in the general market closely paralleled advances made by Hart Schaffner & Marx.

Then, in 1919, when the several agreements with the Union were signed and the market generally became organized, further increases were provided for, these being based upon the total of original rates and the several advances already made. The increases to piece workers provided for by agreement were twenty per cent (20%) where the sections earned not to exceed $28; fifteen per cent (15%) where they earned from $28.01 to $37.00 inclusive; and ten per cent (10%) where they earned $37.01 or more per week of 44 hours. In general, cutters received an increase of $5.00, this bringing them to a minimum of $37.00; trimmers received $5.00; and other workers, except learners employed less than three months in the trade, the same sum. These increases agreed upon became effective as of June 1, for the Wholesale Clothiers and as of July 1 for the Tailors-to-the-Trade.

During the summer and early autumn months of 1919, certain wage adjustments were made in order to stabilize the market. In some houses a few, in other houses a considerable number of rates were advanced. There was also some individual bargaining in some of the houses. Then in December, the Union, presenting data relating to the increased cost of living and increases in wages in the other clothing markets of importance, and contending that the
standard of living should not only be maintained but should be raised, sought a general increase. This the Board of Arbitration granted because of the advances already made in other markets and because of the greater advances that might have been secured here by shop bargaining and otherwise had the Union not exercised its power in the interest of a stable market. The increase granted was twenty per cent (20%) in the case of all week workers and piece work sections earnings less than $30 per week; $60.00 per week to all earning from $30.00 to $49.99; and five per cent (5%) to all week workers and piece work sections earning $50.00 or more per week. At the same time the minimum wage for cutters was advanced from $37 to $45 ($43 at once and $45 effective as of March 8, 1920), and a minimum wage of $16 and a scale were provided for apprenticed cutters. Finally, underpaid piece work sections were levelled or brought up to certain “norms,” and “norms” or averages were set for tailors ($40), bushermen and examiners ($39) and bushel girls ($29). The expectation of the Board was that the total effect of the award would be to increase wages of the workers about twenty per cent, some receiving more than this and others as little as five per cent. It appears, however, that the average increase varied between 17 per cent in one house and 26 per cent or more in another and that the average increase for the market was one or two per cent greater than the twenty per cent just stated. With these adjustments effected, few increases in wages or piece prices were made except for increased efficiency or to offset changes in work, for an organized effort was exerted to hold the market stable.

On July 1 and 2, 1920, the Board of Arbitration held hearings for the consideration of a request made by the Union for a further increase to offset the increase in the cost of living which had taken place since the preceding December, and to improve the standard of living. Because of the business situation which had developed the request, was denied. The Board ruled that wages should be neither increased nor reduced. With this ruling wage rates and piece prices have to date remained fixed at practically the level attained under the award of December, 1919, with its supplements.

With (a) the advances in wage rates and (b) the much wider application of piece work in the market, the earnings of the workers have become high as compared to earnings in unorganized industries and as compared to earnings in the clothing industry three or four years ago. Data drawn from typical houses by the representatives of the manufacturers and submitted to the Board show for very good or the best successive four weeks (in each house) average earnings for a 44-hour week as follows:

<table>
<thead>
<tr>
<th>Men</th>
<th>Women</th>
</tr>
</thead>
<tbody>
<tr>
<td>Piece Work</td>
<td>Week Work</td>
</tr>
<tr>
<td>Coat shops</td>
<td>$51.75</td>
</tr>
<tr>
<td>Pants shops</td>
<td>52.20</td>
</tr>
<tr>
<td>Vest shops</td>
<td>51.19</td>
</tr>
<tr>
<td>Average</td>
<td>$51.79</td>
</tr>
<tr>
<td>(based upon 11,500)</td>
<td>$48.44</td>
</tr>
</tbody>
</table>

These averages of course show earning power with full and uninterrupted employment for 44 hours per week and with approximately 71 per cent of the men and 79 per cent of the women on piece work and applying themselves intently and working rapidly as piece workers do. They are averages only and behind them, as would be expected, are great diversities of earnings by occupations—the extremes for men in the ready-made coat shops, for example, being $55.04 for sleeve sewers and $24.50 for finishers on week work, and $59.09 for edge pressers and $30.20 for a finisher on piece work; for women, $41.25 for button hole makers and $18.31 for bastings pullers on week work, and $52.94 for sleeve sewers and $23.62 for bastings pullers on piece work. Moreover, the averages presented are drawn from the tailor shops only; cutters and trimmers and their apprentices, ticket sewers in cutting rooms, spongers, machinists and others, these aggregating an eighth or a seventh of the workers employed, are omitted from consideration. With minor exceptions, those mentioned are week workers, but taken as a group they have wages averaging about the same as those of their fellow week workers in the tailor shops.

The Chairman has collected data relating to wages paid week workers in other organized industries in Chicago and to the cost of living of different types.

In making wage comparisons he has compared weekly wages with weekly wages. Of course piece earnings are higher but in the clothing industry are in definite relation to existing week rates paid.

The wage data have been drawn from the ladies' branches of the clothing industry, the customs tailors, the printing trades, and many others. Space forbids the presentation of detail here. A careful comparison, with due regard for the types of workers employed and the conditions under which they work, shows that the standards set up in the clothing trade by agreement in the summer of 1919 were not high as compared with the standards maintained in the other organized industries of Chicago.
Similarly, from a knowledge gained by extensive investigation in another and earlier connection and from the studies made by other competent investigators, especially for the use of the various social or charitable agencies of the city, it has been found that in the typical cases the standards set up by agreement in 1919 were not high when tested by the cost of living of any type other than of the lowest.

The Chairman is therefore convinced that the standards set up by agreement in 1919 cannot be said to have been exorbitant and could not be regarded as having placed a tax or improper burden upon those served by the clothing industry.

2. Much has been said by both Manufacturers and Union as to the business situation, employment and profits and as to the effect of a reduction of costs of manufacture upon these. With reference to these the Chairman makes the following statement of fact and opinion.

During the life of the existing labor agreements the manufacturers have experienced their greatest business expansion and perhaps also their most serious business reaction.

From early spring, 1919 to April, 1920, there was a tremendous demand for clothing in spite of the increasing and, no doubt, profitable prices at which it retailed. While the business of the wholesale tailors merely held its own for the lightweight season of 1920 as against the lightweight season of 1919, the orders received by the wholesale tailors more than doubled. The weighted average of wholesale prices received by the latter group of manufacturers increased approximately $12.75 per suit, an increase of about 29 per cent. No inference should be drawn from this figure as to added profit realized for the increase in prices was accompanied by increased wages and prices of materials. And perhaps relatively more of the higher grade suits were sold.

Then a business reaction developed in April, 1920, and though the situation has improved, depression has not as yet disappeared. The development of this reaction is explained largely by a change in the attitude of the public towards clothing at the retail prices then prevailing. No doubt, the fact that the market had been pretty well saturated by liberal buying also enters into the explanation. But whatever the explanation, the number of orders received shrank, cancellations of orders became numerous, and much clothing delivered was returned to be disposed of at a loss. Then followed business depression in most industries with the result that the buying of clothing has been more closely limited to absolute needs.

This business reaction has begotten the keenest competition among manufacturers and has been accompanied by very sharp price reductions to stimulate buying, much selling at a loss, much short time work and unemployment and great loss of earnings by workers as well as of profits by manufacturers. Both the decreased volume of business and the loss of employment by workers during the latter half of 1920 are indicated, though not accurately measured, by the reduced payrolls of typical houses, these doing the greater part of the manufacture in Chicago. As against a full time payroll represented by 100, the average in the ready-made coat shops for the first six months of the year was 93.3, for the second six months 64.3. The corresponding figures for the coat shops of the special order houses were 75.6 and 59.9. The figures for the other shops and the cutting and trimming rooms of the two classes of houses were quite similar to those for the coat shops.

Coming to the present lightweight season, ten typical special order houses show for January, February and the first half of March this year 53.0 per cent as many orders as were received in the corresponding period in 1920 and 53.1 per cent of the number received for the corresponding weeks in 1919. The "bookings" of lightweight orders (in terms of suits) by ready-made houses from October to March 15, 1921, have been practically 43 per cent of the "bookings" to the same date in 1920, when excessive orders were placed by retailers so as to secure deliveries to cover their needs, and 91.7 per cent of those for 1919, which season was somewhat depressed because of the uncertainty immediately following the ending of the war. A weighted average of the whole prices shows a reduction of about $10 from last year, this being a reduction of 23.2 per cent. This reduction has been covered in part by the reductions in the prices of materials, these reductions being estimated at 37 per cent. It has been partly offset, also, by the sale of relatively more of the cheaper grade of suits. On the other hand, with the reduced volume of business, the cost of "direct labor," insofar as on week work, has increased in considerable degree, and the "overhead" and selling expenses have increased in very much greater degree. From data supplied by a large number of manufacturers in a form requested by the Board, it appears that with the changes in prices induced by keen competition and in costs of manufacture and sale, a large part, if not most, of the business is being done without profit and much more than normally is being done at a loss.

As stated above in the summary of the Union's contentions, in a large majority of the cases the direct labor cost is less than thirty
per cent of the total cost of manufacture. Any such percentage is, however, much affected by the volume of business and the method of valuing materials used and figuring general overhead.

What would be the effect of a reduction of wages on prices and the volume of business? Obviously it is a matter of opinion, but to a considerable extent opinion can be attached to experience. The Chairman’s opinion has, of course, had much to do with the decision arrived at by him insofar as the request for a general reduction is concerned.

Though the clothing business shows improvement, it is far from normal as regards the volume of business and profits. Of course a reduction in wage rates would be followed by some increase in buying, if we may assume that any saving in labor cost will be passed on to the consumer. There is, however, no substantial reason to believe that a reduction of twenty-five per cent, as requested, would so favorably affect business that earnings would be maintained or increased because of the increased amount of work. Of course if one dealer cuts his price $5.00 and other dealers do not, he may greatly increase, even double, his sales. So may a manufacturer. But it does not follow that what one can do, all can do.

In the case of the increase in sales results largely from diversion of business from others. In the other case it must come from the diversion of purchasing power from other things than the buying of clothing. The fact is that the volume of business and the amount of work in the coming months will depend more upon what happens outside the clothing industry than upon what happens within it. If general business conditions improve materially, as many think they will and as there is much reason to think will be the case, there will be a good demand for clothing, for people will in that event have money to spend and will be of an optimistic frame of mind. If, on the other hand, there is widespread unemployment and reduced earnings in other industries, a great reduction in the cost of producing clothing would not make the clothing industry normal or anywhere near normal. In other words, there is much in the situation entirely beyond the control of the clothing industry. In fact the clothing industry is a very dependent one; very dependent upon the ups and downs in the general business situation.

Nevertheless, what happens within the clothing industry is also of importance in this connection. In the first place, it has been suffering for months from uncertainty as to what costs and prices were going to be and from a feeling that prices were going to be lower. This is clearly shown by the communications the manu-

facturers have received from retailers. There has been and is much waiting or “holding off” by consumers and retailers. Certainty as to costs and stability in the market would be helpful regardless of any change in costs and prices. But, it must be said that if costs were reduced but instability still continued because of unusually keen competition for business and price cutting, there would still be more or less waiting.

Moreover, whatever may be the merits of the case, there is a rather prevalent feeling that prices are too high and that something should be done and will be done to bring them down to that indefinite and undefined thing, a “fair level.” The psychological effect of a readjustment in costs, provided any saving is not withheld from consumers, would have a favorable effect on the clothing business.

To an extent, therefore, the Chairman shares the views of the Manufacturers. A reduction in costs and prices should stimulate business to a certain extent. The Chairman does not, however, share the Manufacturers’ view that a drastic reduction in wage rates would so stimulate business as to maintain or to increase earnings.

3. Much has been said by Manufacturers and Union relative to changes in the cost of living. The former have maintained that the reduction since the cost of living reached its peak in Chicago in June or July, last year and the further reduction in early prospect would warrant the reduction in wages requested. The Union, on the other hand, has maintained, among other things, that the reduction in the cost of living since December, 1919, when the Board of Arbitration made its award increasing wages, has been small and that there is no prospect of further reduction.

The Chairman, with some assistance, has devoted considerable study to the question at issue. The Bureau of Labor Statistics has published its estimates of the cost of living in Chicago as of June 15 and December 15, 1919, and as of June 15 and December 15, 1920. It has also published its estimates of the one item of food monthly, ending with February 15 of this year. These estimates show a very material rise of 23 per cent in the cost of living between June, 1919 and June, 1920. Indeed the increased cost of living by June, 1920, had more than absorbed the average increase in wages awarded by the Board of Arbitration in December, 1919. Since June, however, the estimates show a reduction in the cost of living, this in Chicago approaching ten per cent by December 15 last, in spite of the increase in rents. The index number for food shows a further and a substantial decrease (8.5 per cent) to February 15 of this year.
Except for standard food articles there are no acceptable estimates of the changes in the cost of living in Chicago more recent than of December 15, 1920. There is at hand, however, much data relating to the trend of wholesale prices with which retail prices can be related, and the Chairman has obtained data on the increases in rents from a state investigation and from renting agencies, as well as from an investigation conducted by the Union. These data indicate that between December 15 and March 15, the cost of food had decreased about 12 per cent; the cost of clothing about 10 per cent; the cost of furniture and furnishings about 6 per cent; the cost of miscellaneous items about 3 per cent. On the other hand, there had been no particular change in rents or in the cost of fuel and light taken as a whole between these dates.

Using the above figures it is possible to construct an index number of the cost of living as of March 15, which will be roughly comparable to the index numbers provided by the Bureau of Labor Statistics. The Chairman has constructed such an index number. The Bureau of Labor figures, however, have more recently exaggerated the reduction which has taken place because they give the item of rent the same weight or importance it had in the spring of 1919, whereas the fact is that more importance must be attached to it for it has continued to increase while the prices of other factors in the cost of living have declined. Allowing for the increased importance of rent as shown by the investigations above referred to, the Chairman has arrived at the conclusion that the cost of living in Chicago was on March 15 of this year, some 4 or 5 per cent higher than in June, 1919, but some 8 or 9 per cent lower than in December, 1919, and some 14 to 15 per cent lower than in June, 1920. From all the data available he has also arrived at the conclusion that on May 1 the further increase in rents by 17½ to 20 per cent will practically offset the further reduction in the cost of food and other things between March 15 and that date. In other words, the cost of living May 1, will probably be practically the same as it was March 15. Beyond May 1, with prospective tariff changes and possible changes in the business situation, there is no certainty of further reductions in the cost of living for some time to come. It is indeed possible that the cost will increase somewhat.

The Chairman presents the above estimates as the best he can arrive at from the data available. Of course he realizes the room for error. He realizes also that the experience of many will not bear them out. Averages do not fit in accurately with the experience of every individual. He realizes, further, that with increased earnings or lower prices, peoples' standards change in many ways, as they will and usually should, so that it will seem to them that there has been no change at all in the cost of living. Mark Twain said that "the cost of living takes all you've got and then some," and most people agree. Yet it takes more money at one time than at another to cover the cost of the same kind of living. It takes less now than it did in June, 1920, or December, 1919, but somewhat more than it did in June, 1919.

4. Other claims advanced can be more briefly disposed of.

The Union has referred to its co-operation in increasing efficiency and reducing the cost of manufacture by the more extensive use of machine methods and piece work. It has co-operated in these matters and should receive credit for its co-operation. Yet it should be said that such changes have been made according to certain principles developed in the market. Changes from hand to machine work are not made at the expense of the workers in the shop. Changes from week work to piece work are made on such terms that the worker is usually paid for his increased effort and the employer also makes some gain.

The Union has also contended that earnings of piece workers have been substantially reduced by the demand for more careful work than was formerly required. In some cases no such reduction in earnings is in fact found. In other cases, however, earnings have been reduced, either because of waiting in the shop or of more careful work, or both. In this connection it is sufficient to say that work is to be done according to specifications and the methods employed at the time piece rates are made, and if more work is demanded the Trade Boards are expected to see that justice is done by applying the principle of "payment in proportion to effort required."

VI. Decision With Reference to Request No. 1—For a General Reduction in Wages.

With reference to the first request made, the Chairman is of the opinion that we have had and still have in the clothing industry a condition of depression and a market situation which reasonably call for some readjustment of wages. He does not believe, however, that any such drastic reduction as that requested by the Manufacturers would be justified, for, as already indicated, there is no good reason for believing that a drastic reduction would not mean a substantial reduction in earnings. Such a drastic reduction would mean that the standards of wages set up by agreement in 1919, would be impaired. The Chairman is of the opinion that in the present situation these standards should not be impaired.
because (a) they were set up by agreement by the parties in interest; (b) they cannot be said to have been exorbitant when tested by what organized workers of a comparable type received or by the cost of any socially acceptable type of living and therefore cannot be said to have placed a tax or improper burden upon those served by the clothing industry; (c) the workers cannot well be asked to accept losses which would in all probability accompany a drastic cut unless they are promised a share in profits when profits are very good.

The Chairman, in a general way, accepts the views of Mr. Roberts, who has been quoted with approval by the Manufacturers in support of their contentions that there must be a readjustment of wages. Mr. Roberts is quoted as saying "They (i.e. the wage earners) should not be asked to take lower money wages unless retail prices come down, so that the reduced wages will have about the same purchasing power." To make larger reductions generally in the process of readjustment is not only to undermine the standards of living of the workers, but also to undermine their purchasing power as consumers to the injury of business.

Any adjustment the Chairman orders will therefore be within the limits of the reduction in the cost of living and will not undermine the general standards set up by agreement in 1919.

This means that any reduction in wages must not be fully equal to the reduction in the cost of living since June or July, 1920, when that reached the highest level, for then the increase which had taken place had outstripped the increase in wages awarded in December, 1919. In other words, when put in terms of purchasing power, the wages of those workers who had not received individual or section increases, were then less than in June or July, 1919. Any adjustment on the basis of the cost of living must be made in view of wage changes and cost of living changes between June, 1919, or December, 1919 and the present time.

Those workers who have had the larger increases in the clothing industry of Chicago are better off by fifteen per cent or more than they were with equal employment in June or July, 1919, and eight or nine per cent better off than immediately after the wage award of December, 1919. Only a small number of the workers are less than ten per cent better off in respect to purchasing power of their wage rates than they were in June or July, 1919, and these are some eight or nine per cent better off than they were left by the award of December, 1919.

But should any gain obtained by the workers from the reduced cost of living be taken from them now? Is it not true that with such gains standards of living change so that it is difficult to make a readjustment? Is it not by keeping such gains that the workers are able to make progress? Is it not true that the Union could have acted in such manner as to have obtained further increases in time of labor shortage? The Union has raised these questions in its argument.

With reference to the last of these questions it should be said that the Board in making its award in December, 1919, took into consideration what the Union had done to stabilize the market. Moreover, it was distinctly understood that when the low sections were levelled up all parties would hold wages and rates stable.

It is the opinion of the Chairman that some reduction in wages at this time will be of assistance to the market situation and the agreement. The welfare of the Agreement is, after all, a primary consideration. Moreover, a limited adjustment should tend to improve the condition in which the industry finds itself, so that the net loss, if any, to the workers in earnings should not be great. In these times of heavy taxation to carry and to pay off war debts and of need for rebuilding what the war destroyed, those who have tolerable wage standards cannot expect to make much net gain. Finally, those who have tolerable standards have some obligation to the many who do not but are dependent upon them for the necessities and comforts of life.

For the above reasons the Board of Arbitration directs:

(a) That with the exception of those who came in the "five per cent class" under the award of December, 1919, and except for cutters, trimmers (other than shop trimmers), and apprentices, the wages and piece rates of the workers employed by the manufacturers within its jurisdiction, and also of those of the workers employed by the several contractors doing work for these manufacturers, shall be reduced ten per cent (10%), this reduction to become effective at the beginning of the pay roll week in each house on or following April 28, 1921. The wages of no week worker may, however, be reduced below the sum of $15.00 per week, which is the present minimum wage for learners in tailor shops and which is hereby continued in effect.

(b) That the wages of the workers or sections falling within the "five per cent class" under the award of December, 1919, shall be reduced five per cent (5%), effective as of date above indicated.

(c) That the norms for tailors, examiners, bushelmen and bushel girls shall be reduced by ten per cent, and, thus reduced, are continued in effect and shall be observed as hitherto.
The wages of cutters, trimmers (other than shop trimmers), and apprentices in cutting and trimming rooms are dealt with below.

Decision with Reference to Request No. 2—For a Levelling Down of “Peaks.”

In order that information might be had with reference to the problem of peaks or unduly highly paid sections, the Chairman has requested each house to report to him in detail with reference to each such peak. These reports of a limited number of so-called peaks are now in his hands. Inasmuch as each case requires the most careful consideration before it can be determined whether or not any adjustment should be made, the Chairman hereby creates a commission consisting of Mr. Marimpietri, for the Union, and the labor manager for each house, and directs this commission to investigate and report to him on each such case. The cases will then receive such action as their merits and sound policy call for.

Decision With Reference to Request No. 3—For Automatically Enforceable Standards in Cutting and Trimming Rooms.

The agreements in effect stipulate “that good standards of workmanship and conduct will be maintained and a proper quantity, quality and cost of production will be assured.” When the request for a general increase was presented by the Union to this Board in December, 1919, some of the manufacturers complained of reduced production by cutters and trimmers. To meet the problem presented the Board appointed a Commission to set standards of production, these to be submitted to it for approval. The Commission created, with the present Chairman of the Board as its chairman, except for Hart, Schaffner and Marx, made an investigation and set standards, usually by agreement of the parties in interest, in a large number of the cutting rooms. The task was not completed because of the pressure of other work, but the standards reported to the Board were approved by the then chairman and placed in effect.

By agreement between the representatives of the Manufacturers and the Union the Commission set not individual standards but standards in the form of an average for the cutters receiving the minimum or about the minimum wage set by the Board. Any changes in the wages of faster cutters were left to be made by individual bargaining, the understanding being that where an increase was granted, the expectation with reference to production should be made clear.

With reference to the operation of the standards set, the Chairman can speak from personal knowledge gained while chairman of the cutters’ commission and subsequently. In some cutting rooms the standards set have been observed and met when there was work on the floor. In other cases, however, this has not been true. Indeed, the deficiency in a few cutting rooms has been greater than ever and in spite of disciplinary action taken. The failure of the standards to work out efficiently appears to be due chiefly to the fact that many of the cutters on the floor have never been able and were never expected to be able to reach the standard or average set for the group; that some of the cutters, whether fast or slow, have felt no obligation to the group; and that many of the faster men have felt that they should not cut more than this standard or average, in order to offset the deficiency of their fellows when they were paid only or little more than the minimum wage. Indeed, in a few extreme cases there has been a feeling, or something more, that the faster men should not produce much, if any, more than the slower men. Then, too, the fear of lay-offs and consequent loss of earnings has not been without effect. And, on the other hand, there have been instances where, with the turnover of labor, slow men have been added to the force and retained after the usual probationary period so that the standards or averages ceased to be suitable. Moreover, here and there the distribution of work among the cutters or the system of recording production, or both, have been changed by the management with the same result.

From a large number of houses in which no standards have been set, the complaints of fifteen months ago continue. In some cases the complaints are well-founded.

This situation, briefly described, has given rise to much feeling on the part of workers and management and to much friction between them. Moreover, the numerous cases arising are burdensome to and difficult for the Trade Board and Cutters’ Commission. Without question, the situation in certain cutting and trimming rooms has developed the most difficult problem under the agreement.

The Manufacturers have asked for “automatically enforceable standards of production” in cutting and trimming rooms. As understood by the Chairman, they desire a change from the group standards set in a part of the cutting rooms to individual standards under which each cutter or trimmer would be paid for a short period, say three weeks, according to his production during the period just closed, and to have these individual standards of wages and production set in all cutting and trimming rooms where the work is of such nature that standards can be set.
As seen by the Chairman, the system requested amounts to a piece work system under which the worker would be paid, not for the quantity of work turned out during the pay roll week, but according to the quantity turned out during an earlier period. In the opinion of the Chairman, such a system would be undesirable from the point of view of both management and workers. On the one hand, it would give rise to problems of quality, of yardage, of disinclination to do certain kinds of work on which the worker felt that he could not make as good a record as on some other. On the other hand, it would be regarded as unfair by workers because the allowances could never be made exact; the work cannot always be divided evenly among the workers; it is easily possible to change the quality of work required or the conditions under which it is done; it is very difficult to make allowances for time lost through no fault of the worker; and, in special order houses especially, there is frequent waiting for work. For these reasons and the further reason that considerations other than output should have weight, the Chairman is of the opinion that cutting in this market is not a piece work job. Nor can there in any strict sense of the term be “automatically enforceable standards.”

Yet, the Chairman is of the opinion that some of the cutting and trimming rooms present a problem which calls for solution in the interests of the manufacturers, workers and impartial machinery. In his opinion the solution will be found in establishing a closer relation between work done and wages. This opinion is shared by all concerned, including an advisory committee of cutters. A standard and a proper wage should be set for a fair day's work for the average cutter, and the faster and the better, more economical men should be paid more, and the slower, less good men should be paid less, with some allowance being made for length of service. A closer approach to justice calls for this; experience shows the necessity for it.

The Chairman is of the opinion that $45.00 per week is none too much at this time for a good, average cutter. The majority of cutters are mature men with families to support from their earnings. As tested by what other union men of comparable ability, training and responsibility receive in Chicago, the wage of $45.00 is not a high one. Moreover, the cutters have not advanced as rapidly in wages as have their fellows in the tailor shops. The Board will therefore not rule with reference to cutters' wages in such a manner as to compel any reduction in the average received.

The Chairman directs:

(a) That the two cutters' commissions shall proceed as rapidly as possible to fix standards of production in the cutting rooms where standards have not been set and to revise existing standards at those points where experience has shown the necessity for such revision. These standards shall be sufficiently detailed to cover all important variations in work.

(b) That one month from this date or one month after standards have been set and approved, as the case may be, these commissions shall group the cutters in each house into five classes, to be known as A, B, C, D and E.

(c) That class A shall include those who for a period of one month produce 115 per cent or more of the standard; that class B shall include those who produce 105 or more but less than 115 per cent; that class C shall include those who produce 95 or more but less than 105 per cent; that class D shall include those who produce 85 or more but less than 95 per cent; and that class E shall include those who produce less than 85 per cent.

(d) That in all cases cutters on special work shall be rated suitably in view of the nature of their work and their efficiency.

(e) That the wages of class A cutters shall be $49.00 per week; of class B cutters $47.00; of class C cutters $45; of class D cutters $43.00; of class E cutters $41.00. Provided, however, that in no event shall any cutter in the classification made in accordance with (b) above be reduced more than $4.00 per week. Provided, further, that no cutter who has been employed in a house for five years or more shall be reduced below $43.00 per week.

(f) That a cutter's wage shall be increased or reduced by the cutters' commissions for increased or reduced production for a period of four weeks, so as to maintain proper classification, but due allowance shall be made for loss of time due to waiting for work, damages, yardage used, and other things that in justice must be taken into consideration in this connection.

The Board, with the cooperation of the parties in interest, will establish such machinery as may be necessary for the administration of the above.

The Chairman makes no change in the minimum scale or the wages of apprentices in cutting rooms. Questions with reference to the application of the existing scale to apprentices are left as hitherto to the Trade Board or the Board of Arbitration.

The two commissions shall proceed to set production standards in trimming rooms where more than a few are employed when the task of setting cutters' standards has been completed. The Board will make the same time set standards of wages. It expressly reserves the right to order such changes in wages as may be required to secure proper
standards as between the several houses in the market. Until standards of production and wages are set and placed in effect, the Chairman directs that the wages of trimmers and other workers in trimming rooms shall be reduced five per cent (5%), but in no event shall any wage be reduced below the sum of $15.00 per week. This reduction shall be effective the beginning of the pay-roll week on or following April 28, 1921.

(Signed) H. A. MILLIS, Chairman.

April 11, 1921.
March 21, 1927

Mr. L. R. Steere  
University of Chicago  
Chicago, Ill.  

Dear Mr. Steere:

I am greatly obliged for your letter of March 19th and regret that you do not feel you would be able to serve.

As it happens the railways have managed to get by their crisis and therefore we will not have to set up the Presidential investigation at this time. Nevertheless, I thank you for suggesting the name of Mr. Millis.

Yours faithfully,

(Signed) Herbert Hoover

HH.AGS
March 21, 1928

Mr. J. R. Keese
University of Chicago
Chicago, Ill.

Dear Mr. Keese:

I am extremely obliged for your letter of March 16th and regret that you go out.

I feel you would be able to serve.

As it happens the last weeks have

managed to get my clear conscience and therefore we

will not have to see in the President's interest-

letter at this time. Nevertheless I thank you

for suggesting the name of Mr. Millar.

Yours faithfully,

[Signature] Harrett Hooper

Agg
March 18, 1927

My dear Mr. Steere:

In accordance with our understanding over the telephone this morning I asked Professor H. A. Millis about his availability as an arbitrator and was told by him that he would be glad to have his name suggested. I inclose herewith a statement from him of his experience in arbitration. I am not sending the pamphlet to which he refers in the last paragraph of his letter but will forward it to you if you so desire.

Mr. Millis is going to be abroad from about the first of July until the following spring and consequently will not be available during that period. He seems to think that the particular arbitration to which you refer will take place soon enough to enable him to participate before his departure.

Yours sincerely,

Frederic C. Woodward

Mr. L. R. Steere
Security Building
Rm 1300, 169 W. Madison St.
Chicago, Illinois

PCWNoL
May 18, 1929

My dear Mr. Secretary,

I do believe that the following points are in the best interest of our nation and our neighbors. It seems to me that if we are to have peace and security in the world, we must work together to achieve this goal. I believe that the United Nations should be the focal point of our international efforts.

Yours sincerely,

[Signature]

R. W. Woodard

Mr. R. Secretary
Secretary of State
1500 16th Street NW
Washington, DC

[Signature]
Match 17, 1927

Professor F. C. Woodward,

The University of Chicago,

Chicago, Illinois

Dear Mr. Woodward:

I give you herewith the statement you requested this morning.

Most of my experience in arbitrating industrial disputes has been in the clothing industry. From 1919 to 1923 I was arbitrator here in Chicago. Incidentally I served on outside boards - in Rochester and Baltimore - for hearing appeal cases. On two occasions I have arbitrated for State Street stores and on four occasions in the show industry. I have also served in the printing industry and for four years have been on the panel set up by the American Newspaper Publishers Association and the Pressmen's union, arbitrators being selected by lot from this panel to hear appeal cases.

Thinking it may interest you, I am attaching to this note a copy of my most difficult decision.

Sincerely yours,

(Signed) H. A. Millis
Dear Mr. Woodward,

I write you now to convey the news that I have accepted the position of Professor of English in the University of Chicago. From 1912 to 1933, I served as a professor of English at the University of Chicago. I have had the privilege of working closely with many talented students and colleagues in the academic community. My experience in academic administration has prepared me for the role I will now assume.

I am grateful for the opportunity to join the distinguished faculty of the University of Chicago. I look forward to contributing to the university's vibrant scholarly community and continuing my work in the field of English literature. I am confident that the University of Chicago will thrive under my leadership.

I am enclosing this letter to formally accept the position. Please do not hesitate to contact me if you have any questions or concerns.

I am looking forward to contributing to the University of Chicago's academic mission.

Sincerely yours,

H. A. Miller
The University of Chicago  
Department of Economics

March 11, 1927

Mr. F. C. Woodward  
University of Chicago  
Faculty Exchange

My dear Mr. Woodward:

As I promised you I am sending you carbon copies of the letters I have written Messrs. Tryon, Knight and Edie.

Yours very sincerely,

[Signature]

LCM: MLH  
Enclosures
Mr. E. C. Moen
University of Chicago
Economic Research

I have no comment.

Are I understand you are seeking your employment in the letters I have with
you. Please fill out any other.

Yours very sincerely,

[Signature]
March 9, 1937

Mr. F. G. Tryon
United States Department of Commerce
Bureau of Mines
Washington, D. C.

My dear Mr. Tryon:

You will remember that something like a year ago I talked with you concerning the possibility of your joining forces with us in our work here. At that time you indicated that you felt obligated to remain in your present position for a year and possibly for a longer period until the work got definitely started.

I am at this moment in a position that enables me to write only informally and not officially for our budget has not yet come through and we may not, under University regulations, make definite offers until the President has met the person concerned.

Nevertheless I am so confident that matters at this end of the line will turn out according to our wishes that I venture to take up with you in this unofficial way the whole situation.

Briefly the situation is this. We are really definitely interested in developing work along your lines. This means that we should expect not merely to arrange for an appointment but that we should look in the direction of securing resources for research work.

As regards the research work we know that we shall have for at least the next five years a quite considerable fund for general use and we believe that we can make a case for research along this line that will result in an appropriate amount of the funds being allocated to this use.

We could either arrange for the appointment to begin October 1st, 1937, or at some later period in the year if your present duties would demand the delay.

As I say, all I am trying to do is to open up the whole situation in such a way as to indicate that we regard it a matter of importance.

Won't you write me how the situation looks to you at the present time
sending the letter to me at the School of Law, Columbia University, New York City? On the basis of that letter I can presumably judge what will be the appropriate next steps.

Perhaps I ought to add that the project will look the more attractive when you know that not only is the Department of Economics and the School of Business interested in seeing this kind of work developed but also the people in Geography and Geology would welcome this development. I really believe we have a situation that is ripe for your shaping.

Yours very sincerely,

LCM: MLH
March 9, 1937

Professor F. N. Knight
University of Iowa
Iowa City, Iowa

My dear Mr. Knight:

I can at this moment write only personally and not officially, but I do hope that you will be interested in the writing. The reasons why I must at this time be unofficial are two. First, the budget has not yet been definitely passed. Second, no action can be taken with respect to a so-called permanent appointment until after the President has met the person concerned.

The point to the whole situation is that we want to get you to join forces with us again.

As regards field of work we believe that mutually satisfactory arrangements can be made and the following are cited as illustrations of the situation that exists.

1. We are taking very seriously a senior college advanced course in Economic Theory which presupposes not only the usual elementary Value and Distribution course but several other majors. We are willing to have the actual teaching of this passed around among various members of the Department, but someone needs to take hold of the job and whip the material into shape. At or more sections of it will have to be given every quarter presumably.

2. There is, of course, work which can be arranged in the general field of Theory and you probably know that we are moving in the direction of having a good many of our Theory courses operated by several members of the Department sitting on bench.

3. We want to strengthen our work on the quantitative side and this means not only greater use of quantitative method but critical analysis of that method.

4. There is work in the general field of Risk and the Theory of Profits that needs to be strengthened.

5. And there are always other things that never occur to one or that keep arising from time to time.

Very truly yours,

[Signature]
Mr. Knight

2

3/9/27

In other words we have no doubt concerning the possibility of making an attractive field of work for you and of having a situation where you could fit in happily with the work of the Department.

As regards salary. Our present frame of mind is that we want to do the right thing and are anxious to find out what that right thing is.

The President is now in California and may not return until April 1st, although there is a prospect that he will return a bit earlier. The purpose of this present letter is to let you know what is brewing and to let you glimpse the fact that we are mighty anxious to have you working with us again. If you are willing to come on and talk the situation more intimately after the President returns please let us know and we will make the appropriate arrangements, of course, covering your traveling expenses.

I myself shall be away for I am teaching at Columbia this second semester but Mr. Spencer will be on hand to make all necessary arrangements.

Here’s hoping.

Yours very sincerely,

LCM:IRH
March 11, 1927

Mr. E. N. Henry
University of Chicago
Harper Library

My dear Mr. Henry:

In the matter of assignment of rooms in Harper may I venture to point out that the Department of Political Economy moved out and made available the room that Mr. Judson occupied? We are fully expecting to have two new members on our staff next year and I hope that it will be possible for us to again have the use of that room.

Yours very sincerely,

LCM: MLH

CARBON COPY TO MR. F. C. WOODWARD

Copy to Dean H. G. Gale 3-14-27
I am in receipt of your note of June 12th and am immediately sending a copy of the attached letter to your attention. I appreciate your interest in this matter and believe it is important to pursue this line of inquiry.

Yours very sincerely,

[Signature]

[Copy to Mr. G. Green, D-14-71]
March 9, 1927

Professor L. D. Edie
Indiana University
Bloomington, Indiana

My dear Mr. Edie:

This time I am trying to persuade you to join forces with us.

We have a vacancy in our School of Commerce and Administration (which is, as you know, closely correlated with the work in Economics) which seems to us an attractive opportunity. Suppose I list in outline form some of the elements of the situation.

1. As always there is a certain amount of elementary instruction for which help is needed.

2. We need to strengthen our staff and our offerings along the lines of Money and Banking as well as along the lines of Economic Finance. Of course, these two lines cannot be really separated in practice if a man hopes to do high grade work.

3. We are operating quite a group of Industry Studies—the studies being made by our advanced students and we need aid in the supervision of these studies.

I am sure that you will feel that this sort of a situation would be exactly in line with your interests and thinking.

I recognize that there are details of salary, etc. which will need to be worked out. As regards all such details I need only indicate at this time that we are anxious to find out what the right thing is and then to do it. Since I am teaching in Columbia this second semester my suggestion is that you run up sometime and canvass the whole situation with Mr. Spencer to whom I am sending a carbon of this letter. It might be well to arrange a date with him in advance so that he will be sure to be on hand.

I hope that this proposal will seem as attractive to you as it does to us. We covet your strength in the work and should like to be of service in furnishing the environment in which your own creative work can come to fruition.

Yours very sincerely,

[Signature]

CARBON COPY TO MR. WOODWARD
Mr. F. C. Woodward  
University of Chicago  
Faculty Exchange

My dear Mr. Woodward:

This is merely a brief note with respect to possible appropriate appointments on Spelman funds if they become available. Of course, I shall be glad to go into the matter in such detail as you like. I shall probably be on from New York again about the middle of April if that will be time enough in which to act.

1. Since talking matters over with you and Mr. Mason I have made many inquiries and I feel confident that the best man on the quantitative side (aside from the regular mathematician who ought to be in the Mathematics Department) is F. C. Mills, now at Columbia University. Everybody places him at the top of the list.

   Such men as Working, now of Stanford, Schultz, now with us, and Crum at Harvard are distinctly second choice when compared with Mills.

2. Probably the most promising man in the field of Criminology is Moley, now at Columbia University. He has, by the way, just been taken over by the staff of the Law School.

3. Further inquiry have made me still clearer that Gras is the best man for us along the lines of historical method. He works on the border-land of Economics, History and Geography. He has his feet on the earth and is a high-grade guide of student research.

4. I have nothing to add to my earlier suggestion in the field of the Psychology of Social Relations. Perhaps the thing to do is to add an ordinary psychologist and to designate Thurstone to that task. The other possibility is Miss Gleason about whom I know next to nothing.

5. There is always the remote possibility that we may get Moulton back but if so I suppose he could more appropri-
ately go on the Political Economy budget. It will, I think, require about six more months (perhaps a year) before Moulton can know whether he is permanently obligated to continue his present work.

6. As regards funds that may prove temporarily available here are some possibilities.

a. Perhaps here is a way to interest Gilruth in a part-time position.

b. There are, of course, a string of Europeans that might be brought over for one year appointments. I take it that no special haste is needed in connection with such names, but Cassel, Gini, Ropke, Ohlin, Euchen, deserve mention. Also two younger men in Berlin, Landauer and Neisser are men of broad interests who would probably welcome an opportunity to work in America for a year.

Yours very sincerely,

[Signature]

LCM: MLH
February 1, 1927

THE TYPE STUDIES

(E. C. Marshall)

PURPOSE

The nominal and avowed purpose of these studies was that of stimulating at secondary school level a more effective understanding of social organization through a series of books or pamphlets which would use some fact of everyday life (such as pottery or milk) as a mirror in which to reflect significant aspects of human development and basic processes of present day society.

It may now be confessed that the real purpose was that of attempting to develop a stimulating technique for young investigators and especially for undergraduates, to the end of securing more and better research workers at the graduate level.

PERSONNEL USED

Because of the real purpose behind these studies the personnel used was largely an immature personnel. Some were first year graduate students and others were undergraduates. Some were on stipend and others were not.

METHODS USED

The character of the topics chosen has been.indi-
Representative J. R.

MEMORANDUM

We note and record the purpose of these actions.

We find of stimulating social organization through a variety of groups, which many are some sort of service or hobby, to enhance our potential as a member in every way. This group is better than all others in that it is a significant step towards further social organization and the development of a group that can be of benefit to others.

It may come to our attention that the best purpose may

find of stimulating a stimulating force for young interests and overall for neighborhood to the city and of exactly what any group is necessary at the end.

PERSPECTIVE NEEDED

Because of the best purpose, the group should be aware of its importance. Some have their own group, why not others make important?

GROUPS NEEDED

The concept of the group needs and peer input.
cated. As regards methods of dealing with personnel, a wide variety was used, ranging from apparent indifference and neglect to fairly detailed supervision.

Thus far, it seems warranted to invite students to go on to go on with definite scientific problems in mind, which they wish to examine, and the examination of these detailed problems was always out to be some in a narrow way.

RESULTS IN TERMS OF TECHNIQUE

At this time only a tentative report can be made concerning the results as far as the development of technique is concerned. Tentatively, then,

1. A fairly satisfactory order of procedure for opening up such a topic has been worked out. It will be tested out more fully in 1927-28 with a small undergraduate class.

2. It seems that the type study method has some merits and be tested solely as a technique of investigation. Attached is a statement made by one of the students upon this point. I should not claim quite so much for it.

3. There is reason to believe that the method has distinct value in stimulating students to see beyond in the library, departmental and other narrow pigeonholes - in stimulating their minds to reach out to grasp things in the large. Naturally, therefore, there is reason to believe that the method gives the student not a little "emotional drive."

Stephanie K. Telephone
Statements in These on Technics

At time time only a portion as robot can be made
concentrate the merits as to the development of capture

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upon the point. I expect not all to agree to much

To be

To be in the business of collecting and the working men to

Joint action in administration taken to save passing

Government not able to offer what and to work during

The Joint statement as resistance, great to reason of

petition that the working classes to grant but little

"Memorial"
4. There is reason to believe that the method stimulates the student to push on to more detailed investigation of some corner or corners of the field. Thus far, it seems markedly to incite students to go on to graduate or advanced work; and to incite them to go on with definite scientific problems in mind which they wish to examine. And the examination of these detailed problems seems likely not to be done in a narrow way.

I urge again the tentative nature of these findings. Thus far, I believe them to be true but more experimentation and experience is needed before they can be regarded as reasonably well established. In particular, the method should be tested under the supervision of other persons after I have carried it a bit further.

RESULTS IN TERMS OF MANUSCRIPTS

The following manuscripts have been carried to the stage where they served as A.M. theses. These are on file in the library.

C. Brown: Artificial Light
Palmer: Storage
Rauber: The Place of Power in Civilization
Arnold: The Book
Stephan: The Telephone
I was always fascinated with the power of the mind.

When I first began to experiment with meditation and other techniques to harness the power of the mind, I realized that the mind was a powerful tool that could be used for personal development and growth. I began to explore different techniques and practices that could help me to better understand and harness the power of the mind.

One of the techniques that I found particularly effective was the practice of mindfulness meditation. By focusing on the present moment, I was able to become more aware of my own thoughts and emotions, and to develop a greater sense of clarity and focus.

Another technique that I found useful was the practice of visualization. By visualizing my goals and desires in vivid detail, I was able to create a powerful mental image of what I wanted to achieve, and to use this visualization to guide my actions and decisions.

I also found that the practice of daily journaling was an important part of my personal development. By writing down my thoughts and feelings, I was able to gain a deeper understanding of myself and my own inner world.

In addition to these techniques, I also found that it was important to cultivate a positive mindset. By focusing on the good in my life, and by practicing gratitude and appreciation, I was able to create a more positive outlook and to better navigate the challenges of life.

Ultimately, I learned that the power of the mind is a force that can be harnessed for good, and that with the right tools and techniques, it is possible to achieve great things in life.
The following studies are just getting underway:

Fieck: Milk as a Type Case of Social Control
(On stipend only to the extent of clerical expense)

The following manuscripts are either in first draft or are definitely in process.

W. C. Brown: The Lathe
Coe: The Cutting Tool
Goetz: The Watch
McReynolds: The Postal System
Stratton: Pottery
Talle: Paper
Kahn: Rubber

The following cases ended in failure. Two cases are probably the results of no interest in such a problem; two, the results of leaving school to take positions (these assert they will continue, but I doubt it); one was the result of a failure in health.

C. Brown: Artificial Light
Cook: The Newspaper
Norcross: Food Preservation
Dunn: The Federal Reserve Act
Luessing: Milk
The following studies are just getting under way:

Blaine: Supplying a City with Milk
Duddy: The Food Supply of a City (Case of a mature, competent worker)

Snider: Food Preservation

The following are likely to push on to a Ph.D. using a corner of the field for their thesis. (Four others have expressed an interest in thus going on): Rauber, Arnold, McReynolds, Stratton, Kahn, Blaine.

It may now be confessed that the real purpose was that of attempting to develop a stimulating technique for young investigators and especially for undergraduates, to the end of securing more and better research workers at the graduate level.

METHODS USED

Besides the real purpose within their subject, the personnel used the isolated or isolated personnel. Some were first year graduate students and others were undergraduates. Some were on stipends and others were not.

METHODS USED

The character of the topics chosen has been indi-
The following sections were forget and under make.

1. Plane: Supporting a city with milk
2. Iraq: The food supply of a city (case of a
   concrete mixture)
3. Plane: Food distribution

The following are likely to happen to a P. 

a. Order of the flight path (now check
   again)

b. Experience on site; I have been
   asked (I believe)

(c) Involvement, grain, raw

(d) Check again

(e) Check again

(f) Check again

The following were likely to happen to a P. 

(a) Order of the flight path (now check
   again)

(b) Experience on site; I have been
   asked (I believe)

(c) Involvement, grain, raw

(d) Check again

(e) Check again

(f) Check again

(g) Check again

(h) Check again

(i) Check again

(j) Check again

(k) Check again

(l) Check again

(m) Check again

(n) Check again

(o) Check again

(p) Check again

(q) Check again

(r) Check again

(s) Check again

(t) Check again

(u) Check again

(v) Check again

(w) Check again

(x) Check again

(y) Check again

(z) Check again
Methods of research should not be confused with methods of logic. There is only one method of logic, the inductive-deductive method. Any method of research must, logically, be inductive-deductive. Two methods have been commonly used in research in the social sciences. They have been described by Wesley C. Mitchell as the quantitative analysis and the qualitative analysis. The quantitative analysis is a way of surveying a field of social facts by means of counting them and grouping them so as to form a series of groups, or numbers, with the purpose in view of comparing the series with another series and tracing the possible relation between the two, or the trend of each one. The surveying of the field can be accomplished by surveying a sufficiently large sample chosen at random from all the facts available. Where the quantitative analysis fails, or where the facts do not permit of it being tried, the qualitative analysis is to be resorted to. This consists in a speculative forming of a judgment upon a problem in the social field on the basis of the general knowledge, secured mostly by observation and description, of all the facts that seem to bear upon the problem.

In between these two methods seems to stand the research method taught in Germany by the late Max Weber. Max Weber was fully aware of the difficulties encountered by the statistical method, the quantitative analysis of Mitchell, in the realm of complex social facts. He proposed to study, when the data were too involved, not the numerical groups, or categories, but the individual types characteristic of the field. These types—Idealtypen, as he called them—were to be selected not at random, as is done by the statistical sampling method, but very carefully on the basis of all the hitherto available knowledge of the field. The actual procedure would be about as follows: first, all the available data about a social phenomenon, that have been previously gathered by quantitative and qualitative analysis, would be collected; then, the scientists would try to construct, on their basis, den Idealtypus, the model type, of a case or process pertaining to and characteristic of the phenomenon; finally, an actual unique case of the social phenomenon would be selected as most resembling the model type, and a thorough study made of this case.

The model type, in its broadest meaning, is a definition of a social phenomenon by means of a visualization of the general value of a described model sample of the phenomenon. In this sense even the so-called economic laws, or, as we prefer to call them, theorems, such as the Gresham law, are nothing but model types. Idealtypus then is an imagined typical process presented in its purest form, uninfluenced by irrelevant factors. As such it is nothing other than a kind of the well-known method of elimination so widely used in applied logic. It is then a subdivision of Mitchell's qualitative analysis.

But when on the basis of a speculatively ascertained model type an investigation is made into an actual case, supposed to resemble the model type, we step out of the frame of the qualitative analysis nearer to the ground of the statistical method. The case selected for thorough study is then not a model type, but a typical instance. It will have been
Comments on Method

chosen, be it remembered, on the basis of all the hitherto available knowledge; and the thorough study of it may not achieve more than to exemplify in concrete this qualitatively-quantitatively accumulated knowledge; but it may—and herein lies the significance of Max Weber’s method—lead us beyond the boundaries of the knowledge we started with, and actually enlarge it. But to this point we shall return presently.

Leon C. Marshall, in the United States, has formulated a method of presentation of social facts much akin to the model type idea of Max Weber’s. This is the type study. "A type study is the study of a typical social phenomenon or 'case' in terms of an underlying philosophy, an outstanding objective being that of detecting and depicting underlying basic social processes." The "underlying philosophy" of Marshall is the "model type" of Max Weber; it is a product of an organization of the general fund of knowledge insofar as it bears upon the social phenomenon in question. The "Type study" itself is the study of the "typical instance" selected in terms of the "underlying philosophy".

The purpose of Marshall’s study is two-fold; (1) to detect, and (2) to depict, the "underlying basic social processes" that are studied through the medium of the "typical case". The second purpose of the type study is again, as with Max Weber, exemplification of a body of specialized knowledge assembled by the quantitative-qualitative method; and the first purpose is enlargement of the boundaries of knowledge.

Now the question is, wherein does the type study method differ from the so-called "historical method" which has been so much in vogue in Germany during the greater part of the nineteenth century? The type study method is precisely a method to be substituted where there was no method before. The "historical method" is the forerunner of the type-study method, or, rather, it is the type study method mimics the method.

The "historical method" purported to study social phenomena by means of individual investigations into the several-naturally very numerous—instances of the phenomena. Such small studies (small in scope, not perhaps in extent) were to be made by the dozen; and then, after a pyramid of detailed researches and monographs had been assembled, economists schooled in theory were to come and pass judgment upon the lot and discern the underlying principles, if any, governing the reported facts. The division between the man assembling the facts and the man interpreting the facts in a comprehensive way was to be complete. Necessarily so; for countless generations would have to spend their lives in assembling all the data they could lay their hands upon before the principle-detecting economists were ready to start their work. As to guidance in making the detailed investigations, there was none. Anything might be found useful for the future interpreters; an interference of living economists might do more harm than good, since none of them could predict the uses that the facts might be put to in the future.

Thus a deluge of monographs swept the German economic literature during the closing decades of the nineteenth century. The time to analyze them in a broad way has not come yet. Nor does it seem to be at hand. Very likely it will never come, since not even a German future economist will
have the rare faith and conviction necessary to make him wade through the masses of irrelevant stuff in search of the few important pearls. And even if somebody had the courage to attempt all this, his judgment would still be drawn from scattered incoherent instances of what happened in the past, and his interpretation of the recorded facts, even if brilliant, will be at best a second-hand explanation of something of which he could not have first-hand knowledge.

The idea behind the "historical method" is that you cannot so easily miss a duck if you shoot at it with a ton of cut lead as if you shoot at it with a single bullet. But it does not take into account the amount of time it takes to feed the lead into the gun. The duck will have disappeared before the gun is ready.

Scientific research in the social sciences should not be merely a preparation of ground for the historian. The problems that confront us in our living together confront us now, and we have to understand them now if we are ever to solve them. A vast amount of minute research will, let us hope, lead sometime somewhere; but a lesser amount of research with a greater amount of guidance is more likely to lead us now where we want to go. Of course it is easier to miss a duck with a single bullet, but the chance of hitting it now, and not next year, is worth taking.

The element of the "model type" is what is lacking to make the "historical method" a purposeful method, instead of a chance at a method. If the monographic literature is to be useful within a practicable time, it is to be a literature based on a serviceable plan. The cases studied by means of individual investigations have to be typical cases, as typical as possible in the present stage of the development of the social sciences, and not cases chosen at random. Of course it will always be difficult to find out just what is "typical" of a certain social phenomenon; but we may confidently trust that the results will be better if an attempt at something "typical" is made, than if the procedure of research be left to an irrational "hunch" of the investigator, or, worse still, to pure accident.

The type study method is a way of blocking out small fields for intensive research from out of the large and vague field of a whole social phenomenon, in the light of the more or less perfect knowledge of the whole phenomenon, as assembled by the quantitative-qualitative method of analysis. Within the small field, thus blocked out, the same quantitative-qualitative method is to be applied as within the whole field; with the distinction, however, that in the larger circle an adequate and successful investigation gives a generally valid solution of a problem, whereas in the smaller circle an adequate and successful investigation gives only an implied and not altogether conclusive solution of the same problem. The small circles have to be many in order to tell us something about the nature of the larger circle, but not nearly so many as in the case of the "historical method", where they were chosen without any method or plan.

The type study is not a contender for the trust we bear in the statistical method. If it were possible, it were better to have all things counted. But the statistical method is not yet sufficiently developed to be capable of application to very many social phenomena. Until it grows up so as
Comments on Method

to be all-powerful, other methods will have to lend their hand, even if
their hand be much less refined and less blunder-proof. The old specula-
tive method—Mitchell's qualitative analysis—seems better at describing
problems, in simplified unrealistic terms, than at explaining them.
It seems to be excellently fitted for guidance, especially for the kind of
guidance we call "construction of model types", but not quite as well
fitted for actual research in the depths of too-perplexing reality. There
remains the type study method; we who cannot wait for the promised perfected
statistical method nor feel satisfied with the inherited speculative method
will have to stake our talent upon it, and take our chance.

The chance consists in that the type study method is not a safe method.
No method is one-hundred per cent safe; but both the quantitative analysis
and the qualitative analysis have surrounded themselves with such close
limitations that within them they achieve considerable safety. Quantita-
tive analysis explains nothing but facts (if it can get them and digest
them) and draws no inferences. Qualitative analysis explains nothing real,
describing merely classified essences of things carefully stripped of their
vitality. Both of them are true to their data and stick to their data.
But the type study method is a method of bold inference from an incomplete
set of data to an unexploorable total.

The scientific character of the type study method is therefore not quite
beyond reproach. It, as a method, deals with that "black earth of the
unknown" that we refer to later in the text. It needs not only system and
precision, but also intuition, instinct, or luck. In formulating a model
type on the basis of the general fund of knowledge the scientist must not
merely select—that would be quantitative analysis, if the selection were
done in a statistical way—but also, and mainly, create. It was Max Weber
the artist and not Max Weber the Scientist who conceived a passionate love
for the Idealtypus. But were not the greatest discoveries in the physical
sciences achieved in an unscientific way? They were based on a hitherto
available knowledge, of course; but they were not due to a brilliant use
of the quantitative analysis. And for one discovery there were one hundred
failures, yes; but the one discovery more than outweighed them all. If
such methods worked in the physical sciences in their tiny beginnings, why
should not an element of risk-taking be granted to the students of the
social sciences, also in their tiny beginnings? At least to use the type
study method means to take the risk intelligently and in the direction
where it promises a reward on this earth, and not in eternity.

An investigator attempting to solve a problem belonging to the social field
will, then, consider the suitableness of the statistical method first; then,
if he is constrained to reject it, and if he be patient, he will spend the
rest of his days trying to improve the weapon of quantitative analysis;
if he be impatient and deem the problem pressing, he will turn to the type
study method; and, in the last instance, should even this method be found
unfruitful, he will resort to the least satisfactory, from the point of
view of usable results, speculative method.

The result of a successfully completed type study, when presented in writ-
ing, will not be a monograph. A monograph relates the study of one subject;
Comments on Method

but a type study is the study of a chosen object's wider implications. It deals not only with the typical instance, but also, and mainly, with the whole phenomenon back of the instance. Its results will have to be presented in the form of a bi-graph. In a bi-graph a study of a large object is conducted through the study of a small object standing in the typical-instance-relationship to the larger object.

In the present work we propose to inquire into the field of social control by the type study method; and for the reasons aforementioned, we have chosen a commodity as our point of concentration. Milk appears to be rather well suited for our purposes. Its uses are ancient; its relation to man is intimate; its susceptibility as a register of tendencies in our human living together is marked;

"The milk problem rubs elbows with almost every phase of human activity. It has its health side, economic side, legal side, scientific side, sociological side, legislative side, administrative side; it is a many-sided figure. The milk problem starts with the cradle and ends with the grave. Sometimes it leads to an untimely grave.

Chances are that the wide implications of milk may be typical of social control of most commodities, perhaps of all commodities. It all depends on how large and blurred generalization we draw from the typical instance of milk. Up to a certain point a generalization drawn from a typical instance is rather safe; beyond this point it becomes extremely doubtful; but beyond this second range of generalization, in its most general form, it seems to become safe again. Only then it is so general that it does not mean much. Still, it may be useful for some purposes. We shall take the chance and make a bold attempt at a serviceable large generalization.

The present is the story of milk, of its progress in the general development of the schemes of social control of the race, insofar as they bear upon the problem of the enhancement of its material welfare. The story of this whole development cannot be told; it would require too many words, too many instances, and too many generalizations. To give all the details of this whole movement in the advance of the race would, moreover, be largely superfluous. To point out the direction in which water flows, we need not arrest the whole river; it suffices to observe a little piece of wood that happens to be carried by the same forces that drive the totality of an Amazon. Milk is chosen to be that indicator of the trend of social control; the history of milk, throughout the ages and the coping with the problem of the milk supply in the present day will serve us as characteristic instances of the way of humanity with commodities in the past and in the present.

A history of commodities is at the same time a history of groups, classes, governments and manufactures. Control of commodities means control of all these; as again the material activities of all these can be explained in terms of commodities pursued, commodities attained, and commodities lost. In controlling a commodity we deal not with the commodity, in a physical way, but rather with those who produce it, distribute it, and

* as again the material activities of all these
Comments on method

consume it. The state does not secure pleasant homes for its citizens by wrecking unsatisfactory houses and building new ones but rather by giving orders to architects, contractors, landlords and tenants who may or may not be in direct service of the state. If we are speaking about the social control of milk, we have in mind a very complicated spectacle embracing the activities of thousands of persons, living and dead, past and present, standing in all kinds of relations to each other, all in some relation to one commodity, milk.

It is not the aim of this study to be original and up-to-date as to the subject matter itself, milk. A considerable part of the study had to be compiled from original sources, for want of modern comprehensive treatises; but whenever it was possible, statements about milk, as they here occur, have been taken from standard recent works on the subject. But such statements have been inserted into a broad setting and made to embody or suggest more than they literally contain. The purpose of the study is to exemplify and evoke in the case of milk all the important forces that have been molding the attitudes and activities of the human race in relation to material welfare; the story intends to tell not how milk itself is produced, distributed, consumed and controlled, but how the whole social living together is imbued by different forms of social control. Our bottle of milk stands not merely for milk, but for a vast realm of associated things; looking into it we behold old peasants, savage medicine-men, slain ghosts, the face of Pasteur, public meetings, gossip-laden newspapers, modern laboratories, farms and schoolrooms, communal governments and national legislatures, refrigerated railroad cars and milk wagons tended by unionized teamsters.

we shall not endeavor to exhaust and compile all that is known about milk and its control. It will be sufficient to choose a comparatively small set of facts upon which to demonstrate the tremendous general implications. Our story of milk will thus resemble a handful of stakes deposited in a wilderness at long intervals, but telling plainly to every pilgrim whither the caravan has gone.
January 27, 1927.

Dr. Max Mason, President,
The University of Chicago,
Chicago, Illinois.

My dear Sir:

On behalf of the National Bureau of Economic Research, I thank you for your letter of January 17, and for your nomination of Mr. L. C. Marshall as a member of our Board of Directors by University Appointment.

As soon as this nomination was received it was referred by mail to the members of our Board, and it is a pleasure to report that it has been approved by the directors, and there is therefore no obstacle in the way of Mr. Marshall's attendance at our annual meeting, February 7, to which meeting he will soon receive a formal invitation.

Thanking you for your cooperation, I am

Very truly yours,

GRS:EMN.

Executive Secretary.
January 17, 1927

Dear Mr. Gay:

I was very glad to learn of the extension in membership of the National Bureau and have written to Mr. May nominating Professor L. C. Marshall.

This nomination is the natural one for me to make and I was very glad to learn that you believe him to be sympathetic with the work and acceptable to the present personnel.

Thank you very much for your note.

Sincerely yours,

President.

Mr. Edwin F. Gay,
Department of Economics,
Harvard University,
Cambridge, Massachusetts.

MM.C
January 11, 1947

Dear Mr. General,

I was very glad to learn of the expansion in the National Housing Act and have written to the

Kentucky Housing Corporation. I am

the Kentucky Corporation to the nearest one to my town and have written to the nearest housing authority to the work necessary to make the best use of the facilities.

My name is

Sincerely,

[Signature]

[Department Name]

[Address]
...
it advisable to appoint one other representative from your staff
in Economics, I am sure your judgment may be approved by the
Director of the Agricultural Board.

I am, Your very truly,

[Signature]

President Mr. Max Mason,
University of Chicago,
Chicago, Illinois.
January 17, 1927

Dear Mr. May:

I take pleasure in nominating Mr. L. C. Marshall as a member of your Board by University appointment.

I am much interested in this extension of membership and very glad to have the opportunity for this nomination.

Sincerely yours,

President

Mr. George O. May,
National Bureau of Economic Research, Inc.,
474 West Twenty-Fourth Street,
New York City.

L.L.C
January 14, 1939

Dear Mr. Man:

I take pleasure in nominating Mr. G. Marshall as a member of your Board of Directors, and
I am much interested in this expansion of member-
ship and very eager to have the opportunity to

continue.

Sincerely yours,

[Signatures]

I H. Coates, M. D.

National Bureau of Economic Research, Inc.

345 West Twenty-Fifth Street

New York City

Mr. C
Dr. Max Mason, President
University of Chicago,
Chicago, Illinois.

My dear Sir:

The National Bureau of Economic Research, with whose organization and work you may be familiar through personal acquaintance with various members of its Board of Directors, has recently amended its by-laws to create a class of members and directors to be known as "Members-by-University-Appointment". This gives the National Bureau three classes of members, as follows:

(1) Members-at-large
(2) Members-by-university-appointment
(3) Members by appointment by other representative organizations

The number of members in each class is not to exceed twelve.

I enclose a copy of our Charter and By-laws together with a mimeograph copy of the amendments. No financial obligation is asked or expected of any members-by-university-appointment.

This change in our by-laws was designed to produce a closer affiliation of the National Bureau with the leading universities of the country which have already unofficially lent their assistance in so many instances to this organization.

The initial appointments are in the hands of the following six American universities:

Columbia University
University of Chicago
University of Wisconsin

Harvard University
University of Pennsylvania, and
Yale University

On behalf of the National Bureau, therefore, I have the honor to request you to cooperate with the Bureau by nominating a member of your faculty to serve on our Board.

Since it is desired to make arrangements to have the new directors sit as members at our annual meeting, Monday, February 7, 1927, I hope that we may have your nomination in hand as soon as possible.

Sincerely yours,

George O. May,
President
NATIONAL BUREAU
OF ECONOMIC RESEARCH, INC.

CHARTER
and
BY-LAWS

NEW YORK CITY
CERTIFICATE
OF INCORPORATION

We, the undersigned, all being persons of full age and citizens of the United States, and at least three of us residents of the State of New York, desiring to form a corporation, pursuant to Section 41 of the Membership Corporations Laws of the State of New York, do hereby make, sign and acknowledge this certificate, as follows:

First: The particular objects for which the corporation is formed are to encourage, in the broadest and most liberal manner, investigation, research and discovery, and the application of knowledge to the well-being of mankind; and in particular to conduct, or assist in the making of, exact and impartial investigations in the field of economic, social and industrial science, and to this end to co-operate with Governments, universities, learned societies, and individuals.

Second: The name of the corporation is to be NATIONAL BUREAU OF ECONOMIC RESEARCH, INC.

Third: The corporation shall have power to take and hold by bequest, devise, purchase, or lease, either absolutely or in trust for any of its purposes, any property, real or personal, without limitation as to amount or value, except such limitation, if any, as may be imposed by statute; to convey such property; and to invest and reinvest any principal and deal with and expend income and principal of the corporation in such manner as in the judgment of the directors will best promote its objects.
Fourth: The territory in which its operations are to be principally conducted is the State of New York, but it shall not be restricted thereto.

Fifth: Its principal business office is to be located in the Borough of Manhattan, City of New York, State of New York.

Sixth: The number of its directors is to be ten.

Seventh: The names and places of residence of the persons to be its directors until its first annual meeting are as follows:

<table>
<thead>
<tr>
<th>Names</th>
<th>Places of Residence</th>
</tr>
</thead>
<tbody>
<tr>
<td>Edwin F. Gay</td>
<td>New York, N. Y.</td>
</tr>
<tr>
<td>Wesley C. Mitchell</td>
<td>New York, N. Y.</td>
</tr>
<tr>
<td>John R. Commons</td>
<td>Madison, Wis.</td>
</tr>
<tr>
<td>N. L. Stone</td>
<td>Rochester, N. Y.</td>
</tr>
<tr>
<td>Allyn A. Young</td>
<td>Ithaca, N. Y.</td>
</tr>
<tr>
<td>John P. Frey</td>
<td>Cincinnati, O.</td>
</tr>
<tr>
<td>T. S. Adams</td>
<td>New Haven, Conn.</td>
</tr>
<tr>
<td>Elwood Mead</td>
<td>Berkeley, Cal.</td>
</tr>
<tr>
<td>J. E. Sterrett</td>
<td>New York, N. Y.</td>
</tr>
<tr>
<td>M. C. Rorty</td>
<td>Great Neck, N. Y.</td>
</tr>
</tbody>
</table>

Eighth: The time for holding its annual meeting is to be on the first Monday of February in each year.

Ninth: No officer, member, or employee of the corporation shall receive or be lawfully entitled to receive any pecuniary profit from the operation thereof, except reasonable compensation for services in effecting one or more of its purposes.

In Witness Whereof, we have made, signed and acknowledged this certificate in duplicate this 14th day of January, nineteen-twenty.

(Signed) Wesley C. Mitchell (L. S.)
T. S. Adams (L. S.)
M. C. Rorty (L. S.)
Edwin F. Gay (L. S.)
N. I. Stone (L. S.)
Elwood Mead (L. S.)

Approved by:
(Signed) Edward R. Finch,
J., N. Y. S. C.

January 23, 1920

State of New York, Office of Secretary of State.
 Filed and Recorded, Jan. 29, 1920
(Signed) Francis M. Hugo,
Secretary of State.
BY-LAWS

ARTICLE I

Members

1. The members of the corporation shall consist of the persons named in the Certificate of Incorporation to be directors until its first annual meeting, together with such persons as they may associate with themselves, and their successors, the total membership, however, not to exceed twenty-three.

2. Membership in the corporation shall be in two classes, as follows: Members at large, and members by appointment. The number of members in either class shall not exceed twelve.

3. New members shall be elected by ballot, and, except as hereinafter provided, no member shall be elected otherwise than by vote of a majority of the members of the corporation attending the meeting at which such election is had.

4. Any member may withdraw from the corporation by a notice in writing to the President or Recording Secretary.

5. The persons named in the Certificate of Incorporation shall be members at large, and shall, at their organization meeting, or as soon thereafter as convenient, but in any case prior to the first annual meeting, be divided by lot into five classes, as follows: Two to be known as members of the Fifth Class, to hold their membership and office until the sixth annual meeting; two to be known as members of the Fourth Class, to hold their membership and office until the fifth annual meeting; two to be known as members of the Third Class, to hold their membership and office until the fourth annual meeting; two to be members of the Second Class, to hold their membership and office until the third annual meeting; and two to be members of the First Class, to hold their membership and office until the second annual meeting.

6. The initial members at large shall, without further action, become candidates for election, for the terms thus determined, at the first annual meeting of the corporation. The election of members at large shall thereafter be for five-year terms, except in cases where a member is elected to fill the unexpired term of a member at large, in which case such election shall be for the unexpired term only. In every case members at large shall hold office after the expiration of their terms until their successors shall be chosen.

7. Members by appointment (except as hereinafter provided in respect to the initial nominations) shall be nominated at least thirty days in advance of the date of the annual meeting by certain learned and scientific societies, by financial, industrial, agricultural, commercial, labor and other organizations, as follows:*

(a) One member by the leading economic association, the American Economic Association being initially named as such.

(b) One member by the leading statistical association, the American Statistical Association being initially named as such.

(c) One member by the leading labor organization, the American Federation of Labor being initially named as such.

(d) One member by the leading commercial association, the Chamber of Commerce of the United States being initially named as such.

(e) One member by the leading banking association, the American Bankers Association being initially named as such.

*In accordance with the provisions of these By-Laws the present nominating bodies are as follows:

American Economic Association.
American Federation of Labor.
American Bankers Association.
American Farm Bureau Federation.
American Management Association.
(f) One member by the most generally representative agricultural association, the American Federation of Farm Bureaus being initially named as such.

(g) One member by the leading association of employers, the National Industrial Conference Board being initially named as such.

(h) One member by the most generally representative engineering association, the Engineering Council being initially named as such.

(i) One member by the leading legal association, the American Bar Association being initially named as such.

Each such nominee shall be certified in the belief of the appointing body to be a person of scientific and judicial habit of thought, possessing knowledge and experience qualifying him to assist in the direction of exact and impartial investigations within the scope of the corporation's activities. In case the nominee fails of election, the appointing body or official shall be requested to make a new nomination. If such nomination is made it shall be referred to the Executive Committee, who shall act upon it with full power to elect such nominee to membership in the corporation. In the event that any one or more of the above-named appointing bodies or officials shall fail to make a nomination, or nominations, at least thirty days in advance of the annual meeting, or shall fail to make a new nomination, or nominations, as prescribed above, a vacancy in the membership by appointment shall exist, in which case the members may substitute another appointing body or official, representing a viewpoint corresponding to that of the organization or official failing to make such nomination.

8. Members by appointment shall serve for five-year terms, except that the initial appointments in order of confirmation shall be divided into five equal, or approximately equal groups, to serve five, four, three, two, and one year from the date of the first annual meeting, respectively.

9. The Executive Committee shall have full power to elect the initial members by appointment to membership in the corporation, provided such election shall take place prior to the second annual meeting, and, as to such initial nominations, shall also have power to accept nominations made by the executive officer, or officers, of the nominating bodies. As a preliminary to such elections, it shall take the necessary legal steps to increase the total number of directors of the corporation from ten to nineteen.

10. In case any member by appointment shall by death, resignation, incapacity to act, or otherwise, cease to be a member during his term, the Executive Committee shall request his nominator to make a new nomination, which if made shall be acted upon by it with full power of election to membership in the corporation.

11. The members of the corporation shall have power to fill vacancies among members at large occasioned by death, resignation, incapacity to act, or otherwise, provided the proportion of members at large and members by appointment shall always be maintained, and shall have power by majority vote at an annual meeting, or a special meeting called for that purpose, to substitute other appointing organizations representing corresponding viewpoints, for those named in Section 3.

12. In case the appointing power of any organization shall be discontinued, or in case an appointing organization shall cease to function, such fact shall automatically terminate the service of the member nominated by such organization. Each member shall hold office after expiration of his term until his successor shall be chosen, except in the case where such membership is automatically terminated because of the situation referred to in the last above sentence.

13. If any member of the corporation shall be absent from two consecutive annual meetings, such absence, unex-
cused, shall *ipso facto* be deemed a resignation of membership in the corporation, and the vacancy so caused shall be filled as hereinabove provided.

14. All the powers of the corporation shall be exercised by its members, and they may, by resolution, subject to the provisions of the statute, and of these By-Laws, delegate to other officers or to committees of their own number, such powers as they may see fit in addition to the powers specified in such By-Laws.

**ARTICLE II**

**Meetings**

1. The annual meeting of the corporation shall be held on the first Monday of February in each year.

2. Special meetings of the corporation shall be held upon call of the Executive Committee or by the President upon the written request of seven members, by notice served personally upon or mailed to the usual address of each member not less than fifteen days prior to the date of the meeting.

3. The annual meeting shall be held at such time and place in the City of New York as shall be specified in the notice thereof, and special meetings shall be held at such time and place in the City of New York or elsewhere as shall be specified in the call therefor.

**ARTICLE III**

**Quorum**

1. At least one-quarter of the members of the corporation shall be necessary to constitute a quorum for the transaction of business at meetings of the corporation, and the act of a majority of the members present at any meeting at which there is a quorum shall be the act of the corporation, except as may be otherwise specifically provided by statute, or by these By-Laws.

2. In the absence of a quorum, the members present may adjourn the meeting from time to time without notice other than the announcement at the meeting, until a quorum shall be present.

**ARTICLE IV**

**Directors**

1. The number of directors by whom the business and affairs of the corporation shall be managed shall be the same as the number of members and all of the members of the corporation shall be its directors and the election of any person as a member of the corporation shall constitute him a director.

**ARTICLE V**

**Officers**

1. The officers of the corporation shall consist of a Chairman of the Board of Directors, President, Vice-President, Recording Secretary, Treasurer, and Director of Research, together with such other officers as may be determined by the By-Laws. These officers shall have the duties and exercise the powers assigned to them by the By-Laws or by resolution adopted pursuant to the authority of these By-Laws. At the annual meeting of the corporation in February of each year, or, in default of election at such meeting, then at an adjournment thereof, or at any meeting duly called for that purpose, the directors shall elect by ballot by majority vote of the directors present, a Chairman of the Board of Directors, President, Vice-President, Recording Secretary, Treasurer, and Director of Research, and such other officers as these By-Laws shall from time to time provide. All the officers shall hold office at the pleasure of the directors, but in no case beyond the time when their respective successors shall be elected and accept office. At the discretion of the directors, the offices of Recording Secretary, Treasurer, and Director of Research, or any two of them, may be temporarily or permanently combined.
ARTICLE VI
Chairman of Board
1. The Chairman of the Board of Directors shall preside at all meetings of the corporation at which he shall be present.

ARTICLE VII
President
1. The President shall sustain an executive and advisory relation to the work and policies of the corporation similar to that sustained by the President of commercial bodies. The President shall be ex-officio chairman of the Executive Committee and a member of all committees except as herein otherwise provided. He shall preside at all meetings of the corporation in the absence of the Chairman of the Board of Directors and Executive Committee at which he shall be present. He shall appoint all committees unless otherwise ordered by the corporation. He shall sign for the corporation all deeds and other agreements and formal instruments.

ARTICLE VIII
Vice-President
1. The Vice-President shall, in the absence or disability of the President, perform the duties and exercise the powers of the President, and shall perform such other duties as shall from time to time be imposed upon him by the board. The Vice-President shall be ex-officio a member of the Executive Committee.

ARTICLE IX
Recording Secretary
1. The Recording Secretary shall discharge such duties in addition to those hereinafter specified as shall be assigned to him by the President or by the Executive Committee. He shall give notice of and attend all meetings of the corporation, taking minutes of the procedure and transcribing them in a book provided for that purpose and attesting the same. Immediately upon the election of members, he shall give notice to them of their election. He shall have the custody of the corporate seal. He shall serve as Secretary and keep the records of all committees, including the Executive Committee, unless relieved of such duty by any committee. The Secretary need not be a member of the corporation.

ARTICLE X
Treasurer
1. The Treasurer, subject to such regulations as may from time to time be prescribed by the directors or the Executive Committee, shall have the custody of the funds and securities of the corporation, including all bonds, deeds, and other papers and documents relating to such property, and shall also have the disbursement of its money. He shall keep proper records of securities and other evidences of property belonging to the corporation, and also proper books of account and other books showing at all times the amount of the funds belonging to the corporation which shall be at all times open to the inspection of the members of the corporation. At each annual meeting he shall present an account showing in detail the receipts of the property belonging to the corporation, and of all disbursements thereof since his last report. He shall not pay out any money except in the manner provided by resolution of the Executive Committee. He shall make such reports to the Executive Committee as they may from time to time request. The Treasurer need not be a member of the Corporation, or a natural person.

ARTICLE XI
Director of Research
1. The Director of Research shall, under the direction of the Executive Committee, have general charge of the research
work of the corporation and of other work directly related thereto. He need not be a member of the corporation.

ARTICLE XII
Executive Committee
1. The Executive Committee shall consist of the President and Vice-President, and five directors elected by majority vote by ballot of the directors present at the annual meeting. Three members shall constitute a quorum. Members of the Executive Committee shall serve for one year or until their successors are elected. The Executive Committee shall conduct the affairs of the corporation except as to matters specifically reserved for action by the directors or by the members of the corporation. It may, at its discretion, refer any matter to the directors by mail or at a special meeting called for that purpose.

2. The Executive Committee, under the general direction of the Board, shall, in particular, be responsible for determining the lines of research to be prosecuted by the Bureau; shall select such subjects for investigation as may be most pertinent to the economic, social and industrial needs of the times; and shall at all times guard against any attempt or tendency to make the Bureau an agency for propaganda. It may, at its discretion, invite discussion and suggestions as to possibilities for scientific determinations of facts bearing upon matters of controversy, and may publish the results of such discussions.

3. The Executive Committee shall establish such procedure as may be necessary to give reasonable opportunity for check and criticism of formal findings by the directors before publication, and shall afford any director, or directors, reasonable opportunity for the publication of minority findings.

ARTICLE XIII
Auditing Committee
1. The President shall, at least sixty days prior to the annual meeting, appoint an auditing committee of three persons, not officers or members of the Executive Committee, or an accountant, to audit the accounts of the corporation and report in writing at the annual meeting.

ARTICLE XIV
Vacancies
1. A vacancy in any office or in the membership of any committee shall be filled by the directors for the unexpired term, provided, however, the President shall have power to fill vacancies in all committees appointed by him, and the Executive Committee shall have power to fill vacancies in the offices of Recording Secretary, Treasurer, and Director of Research to serve until the next meeting of the directors.

ARTICLE XV
Publications
1. The Bureau may publish a journal under the supervision of the Executive Committee and Director of Research, and under similar supervision may from time to time publish, or arrange for the publication of, formal findings of facts.

ARTICLE XVI
Amendment of By-Laws
1. These By-Laws may be amended at any annual or special meeting of the Board of Directors by a two-thirds vote of the members voting, provided written notice of the proposed amendment shall have been served personally upon or mailed to the usual address of each member of the Board twenty days prior to the meeting, and provided, also, that ballots received by the Recording Secretary by mail prior to the vote at such meeting shall be counted.

Correct to November 1, 1925.
for SOCIAL DISARMAMENT

The Story of the National Bureau of Economic Research
CONTENTS

THE BUREAU'S DIRECTORS .......................... 5
FORM OF ORGANIZATION ............................ 7
RESEARCHES COMPLETED .............................. 10
RESEARCHES UNDER WAY .............................. 17
THE FUTURE ........................................... 23
DIRECTORS

AT LARGE:

T. S. ADAMS
Professor of Political Economy, Yale University

JOHN N. COMMONS
Professor of Political Economy, University of Wisconsin

JOHN P. FREY
Professor of Political Economy, University of Wisconsin

EDWIN F. GAY
Professor of Economic History, Harvard University

HARRY W. LAIDLER
Director, The League for Industrial Democracy

GEORGE O. MAY
Senior Partner, Price, Waterhouse and Company, New York

ELWOOD MEAD
Commissioner of the Bureau of Reclamation

WESLEY C. MITCHELL
Professor of Economics, Columbia University

Dwight W. Morrow
Member of firm of J. P. Morgan and Company, New York

GEORGE SOULE
Director, The Labor Bureau, Inc.

N. L. STONE
Industrial Consultant, New York

ALLYN A. YOUNG
Professor of Economics, Harvard University

BY APPOINTMENT:

HUGH FRAYNE
American Federation of Labor

DAVID FRIDAY
American Economic Association

WALTER R. INGALLS
American Engineering Council

LEE GALLOWAY
American Management Association

GEORGE E. ROBERTS
American Bankers Association

M. C. RORTY
American Statistical Association

A. W. SHAW
National Publishers' Association

GRAY SILVER
American Farm Bureau Federation

O. W. KNAUTH, Recording Secretary  G. R. STAHL, Executive Secretary

RESEARCH STAFF:

EDWIN F. GAY  WESLEY C. MITCHELL
Director  Director

WILLFORD I. KING  FREDERICK R. MACAULAY
Director  Director

HARRY JEROME  LEO WOLMAN

WALTER F. WILLCOX  FREDERICK C. MILLS

WILLARD L. THORP
for SOCIAL DISARMAMENT

The Story of
The National Bureau of Economic Research

Form of Organization

When the National Bureau of Economic Research, Incorporated, was established in 1920, its aim was to ascertain fundamental facts in the economic field, and to confine itself to stating these facts as objectively and dispassionately as possible. It hoped to contribute to the work of social disarmament by turning from the antagonisms of opinion to agreements upon facts.

Men differ, often violently, in their philosophies of life, in their views as to the ends society should pursue, and as to the means best adapted to those ends. Until the knowledge of social behavior is greatly deepened and widely diffused, such opposing opinions will be honestly entertained and bitterly disputed.

In so far, however, as the disputation turns upon the facts, and not merely upon their interpretation, it will ultimately be possible, by the gradual extension of the field of exact knowledge, to narrow the contentious field and correspondingly to enlarge the basis upon which useful social action may rest.
The National Bureau, therefore, has chosen for its special province those economic and social problems which appear most susceptible of accurate or approximately reliable measurement, and it has elected for its audience those thoughtful citizens, of whatever persuasion or class, who esteem rational evidence, or who at least before drawing their own conclusions prefer in argument to come to agreement as to definitions and data.

The scientific method, then, of the National Bureau, is primarily that of quantitative measurement. But its public appeal is not merely to that limited number who delight in the refinements of statistics, but to the much larger group of intelligent men and women who realize that this choice of method means, not the evading of thorny social problems, but an attack upon them, persistently prosecuted, on one of their most vulnerable sides, that of cool and disinterested analysis. The supporters of the National Bureau have many differences of social viewpoint, but they are united in seeking the largest common ground of ascertainable truth.

In the confident belief that such a method and appeal would be a service to public discussion and to the advancement of economic science, and that in applying them it should commence at its own home, the National Bureau undertook from the outset to entrust the decision as to choice of topics of investigation and the review of its findings to the unfettered judgment of a board of directors deliberately selected to represent the significant divergencies of American opinion on economic problems.

Its by-laws provide that all reports made by the expert staff shall be submitted before publication to the directors for criticism, and that a director who dissents from any method or finding approved by the majority of the board shall, if he so desires, have his dissenting view published in the report. Such a procedure, it should be frankly stated, was viewed with some misgiving by friends of the undertaking, but the operation of this board of review has in practice neither dampened the scientific spirit of the staff, nor resulted in any debilitating compromises in the statement of results. It has proved to be no hindrance, but rather a positive help.

The occasional recorded dissents in the Bureau’s publications have given continued assurance of the alertness of the directors, and a demonstration of that freedom from bias which it is the ambition of the Bureau to attain. In addition, the many unrecorded contributions of information and critical judgment from the varied experience and training of the directors have done much to improve the published work and have been welcomed by the scientific staff.
Researches Completed

The first investigation taken in hand was of a sort which put the organization to a severe test. For the Bureau began its career by studying the amount and the distribution of income in the United States—a matter concerning which there have been heated discussions for a long time, a matter which has obvious bearings upon most contests between labor and capital, and a matter concerning which it is hard to establish the facts. The result of this test was remarkable. In the first place the staff planned two independent estimates of the amount of the national income covering a series of years—estimates made by different men, resting in large part on different data, and so designed that no one could tell how the estimates would agree until the last items had been covered.

It was an anxious moment when the two sets of figures were finally completed and put side by side. Then it appeared that in no year of the decade covered did the results differ by more than 7 per cent—a small difference as such work goes.

The average difference over the whole decade was less than 2½ per cent. Such close agreement seemed to show that the staff had made a close approximation to the truth in dealing with an exceptionally difficult problem.

Then came the test of the Board of Directors. Could these twenty men sink their differences of opinion on social policy and agree to become sponsors for any estimate of the amount of the national income and the way it is divided between rich and poor, employees and property owners?

The directors passed this test with a unanimity that gave each member of the Board confidence in the fairmindedness of all the others. They made numerous constructive suggestions which enabled the staff to improve the first draft of the report. But not a single director showed the least disposition to dispute findings which ran counter to his previous views.

Thus the Bureau proved that the bold plan of getting common agreement on matters of fact from as diverse a group of intelligent men as could be assembled was practical. But another test remained. Would these findings secure the attention and approval of the public?

Certainly the findings were interesting. They showed, for example, that the aggregate income of the American people had increased from 29 billions of dollars in 1909 to 61 billions in the last year of the war. Most of this huge increase of course was due merely to the war-time rise of prices. Correcting for this factor, we get an increase of nearly 9 billions in nine years, or from $333 per capita in 1909 to $372 in 1918.

Regarding the distribution of income, the Bureau found that farmers on the average secure about one-seventh of the total; that in the highly organized large-scale industries employees receive some 70 per cent of the value product while "management and capital" receive 30 per cent; that only 1 per cent of the income receivers in 1918 had more
than $8,000 per year, and that this 1 per cent received nearly 14 per cent of the total income.

Statistics are not generally regarded as fascinating, but statistics of this sort seem to be an exception. The Bureau must congratulate itself upon the reception of its work both by the critically minded specialists and by the general public.

The great news agencies have put our releases on their wires; newspapers all over the country have published our statements; men on the street in every walk of life have discussed them. No one, as far as we know, has called the fairness of the investigations in question, or contested the substantial accuracy of the results.

We think that the Bureau has rendered a very substantial service, not only to the men who started it, but to all other citizens as well by clarifying their knowledge of the fundamental facts concerning the adequacy of the national income to meet our needs and about the division of income between wage earners and employers and between the rich and the poor.

After publishing a slender book summarizing the leading results of this investigation the Bureau worked up a much more elaborate report giving the full details of its estimates, and a third volume showing how income is distributed by states. Later volumes have brought the figures more closely up to date. Altogether the following titles dealing with income have been published: _Income in the United States, Its Amount and Distribution 1909-1919, Volumes I and II; Distribution of Income by States in 1919; and Income in the Various States, Its Sources and Distribution, 1919, 1920, and 1921._

This is one of the fields which the National Bureau will continue to cultivate. It hopes to develop a method by which its estimates of national income can be brought up to date and kept there.

As our first estimates of the national income neared completion, we realized that they involved us in a series of new problems.

Among these problems one of the most obvious was the considerable fluctuations in the national income from year to year which our figures showed.

What produces these fluctuations? How are they shared by the various classes of income receivers—farmers, wage earners, investors, business men? How does a rise or fall of money income one year react upon consumption and production—that is, upon the well-being of the population and the income—of future years?

It seemed incumbent upon the National Bureau to answer these questions if it could. They grew out of their own work, they were of grave importance to the country, they could be attacked by quantitative methods—in short, they were questions of precisely the sort which the National Bureau had been organized to treat.

Accordingly, after our first two reports had been published, giving estimates of the income of the country in 1909 to 1919, the Executive Committee of the Board of Directors authorized the staff to make a new series of investigations dealing with...
fluctuations in income. In these studies especial attention was to be given to those alternating expansions and contractions of activity which are known as business cycles.

Professor Mitchell had already done what the Germans like to call "path-breaking" work in this field. His notable volume, Business Cycles, published in 1913 by the University of California, was out of print. But the new study, the directors agreed, should be more than a second edition of the earlier book.

There was at the time, in 1921, an exceptionally widespread interest in the topic, stimulated naturally by the business depression of that year of distress; there was a considerable mass of new and valuable data, statistical and other, together with recent and improved statistical methods; and there were the available resources of the National Bureau, which, even though limited in extent for such a task, nevertheless furnished a better instrument than Professor Mitchell had possessed in his former, single-handed attack on the subject: there was finally, it may be permitted to add, the National Bureau's asset in Professor Mitchell himself with his ripened experience, ready to devote himself to that which the directors thought most timely and useful to undertake.

It was therefore determined that a survey and analysis be made of Business Cycles, as wide and as thorough as the sources of information and the resources of the National Bureau would permit.

Soon after this program had been adopted, the Bureau received a highly gratifying piece of recognition. The President's Conference on Unemployment which met in the autumn of 1921 had appointed a committee to frame a constructive program for preventing the recurrence of such an emergency as the Conference had been called to consider. This standing committee realized that it would need a competent and impartial investigation into the extent of unemployment and the various proposals for reducing the evil. Under these circumstances, Secretary Herbert Hoover, as Chairman of the President's Conference, asked the National Bureau of Economic Research to undertake this responsible task of fact-finding. The Bureau accepted the invitation.

The National Bureau's task was to collect and present materials which might be of use, not only to the Committee, but also to all others interested in mitigating crises and depressions. Of course, changes in the number of men at work for wages are the chief immediate cause of fluctuations in the size and in the distribution of the national income. In responding to Secretary Hoover's call, the National Bureau was beginning to carry out the plans it had already laid.

The conditions under which the work was done forced us to depart from our usual procedure in two ways.

First, we had to work against time. Only six months was allowed for preparing our manuscript,
submitting it to the directors for criticism, and getting a revised draft ready for the Committee.

Second, we had to enlist the help of fifteen writers who were not members of our staff, though two of them—Professor T. S. Adams and Dr. N. I. Stone—were directors, and one of them, Dr. Leo Wolman, has since joined the staff.

Through the strenuous efforts of our cooperators and staff, and the promptness of the directors in reading the chapters submitted to them, we were enabled to hand a corrected manuscript to the Committee's secretary on August 6, the day set. Since it took the Committee longer than had been anticipated to frame its own report, which was based largely upon our findings, we were able to make a few improvements upon the manuscript first submitted.

The two reports which grew out of this connection—*Business Cycles and Unemployment and Employment, Hours, and Earnings in Prosperity and Depression*, published in 1923—presented our first results in this field of research.

**Researches Under Way**

Since that time, the work of the Bureau on this program has been steadily continued. Our volumes on *Income in the United States* show that wage earners are much the most numerous class of income receivers, and that wages is much the largest of the income streams. In treating fluctuations of income, we therefore wish to learn all we can about this crucially important factor.

Dr. Wolman, whose experience has given him especial competence in such inquiries, is now studying wages at large. One of his themes is the fluctuations of labor costs to employers, a difficult problem which involves joint consideration of wage rates and of efficiency.

A second theme is the fluctuations in the retail demand for consumers' goods, another difficult problem which involves joint consideration of wage rates and volume of employment.

A third theme is the fluctuations in real wages, which involves joint consideration not merely of money earnings and cost of living, but also of leisure.

As a necessary preliminary to this work, Dr. Wolman was obliged to determine the total number of wage earners and the number enrolled in trade unions. The results were published in a volume entitled *The Growth of American Trade Unions, 1880-1923*.

The trade-union movement affects productivity and affects wages—that is, it affects both the size
and the distribution of the national income. The varying membership of trade unions from year to year and the proportions of all wage earners who are thus organized—the leading subjects of the report—concern the general public only less than they concern employers and employees.

In determining the facts on these heads as accurately as the materials permit, the National Bureau is following its policy of providing men of all shades of opinion with objective knowledge of the conditions which confront them. As in all our work, so here: we confine ourselves to stating the facts as we find them. With opinions about the promise or the danger to American life from the growth of trade unions we have no concern as an organization of investigators.

In October 1922, the National Research Council, on recommendation of its Division of Anthropology and Psychology, appointed a Committee on Scientific Problems of Human Migration. This committee's duties were:

1. Carefully to consider from the point of view of natural science, the complex migrational situation resulting from the World War and from the virtual elimination of space as a barrier to movements of man and to race intermixture;

2. To prepare a research program which might reasonably be expected to yield ultimately such reliable information concerning physical, mental, and social characteristics, relations and values of ethnic groups (races and peoples) as is necessary for the understanding and wise regulation of mass movements of mankind; and

3. To initiate, organize, support, coordinate, or otherwise further, in accordance with the best judgment of the group, important investigations.

Among the problems which the Committee on Scientific Problems of Human Migration thought important to investigate was the "Shortage and Surplus of Labor in the United States in its relations to immigration and emigration." This problem was referred to the National Bureau of Economic Research.

Since this problem is chiefly one of short-period oscillations, it was obviously relevant to the National Bureau's existing scheme of work.

At the National Bureau's request, the University of Wisconsin granted leave of absence to Dr. Harry Jerome, Assistant Professor of Economics, in order that he might assume charge of the new undertaking, and later extended the leave.

Aided by a small corps of assistants and the advice of other members of the National Bureau's staff, Dr. Jerome analyzed the voluminous yet incomplete records of migration to and from the United States, and compared these records with various indices of business activity here and abroad. The results were published in a volume entitled *Migration and Business Cycles*. The National
Bureau hopes that this carefully documented study of a problem too often treated in a controversial spirit will prove useful to all who are interested in migrations and to all who are interested in business cycles.

Before Dr. Jerome had finished the volume Migration and Business Cycles, the Committee on Scientific Problems of Human Migration asked the National Bureau to undertake another investigation. This concerns the problem of "Migration and the Mechanization of Industry"—that is, the relation between the conditions on which relatively unskilled labor can be hired and the adoption of automatic machinery for the performance of work which can be done by hand.

In May, 1924, the recently organized Social Science Research Council appointed a Committee on Human Migration to which the "Mechanization" study was transferred from the old Committee in accordance with the plan of cooperation between the two committees.

The Social Science Research Council has enabled the National Bureau to supplement the present study of short-period fluctuations of migration in the United States by a long-period investigation of the mass movements of mankind over the earth.

The preparation of a broad sketch of the world migrations of the past three or four generations requires the critical examination of many estimates of population movements for years and countries in which accurate records are lacking. It requires also the use of all the relevant statistics compiled in any part of the world. In short, it is a project which calls for close international cooperation among the leading authorities upon population statistics. Dr. Walter F. Willcox of Cornell University is organizing this cooperation with the National Bureau.

While the studies of Dr. Wolman and Dr. Jerome dealt with labor and its share in the national income, Dr. Frederick R. Macaulay undertook a study of income from investments. We desired in particular to find out what have been the long-period trends and the short-period oscillations in the interest yields upon high-grade bonds, in the price of stocks, and in discount rates upon commercial paper.

With these aims in view, Dr. Macaulay has compiled a far more extensive and reliable record of security prices and interest rates than has been hitherto available. His tables of railroad bond yields, railroad stock prices, commercial paper rates, and call loan rates, run by months from January, 1857, to date; his compilation of municipal bond yields runs back quarterly to January, 1857. From these data he has made numerous indexes of great interest to the investor, the banker, the borrower as well as to the economist.

At present Dr. Macaulay is preparing the explanatory text to accompany his tables. The National Bureau hopes soon to publish his results.

Every economic problem has been complicated in recent years by the wild fluctuations of prices. In its income studies particularly, the National
Bureau has had to face difficulties of this order. We have found inadequate the standard procedure of "deflating" figures expressed in dollars by an index number of wholesale prices, and have compiled various special indexes to meet our special needs. But we have also been drawn into a more searching study of the inter-relations among the price fluctuations characteristic of different groups of commodities.

This field, hitherto too little cultivated, promises to yield results of the greatest significance. Dr. Frederick C. Mills, who has the work in hand, has devised methods for measuring the variability of prices over long periods and short, and has studied the inter-relationships among the variations which have occurred in the markets for different classes of fabricated goods and raw materials. His discoveries contribute not merely to the understanding of what has happened recently, but also to our knowledge of how the price system affects economic conditions at large. Dr. Mills's first report will appear some time next year.

The Future

WHAT the National Bureau has done during its brief life, and what it is now doing is the best indication of what it may accomplish in the future if it can obtain continued and adequate means.

Since our work yields a direct profit to no one, since by our organization we are kept to an impartial program of fact-finding, we can appeal to no one group of interests for support.

Our appeal is to the men of all occupations and all parties who believe that human welfare can be promoted by fuller knowledge of how our present institutions work.
The Future

Policy has had to face difficulties at this early stage of the war in finding practical solutions for the problem of the shortage of fats and other essential needs. We have also been driven into making many urgent decisions in housing and food which we did not anticipate. These fields need the most careful consideration of the future, but we have so far not been able to spot many of the serious consequences of the present necessities and the later relationships among the variables which have entered into the methods for different types of fats and goods and have remained high. What do these economic difficulties mean merely to the understanding of what has happened recently, but also as our knowledge of how the price system affects economic conditions at large? Dr. Mill's first report will appear some time next year.
CREATING AN INTELLIGENCE SERVICE

How the National Bureau of Economic Research, conceived during the Great War, and organized after the Armistice, has served the American People as an impartial fact-finding agency, dealing with Economic, Social and Industrial Problems, as told by one of its Founders—

WESLEY C. MITCHELL, Director of Research

SOME months after the Armistice a little group of men who had been engaged in fact-finding for the Army and the War Board began to discuss the problems of reconstruction. They soon came to the conclusion that peace demands a knowledge of facts even more varied in scope and harder to get than the knowledge demanded by war.

Further, peace demands that the knowledge of vital facts be broadcasted to the whole public, instead of being passed on in confidential memoranda to a few high officers. Is there, they wondered, any way of meeting the needs of the country for peace-time facts, comparable in efficiency with the fact-finding agencies developed during the war?

Consider Their Own Needs

The group answered this question by considering their own needs. As citizens they had to pass on many problems about which they had little knowledge. On most of these problems each man in the group held some opinion, but when the men began to ask themselves on what basis these opinions rested they often found it very slender.

Argument about their differences of opinion did not make them much wiser, because they found that they were arguing from different assumptions concerning fundamental facts or conditions. What they wanted was to test these assumptions—a task for which none of them had the time and resources.

To perform their duties as citizens they needed an Intelligence Service quite as much as the Army needed an Intelligence Service during the war. And they thought that the great mass of voters felt the same need.

Protection Against Bias

But if these men were to get facts they could trust, they knew they must be exceedingly careful about bias. All of them tried to be fair-minded, but each found that everyone else in the group had a personal equation which colored his conclusions. No such creature as a perfectly impartial man seemed to exist.

Then one man in the group suggested that to command their confidence a fact-finding agency should be safeguarded, not by trusting any individual to be as fair as he could be, but by having the findings passed on by men who had widely different personal equations.

So the group worked out the chief features of a novel organization, which they decided to call the National Bureau of Economic Research.
Plan of Organization

This organization, for which a charter was obtained January 29, 1920, is controlled by a board of twenty directors. There are twelve Directors at Large, among whom are a socialist, a banker, a conservative labor leader, an expert on agricultural conditions, a certified public accountant, the general manager of a manufacturing company, a director of the Labor Bureau, a tax expert, a former newspaper publisher, and three professional economists of varying interests.

To broaden still further the basis of control eight national organizations were invited to appoint representatives—the American Bankers’ Association, the American Economic Association, the American Engineering Council, the American Farm Bureau Federation, the American Federation of Labor, the American Management Association, the American Statistical Association, and the National Publishers’ Association.

Method of Procedure

To carry on the technical work of the Bureau a staff of experienced economists was employed. Every report prepared by this staff was to be submitted in manuscript to each member of the Board of Directors for criticism. A director who doubted the validity of any statement in a report, or who thought that important matters had been omitted, would send in his comments. Then the manuscript would be revised in the light of all the criticisms received.

In practice most of the criticisms would be constructive and get incorporated into the text. But any director who wished could have views not accepted by the majority of the Board inserted as a signed footnote appended to the passage from which he dissented. Reports prepared in this way should be either free from bias, or a focus of contrary biases.

First Severe Test

When this organization was launched everyone connected with it had some doubt whether it would really work. To get business men and engineers, accountants and economists, trade union officials and socialists all to agree upon facts which underlie some of the most controversial issues before the American people was a formidable undertaking. And the first investigation taken in hand was of a sort which put the organization to a severe test.

For the Bureau began its career by studying the amount and the distribution of income in the United States—a matter concerning which there have been heated discussions for a long time, a matter which has obvious bearings upon most contests between labor and capital, and a matter concerning which it is hard to establish the facts.

Exciting Moment at Hand

The result of this test was remarkable. In the first place the staff planned two independent estimates of the amount of the national income covering a series of years—estimates made by different men, resting in large part on different data, and so designed that no one could tell how the estimates would agree until the last items had been covered.

It was an anxious moment when the two sets of figures were finally completed and put side by side. Then it appeared that in no year of the decade covered did the results differ by more than 7 per cent—a small difference as such work goes.

The average difference over the whole decade was less than 3½ per cent. Such close agreement seemed to show that the staff had made a close approximation to the truth in dealing with an exceptionally difficult problem.

Findings Accepted Unanimously

Then came the test of the Board of Directors. Could these twenty men sink their differences of opinion on social policy and agree to become sponsors for any estimate of the amount of the national income and the way it is divided between rich and poor, employees and property owners?

The directors passed this test with a unanimity that gave each member of the Board confidence in the fairmindedness of all the others. They made numerous constructive suggestions which enabled the Staff to improve the first draft of the report. But not a single director showed the least disposition to dispute findings which ran counter to his previous views.

Thus the Bureau proved that the bold plan of getting common agreement on matters of fact from as diverse a group of intelligent men as could be assembled was practical. But another test remained. Would these findings secure the attention and approval of the public?

Interesting Facts Presented

Certainly the findings were interesting. They showed, for example, that the aggregate income of the American people had increased from 29 billions of dollars in 1909 to 61 billions in the last year of the war. Most of this huge increase of course was due merely to the war-time rise of prices. Correcting for this factor, we get an increase of nearly 9 billions in nine years, or from $333 per capita in 1909 to $372 in 1918.

Regarding the distribution of income, the Bureau found that farmers on the average secure about one-seventh of the total; that in the highly organized large-scale industries employees receive some 70 per cent of the value product while “management and capital” receive 30 per cent; that only 1 per cent of the income-receivers in 1918 had more than $8,000 per year, and that this 1 per cent received nearly 14 per cent of the total income.

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Public Gets Benefit

We think that the Bureau has rendered a very substantial service, not only to the men who started it, but to all other citizens as well by clarifying their knowledge of the fundamental facts concerning the adequacy of the national income to meet our needs and about the division of income between wage-earners and employers and between the rich and the poor.

After publishing a slender book summarizing the leading results of this investigation the Bureau worked up a much more elaborate report giving the full details of its estimates, and a third volume showing how income is distributed by states.
Request from President's Conference

Toward the end of its second year the Bureau received a highly gratifying piece of recognition. The President's Conference on Unemployment which met in the autumn of 1921 had appointed a committee to frame a constructive program for preventing the recurrence of such an emergency as the Conference had been called to consider. This standing committee realized that it would need a competent and impartial investigation into the extent of unemployment and the various proposals for reducing the evil. Under these circumstances, Secretary Herbert Hoover, as Chairman of the President's Conference, asked the National Bureau of Economic Research to undertake this responsible task of fact-finding.

Work Against Time

The Bureau accepted the invitation. The conditions under which the work was done forced us to depart from our usual procedure in two ways.

First, we had to work against time. Only six months was allowed for preparing our manuscript, submitting it to the directors for criticism, and getting a revised draft ready for the Committee.

Second, we had to enlist the help of fifteen writers who were not members of our staff, though two of them—Professor T. S. Adams and Dr. N. I. Stone—were Directors, and one of them, Dr. Leo Wolman, has since joined the staff.

Through the strenuous efforts of our cooperators and staff, and the promptness of the directors in reading the chapters submitted to them, we were enabled to hand a corrected manuscript to the Committee's secretary on August 6th, the day set. Since it took the Committee longer than had been anticipated to frame its own report, which was based largely upon our findings, we were able to make a few improvements upon the manuscript first submitted.

Program for the Future

When the task was completed in the early autumn of 1922, we returned thankfully to the program of work which had been interrupted by Secretary Hoover's invitation.

Besides the immediate interest in the results of its investigations, the National Bureau of Economic Research has a wider interest for all who are concerned with the problems of self-government.

"To make democracy safe for the world" we must make ourselves intelligent voters. To be intelligent voters we must have the knowledge to make wise decisions on the ever-increasing host of intricate problems which national growth force upon us.

Since we cannot all get this knowledge for ourselves, we must create agencies to do the work for us—agencies whose competence and fairness we can trust.

The National Bureau of Economic Research was created in the hope that it would serve the American democracy as such a fact-finding agency. It is a new phase of the great experiment in self-government which our country has been carrying on since 1776. Its work and its fortunes deserve the sympathetic interest of all men who realize the responsibility and the difficulty of the tasks which rest upon the citizens of a democratic state.
PROPOSED AMENDMENTS TO BY-LAWS TO CREATE
A NEW CLASS OF MEMBERS
TO BE DESIGNATED AS MEMBERS
BY UNIVERSITY APPOINTMENT

BE IT RESOLVED THAT -

ARTICLE I, Section 1, be amended to read as follows:

1. The members of the corporation shall consist of the persons named in the Certificate of Incorporation to be directors until its first annual meeting, together with such persons as they may associate with themselves, and their successors, the total membership, however, not to exceed thirty-five.

ARTICLE I, Section 2, be amended to read as follows:

2. Membership in the corporation shall be in three classes, as follows: Members at large, members by university appointment, and members by appointment of other representative organizations. The number of members in each class shall not exceed twelve.

ARTICLE I, Sections 7, 8, 9, 10, and 11, be amended to read as follows:

7. One member by university appointment (except upon initial appointment) shall be nominated at least thirty days in advance of the date of the annual meeting by the President and the Department of Economics of each of the universities to be named as nominating bodies by the members of the National Bureau of Economic Research. The initial appointments, subject to the provisions in Section 11 of this ARTICLE I, shall be made one each by the following universities: Columbia University, University of Chicago, University of Wisconsin, Harvard University, University of Pennsylvania, and Yale University.

8. Members by appointment of other organizations shall be nominated at least thirty days in advance of the date of the annual meeting by certain learned and scientific societies, by financial, industrial, agricultural, commercial, labor, and other organizations, as follows:

(a) One member by the leading economic association, the American Economic Association being initially named as such.

(b) One member by the leading statistical association, the American Statistical Association being initially named as such.
PROCEEDINGS AMENDED TO SY-LACE TO CURIAN.
A MEMO CIRCUIT OF MEMBERS.
TO BE DISTRIBUTED AS DESIRE.
BY MINIATURE APPOINTMENT.

AS IN REGARDS THAT.

ARTICLES I. SECT. 1. be amended to read as follows:

The minutes of the preceding session shall be read at the
first meeting of the new session, together with
minutes of the previous session, and minutes of
the adjourned session, if any. If necessary, the
excerpts may be read at the

ARTICLES I. SECT. 3. be amended to read as follows:

ARTICLES I. SECT. 6. be amended to read as follows:

The minutes of the preceding session shall be read at the
first meeting of the new session, together with
minutes of the previous session, and minutes of
the adjourned session, if any. If necessary, the
excerpts may be read at the
PROPOSED AMENDMENTS TO BY-LAWS

No. 2

(c) One member by the leading labor organization, the American Federation of Labor being initially named as such.

(d) One member by the leading management association, the American Management Association being initially named as such.

(e) One member by the leading banking association, the American Bankers Association being initially named as such.

(f) One member by the most generally representative agricultural association, the American Farm Bureau Federation being initially named as such.

(g) One member by the leading association of publishers, the National Publishers' Association being initially named as such.

(h) One member by the most generally representative engineering association, the American Engineering Council being initially named as such.

9. Each such nominee for member by university appointment and for member by appointment of other representative organizations shall be certified in the belief of the appointing body to be a person of scientific and judicial habit of thought, possessing knowledge and experience qualifying him to assist in the direction of exact and impartial investigations within the scope of the corporation's activities. In case the nominee fails of election, the appointing body or official shall be requested to make a new nomination. If such nomination is made it shall be referred to the Executive Committee, who shall act upon it with full power to elect such nominee to membership in the corporation. In the event that any one or more of the above-named appointing bodies or officials shall fail to make a nomination, or nominations, at least thirty days in advance of the annual meeting, or shall fail to make a new nomination, or nominations, as prescribed above, a vacancy in the membership by appointment shall exist, in which case the members may substitute another appointing body or official, representing a view-point corresponding to that of the organization or official failing to make such nomination.