

## American Economic Association

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Economists in Public Service: Annual Address of the President

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## ECONOMISTS IN PUBLIC SERVICE

ANNUAL ADDRESS OF THE PRESIDENT

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Of the many effects which the war has exerted on the minds of men, one of the most notable is the keener desire which we all now feel to be of genuine public service. During the war hundreds of our members have done "war work." In Washington alone one hundred and twenty of them have been in public service.

During the impending world-reconstruction, economists will probably have more opportunity to satisfy this impulse than most students in other departments of human thought; for the great problems of reconstruction are largely economic.

It therefore becomes each of us, as we pause on the threshold of a possible "new world," to consider what are the new opportunities and what the new duties which lie before us. That new world of which we are all speaking is still unbuilt. Is it to build itself, unplanned, or is it to have architects? And are we to be numbered among the architects? These are undoubtedly some of the thoughts and hopes and fears which stir us today.

How different they are from those of our own economic teachers a generation ago! Then many economists thought it beneath their dignity to engage at all in practical affairs except to cry: "*Laissez faire*." They believed that a scientist should be simply an observer, compiler, and interpreter of facts, not a guide, counsellor, and friend of humanity.

It is noteworthy that their attitude of academic aloofness not only failed to give to economic study, in the eyes of the world, that status of a "true science" which they claimed for it but, on the contrary, brought it into disrepute and provoked a vigorous reaction. The world demanded that economics should become something more than "the dismal science."

Accordingly, a new economics sprang up, intent on "doing something." This new school was centered in Germany as the older "Manchester School" was centered in England.

When the American Economic Association was founded thirty-three years ago the antagonism between these two schools was at its height. In fact, we owe the formation of this Association chiefly to that antagonism. A number of young American econ-

omists, fresh from the inspiration of study in Germany, were eager to convert American economists to a new and more optimistic point of view.

The chief American economists of that time, however, regarded the young enthusiasts just back from Germany as upstarts, meddlers, and propagandists, unworthy of any standing in the hierarchy of true economic science. Some of them, like my own revered master, Professor Sumner, even declined to join the American Economic Association for fear of lending aid and comfort to a propaganda with which they were wholly out of sympathy.

It was doubtless in view of this strong feeling on both sides that the Economic Association when formed was strictly limited as to its functions. As our constitution says, its object is:

“The encouragement of perfect freedom of economic discussion. The Association as such will take no partisan attitude, nor will it commit its members to any position on practical economic questions.”

A year and a half ago, after America entered the war, some of our modern enthusiasts proposed that the Association should endeavor to find, and do, its “bit” for the country. The objection was promptly interposed that, as an organization, we had no “bit” to do; for we were apparently prohibited by our constitution from taking any “partisan attitude” or committing our members to “any position on practical economic questions.” But a few months afterward, that is, a year ago, after much debate a proposal to appoint a Committee on the Purchasing Power of Money in Relation to the War was adopted, and later the Executive Committee appointed a number of other committees on war problems, including committees on War Finance, Foreign Trade, Price Fixing, Marketing, and Labor. Some of these committees have done work of great service to the country.

I mention these incidents in our history, as a text from which to draw certain lessons. What I most wish to point out concerns not so much the attitude of the Association as such but the attitude of its members as individuals.

The conflict between those economists who were conservative and those who were radical in regard to applying academic study may be resolved into two separate questions or issues. The first is: Should economists remain in academic seclusion, concerned principally with pure theory and leaving the vulgar world to take care of itself, or should they seek practical applications for their

principles? The second is: Granted that we should serve, exactly *whom* should we serve?

To the first of these questions the radicals have, in my opinion, given the better answer. Even the economic recluse selects, if he can, some theme related to human affairs and fondly hopes that his work may be taken up and utilized by practical men. It must be admitted, however, that most economists even yet depend too much on books and official reports and too little on personally feeling the pulse of real events.

But it is the second question which most needs our attention today: Whom are we to serve? To this, I believe, the conservatives have given the better answer.

Economics may be applied for the benefit of the whole world or for the benefit of one country alone. Again, within a country, economics may be applied for the general good or for a special commercial interest, special class, or special locality.

I have referred to the curiously interesting fact that this Association largely owes its birth to German economics. Undoubtedly German economics brought us a new and altruistic impulse. In particular we received from Germany the idea, close to the heart of every German economist, of making economics of service to "the state."

But in the last two years the war's revelations have made us realize, to our horror, that "the state" served by the German economists, or, at any rate, the German economists of today, was simply the Hohenzollern dynasty. We now know that German professors in general, from theologian to chemist, have prostituted their professional services to serve Germany's criminal purposes.

Frederick Scott Oliver in his "Ordeal by Battle" called the professors the "Priestcraft" through whom the German Government indoctrinated the German people. Professor Emery called the war a war of the economic interpretation of history. Others have called it a professors' war and especially an economic professors' war. Some among the very group of German teachers who stirred the enthusiasm out of which this Association grew, and more among their successors, in their service of "the state," helped to lay the foundation for the war. That foundation, or the part of it which they helped to lay, was a predatory economics, the economics of a beast of prey, the economics of loot by war. In this species of economics, property rights had existence *only* within the state, not between states.

Even before the war Germany's policy of foreign trade was thoroughly selfish. Transportation and manufacturing interests, backed by the German banks and the German army and navy had gone into the foreign markets to expel the commerce of other countries by fair means or foul, all for the national aggrandizement of Germany.

In view of these facts it clearly behooves us just now to undergo a searching self-examination lest this same fatal taint may lurk in our own American economics which we have taken, in part, from Germany. If we contrast German and English economics, we cannot but be struck by the narrowness and selfishness of the former as contrasted with the breadth and liberality of the latter. The contrast is exemplified by the difference between the spirit of "Free Trade" and "Protection." Though the English policy was dictated in large part by the conviction that it represented England's own interests in the long run, the great fact remains that these interests were not sought at the expense of other peoples but on the principle that *both* parties gained by a trade, and in the thought that nothing more than free, fair, open competition ought to be sought. This doctrine of "live and let live" has in it few seeds of war.

If, now, at the final peace negotiations, the German style of economics is to dominate, the settlement will degenerate into a race for position "and the Devil take the hindmost." If the Allies should repudiate their own ideas, namely, the ideas of international reciprocity in trade relations and of the open door, and each should merely seek to secure all it could of territory, colonies, trade concessions, special investment rights, exclusive ports, coaling stations, canals, railway routes, and discriminatory tariffs, the Peace table will turn into a gamblers' table, on which will be dealt out the cards for the next great game of war, and, as often happens after a war, the ideas and ideals of the conquered will have made conquest over those of the conquerors.

America has a special opportunity, a special mission—to uphold humanitarian and democratic economics. The very fact that Germany once inspired us toward an economics in the service of the state should spur us now to avoid the nationalistic perversions of that idea which befell our German colleagues. Any American economist who hereafter lends his talents to serve and inflame a hoggish chauvinism, is betraying the high ideals and purposes of America in this war. For instance, even if a more liberal tariff

policy than that existing before the war were not mutually advantageous, even if such a trade involved an economic sacrifice to us as a nation, it would none the less truly be required of us today in order to continue and establish on a permanent foundation that chivalry which has characterized America's part in the war. The call of the hour is to be just and generous. The concept of international obligation has been born. Henceforth any international arrangements must find their justification in international fairness, not in unfair national advantage. Whatever "place in the sun" we seek for ourselves, we must accord to every other nation, small and great, weak and strong, new and old. The golden rule must be the rule between nations as well as within a nation.

The proposed League of Nations is part and parcel of this great idea of international justice now having its new birth and baptism. Such a league is not only a political necessity as a preventive of war; it is also an economic necessity as a preventive of the economic burdens of militarism.

Like our own league of forty-eight states, it would obviate the necessity of great armaments. Without such a league we must resume competitive armaments—must, for instance, as our naval men tell us, compete with England in naval strength; and further competition in armies and navies would mean economic ruin to Europe and great impoverishment to the United States. There are two important special reasons why this would be true. One is that the world, especially Europe, is so nearly exhausted economically that even the old military burdens would now be far harder to bear than before the war. The other is that the renewed competition would be far more costly than the old, since we would start off with all the huge equipment which the war itself has brought.

Secondly, we must be on our guard against the bias of special interests. This bias enters largely into much thinking on the subject of the League to Enforce Peace, for there are interests which would thwart this new and great idea, fearing that the new regime may upset the old to which they and their private purses had become well adjusted.

The great question, then, is: Are we, in our internal economics, to serve the nation as a whole or are we to serve a special group within the nation?

There can be no objection to an individual economist associating himself with a special business and putting his talents at its

disposal, provided, of course, he does so openly, and provided the business is legitimate, that is, provided his activities are not inconsistent with the general welfare.

Academic economists, from their very openmindedness, are apt to be carried off, unawares, by the bias of the community in which they live.

Economists whose social world is Wall Street are very apt to take the Wall Street point of view, while economists at state universities situated in farming districts are apt to be partisans of the agricultural interests.

The economists of a century ago were unconsciously writing from the standpoint of the employer rather than from that of the employee, as was shown by their references to labor as an expense of production. Today, on the contrary, as labor is increasing in power, we find many economists are, consciously or unconsciously, taking the point of view of the laborer. This comes closer to being the democratic, humanitarian, or public point of view, but is often in real antagonism to it. Trade unionism, socialism, and even Bolshevism, syndicalism, or I. W. W.ism have occasional champions or apologists among economists. Socialism especially has enlisted under its banner a motley group of theorists eager for some realization of their humanitarian intentions. In a sense, of course, "we are all socialists nowadays." But what should give us pause before enrolling under that banner is that, in reality, it is the red flag of class war. Whatever we may say of theoretical socialism of various types, and however much we may and ought, in my opinion, to favor in some form an increase of socialized industry, the great fact remains that the socialist group derives its real strength from class antagonism. This is even truer of the I. W. W. A few weeks ago a workman in the I. W. W. wrote me: "Nothing could give me a greater pleasure than to have an opportunity to exterminate from the globe every capitalist. That time is coming, thank God!" The Dutch minister at Petrograd recently said: "Translated into practice, the Bolsheviki principles are 'high wages for no work, the taking of others' property without punishment, and no taxation.'"

There can be little doubt that we are facing a great peril today, the peril of perverting the democracy for which we have just been fighting with such devotion.

It is our opportunity and our duty to dedicate ourselves to the task of working out economic measures in the interests of hu-

manity and democracy as against the selfish interests of either the capitalist or the laborer as such.

If we jealously guard our independence and impartiality we shall gain for our profession the enviable position of being the logical arbiters of the class struggle now beginning—arbiters which both sides can trust. We may, and should, take sides, but only as a just judge takes sides when he renders his decision and only after a fair weighing of the evidence.

We may be sure that there will be a bitter struggle over the distribution of wealth until a more or less definite readjustment has been found. Professor King of the University of Wisconsin has shown that something like two-thirds of our people have no capital except the clothes on their backs and a little furniture and personal belongings, while the major part of our capital is owned by less than two per cent of the population. The income-distribution is not quite so unequal. About half of our national income is received by one-fourth of our population. There is evidence to show that this striking inequality of distribution of capital and income is increasing and that it is greater in cities than in the country. Still more distressing is the fact that, since the twentieth century began, wages reckoned in commodities, not money, have been actually decreasing while profits have been increasing. The purchasing power of wages over food in 1917 was only a little over two-thirds of what it was ten years before. The extraordinarily high wages of 1918 among certain forms of skilled labor are, of course, not representative.

The real scientific study of the distribution of wealth has, we must confess, scarcely begun as yet. The conventional academic study of the so-called theory of distribution into rent, interest, wages, and profits is only remotely related to the subject. This subject, the causes and cures for the actual distribution of capital and income among real persons, is one of the many now in need of our best efforts as scientific students of society. I shall here merely throw into the discussion a few tentative thoughts which seem to me to be now either completely overlooked or only dimly appreciated.

There are, I believe, two master keys to the distribution of wealth: the Inheritance system and the Profit system.

The practices which happen to be followed by men of great wealth in making wills is certainly the chief determinant of the distribution of their wealth after their death. Mr. Albert G.

Coyle, one of my former students, has estimated that four-fifths of the one hundred and fifty or more fortunes in the United States having incomes of over \$1,000,000 a year have been accumulating for two generations or more. It is interesting to observe that, although the formulae expressing distribution by Pareto's logarithmic law are similar for the United States and England, the number of wealthy men at the top is two and a quarter times as great, in proportion to population, in England as in the United States, presumably because the number of generations through which fortunes have been inherited are much greater there than here.

Yet the man who wills property does so without regard to its effect on the social distribution of wealth. In fact even from the private point of view careful thought is seldom bestowed on the solemn responsibility of bequeathing property. The ordinary millionaire capitalist about to leave this world forever cares less about what becomes of the fortune he leaves behind than we have been accustomed to assume. Contrary to a common opinion, he did not lay it up, at least not beyond a certain point, because of any wish to leave it to others. His accumulating motives were rather those of power, of self-expression, of hunting big game.

I believe that it is very bad public policy for the living to allow the dead so large and unregulated an influence over us. Even in the eye of the law there is no natural right, as is ordinarily falsely assumed, to will property. "The right of inheritance," says Chief Justice Coleridge of England, "a purely artificial right, has been at different times and in different countries very variously dealt with. The institution of private property rests only upon the general advantage." And again, Justice McKenna of the United States Supreme Court says: "The right to take property by devise or descent is the creature of the law and not a natural right—a privilege, and therefore the authority which confers it may impose conditions on it."

The disposal of property by will is thus simply a custom, one handed down to us from Ancient Rome. It is no more inviolate than the custom of the disposal of the body of the dead by burial. Just as, in the interests of the living, we are substituting cremation for burial, so—likewise in the interests of the living—we may substitute a new for a traditional method of disposing of the dead man's goods.

Numerous limitations of the right to will property do, in fact, already exist in each of our states—some under common law, oth-

ers under statute law. There are, in particular, restrictions against tying up property (except in charitable bequests) in perpetuity. These restrictions have, undoubtedly, restrained the accumulation of swollen fortunes. There is no reason why we cannot continue to add to such limitations so far as seems wise.

For instance, Rignano, the Italian economist, suggests making the state co-heir of all bequests so that it will receive one-third of the estate on the first descent, two-thirds of the remainder on the second, and the residue on the third descent.

So much for the first great factor responsible for an undemocratic distribution of wealth—the inheritance system. It has to do with the transmission of fortunes from one generation to another. The other great factor, the profit system, has to do with the mushroom growth of a fortune in a single generation.

When fortunes are made with prodigious speed, it is usually wholly or chiefly through profits. Accumulation by compound interest, though amazing in its possibilities *after* a fortune is large, cannot in a single lifetime make a large fortune out of a small one. Every “self-made” millionaire, so far as I know, became such, if honestly, primarily through profits. Profits are the *chance* part of distribution, the part which is the *uncertain*, and therefore extremely *variable*, margin left after the more fixed and known parts of the distribution—rent, interest, wages, and salaries—have been deducted.

Profits are, next to wages, the most important element of our national income, comprising over a quarter thereof and being more important than rent and interest combined.

My query here is: May we not find ways, by legislation and otherwise, of modifying more or less profoundly the present profit system? I have in mind not only profit-sharing plans, plans for coöperative producing, buying or distributing, and schemes for allotting common stock to employees by which the worker may feel a stake in the business in which he is engaged; but also, and more particularly, possible participating by the public itself through the government.

I am aware, of course, of the obvious and real objections to such plans and I am not offering a solution of this problem, but suggesting what seems to me a promising line in which we economists may seek a solution. Perhaps there are many different solutions, varying according to circumstances. It may well be that a place will always be left for pure private ownership and man-

agement, as well as a place for pure government ownership, even though a mixed system or systems, such as I have in mind as possible, be placed between.

We already have some examples of mixed types, such as government regulation; leases to private capitalists with reversionary rights to the city, state, or nation; subsidies; price fixing; guaranteeing prices; underwriting against loss; taxes on profits or on excess profits.

The important point is that, under the present private-profit system, the chance of profits and risk of losses as well as the management are entirely in the hands of one only of the three classes interested in the success of the enterprise. The other two classes, namely, the workers and the public, do not ordinarily participate much, if at all. The enterpriser or chance-taker has, under this system, come to think and to speak of his industry as "my business" and gets quoted even as saying "the public be damned." For instance, we entrust the great public function of conducting our public press to irresponsible private capitalists who in turn are largely controlled by their advertisers, even more irresponsible.

Fundamentally the question is one of adequately representing the parties whose interests are involved. Only incidentally is it a question of efficiency. Yet I believe the two are not so far apart as is often supposed. An efficient autocracy in industry is as suicidal in the end as an efficient autocracy in politics has shown itself to be. Either is unstable because unrepresentative. The most enduring of great banks is the Bank of England because it is based not on a narrow money-making efficiency, but on the idea of efficiency for public service. Even its governor represents not the banker in the English sense but the "merchant," a merchant banker who stands partly for the public whom the banker serves. Yet the Bank of England is technically a private bank. Its great merit is that the bank's customers, including the government, participate in shaping its policy.

While government enterprise has glaring defects, the present system of private profit is also defective. It is even very costly to the public in that the enterpriser requires the chance of large profits to compensate for the large risks he assumes. Two unfortunate consequences follow. One is that in this great game of chance the lottery winnings make multimillionaires out of millionaires, which is inconsistent with democratic ideals and democratic progress. The other is that it creates hostility on the part

of the other two classes. The workman therefore is over-ready to strike, shirk, or commit sabotage. The local public often cordially hate a great railway like the Pennsylvania system or the Southern Pacific at whose mercy they are, or a great corporation, trust or bank, which they call an "octopus." From such hostility comes a contest for political power and, too often, corruption. This corruption should not all be charged up to politics as such; for much of it is due to private industry struggling for private profits in disregard of public usefulness.

The government, representing the public, is, with all its faults, in a better position than the private capitalist to underwrite great industrial undertakings, both because its resources are greater and because the chances of gains and losses in many different directions would tend, more fully, to offset each other. Government underwriting of industry is thus in the last analysis simply a species of social insurance.

It is interesting to observe that such social insurance as we are now familiar with—workmen's compensation, health insurance, etc.—usually provides that the cost and management shall be shared by the three parties interested, employer, employee, and state.

Nor is such an extension of the principle of social insurance as I am now tentatively suggesting so strange as it may at first appear. It is just what we have seen happen under the stress of war. Early in the war the profit system by which the government let out to contractors the making of munitions and other supplies was found to be not only very expensive but to work very badly. We therefore hastily improvised many kinds of government regulation to meet the situation. The important point for us to note here is that the government thus assumed some of the commercial risks and insured others against them. To secure an adequate wheat supply it guaranteed to the farmer the price of wheat, while, at the same time, it protected the public against "profiteering" in prices of bread. In taking over the railways it guaranteed certain minimum profits. It assumed the most of the risks in shipbuilding. It supplied a revolving fund to loan to essential industries which would otherwise run the risk of not securing needed capital. It put government officials in charge of munition works which, under private management, were in danger of failing to give the needed service to the country. It did all these things clumsily; but it had to do something because private

enterprise failed or could not be depended on to render the service to the country which the country needed and demanded.

Even before the war there were many examples of some sort of government participation. Railways were often built in part by subsidy of nation, state, or locality, in order that the public interest might be served. Irrigating, forestry, and water power development have had government ownership or participation in various forms. Abroad, both town and nation are sometimes co-owners with individuals in the forests.

I may add that, in my opinion, the rather common idea that profits should be limited to a "fair rate of interest" is not a solution of the difficulty. It is as absurd and unfair as the socialists' dictum that profits are essentially stolen from workmen's wages. Nothing would serve so effectually to kill enterprise as to forbid the enterpriser from securing more profits than he could get by lending his money, unless at the same time we protect him against losses. Some one must assume the risks of enterprise, and he who assumes the risks of loss is entitled to the chance of profits. As long as we keep the system by which the private capitalist is, single handed, to struggle to win wealth from natural resources, we must give him the chance of winning big prizes together with the chance of great losses.

Needless to say, therefore, I am not attacking the man who takes profits under the present system. He ought not, or not always, to be stigmatized as a profiteer. Nor am I attacking the man who wills his property in the ordinary way. Both are playing the game according to the present rules. My criticism is not of the players, but of the rules. New rules may be found—rules better for both the players and the onlookers.

Our society will always remain an unstable and explosive compound as long as political power is vested in the masses and economic power in the classes. In the end one of these powers will rule. Either the plutocracy will buy up the democracy or the democracy will vote away the plutocracy. In the meantime the corrupt politician will thrive as a concealed broker between the two.

On the face of it, we should expect that all the evils mentioned would be relieved if we had more democracy in industry, that is, if the workman and the public felt that the great industries were partly theirs, both as to ownership and as to management.

As to the representation of workmen in the management, some

industries have introduced a "Senate" to represent the office staff and a "House of Representatives" to represent the shop workers. These, with the executive, exercising a veto power, manage the industry after the pattern of our political republic. This and other plans for a more representative control are worth careful study. A large part of our present dissatisfaction with industry comes from its autocratic control, which is growing more rapidly centralized even than is the actual ownership. The device of the corporation, especially the holding corporation, has put a large fraction of the capital of the country into the hands of a small group of magnates mostly in New York City.

So much for the distribution and control of wealth. There are other subjects equally worthy of our attention. Even if the distribution of wealth could be ideal, the industrial world would find abundant reason for discontent. Just as the political freedom sought by the French Revolution proved insufficient and disappointing, so will what is now called economic freedom be found insufficient and disappointing.

When we speak, however figuratively, of wage-slavery, we ought to think not only of low wages, but also of the repulsiveness of the work itself. The great reason why an industry fascinates the employer but bores the employee is, in my opinion, that human psychologic laws are neglected.

I hope that psychologists may some day, in coöperation with economists, help to a truer understanding of the nature of human freedom. What we liberty lovers are really groping for is, apparently, not to do as we *think* we please but to do what will actually please us after it is done; that is, to satisfy fairly well all of the great fundamental human instincts, of which there are many besides the instinct of self-preservation or of making a living. The workman not only longs for more pay, but he hungers and thirsts for other things which he cannot formulate, because so largely unconscious.

The problem of making manual workers contented, or as contented as the rest of us, or as contented as they can be, is not, therefore, a problem simply of the distribution of wealth. It is one of introducing, or re-introducing, certain fundamental motives into industry. Just as the large capitalist does not usually accumulate for his children but for the love of accumulating, and just as inventors (as Professor Taussig has shown) do not usually invent merely, or even chiefly, for money but for the love of

inventing, so the workman can be motivated also by quite different motives from the ordinary pay-envelope motive. I refer to the creative and other impulses emphasized at this session by Mr. Robert B. Wolf and others, and by Miss Marot and Ordway Tead in their books, as well as a year ago in our Philadelphia meeting by the late Professor Carleton Parker (whose important pioneer work will, I hope, never be forgotten).

The war affords us a great object lesson here. Men previously apathetic in the shop, under the money motive, have exhibited a wonderful eagerness to fight for their country with no wages to speak of and with no money bonus whatever. Again, when the armistice was signed, this wonderful "morale" shrank appreciably overnight. Still again, we find that many of the soldiers who return to work after the excitements of military life are actually spoiled as workmen. We must find ways of putting real "pep" into the worker—for his sake as well as others'. Perhaps a wiser employment management can and will spread over the country as a result of the war and, in particular, of the studies of the War Industries Board with its 13 courses and 275 graduates fitted thereby to become employment managers. Perhaps the labor men can take the initiative. Either or both might happen through several agencies, including the Industrial Department of the Y. M. C. A.

We economists ought to be able to play an important part, in coöperation with psychologists, employers, and employees, by studying this new movement, distilling out the essential truths it represents, and contributing constructive suggestions of our own. The psychologist and the religious workers helped vastly in creating our soldiers' morale. Cannot the morale needed in industry be secured with equal success? If we can and do secure it, it will be by making industry really democratic. And if we do secure it, the productivity of industry will be greatly increased because those who have its success at heart and put their own interest and initiative into that success will include the millions of workers and not merely the thousands of employers.

Here again the war teaches us a great lesson. The miraculous accomplishments of the United States were due not to a centralized organizing genius, such as created German military power in forty years, but to a decentralized coöperation whereby each citizen, of his own initiative, tried to do his "bit." Not only was the war a triumph of democracy over autocracy but it demonstrated the effi-

ciency of the democratic method, that is, the method which relies on enlisting the active initiative, the enthusiastic interest and will to help, of the people. The Prussian method has failed and the Prussian method in American industry has failed and always will.

These problems of industrial discontent are only some of the great problems now before us.

There is not time even to sketch the others. One of them concerns the rehabilitation of monetary standards, including not simply resumption of specie payments and restoration of pars of exchange but maintenance of purchasing power. I have often spoken and written on this theme. Here, as always, we must beware of the bias—and I am sorry to say, I know of one economist who has not escaped it—of special interests, whether of the gold miner or silver miner or of the creditor or debtor-interests.

The great field of social insurance for workingmen and especially the next step—Health Insurance—should also engage our attention. Here, likewise, we must steer clear of the bias of the employer, the trade union, the insurance company, or the medical profession.

The problem of demobilization, especially the problem of preventing unemployment during the period of readjustment and the problem of the future occupation in industry or settlement on land of our soldiers, especially those invalided, are also before us.

These and other problems of reconstruction are the basis of our meeting this year, as our program shows. The thoughts we receive at this annual meeting should help all of us who are in earnest to reach conclusions on these topics, if not here and now, soon afterward, and so be of service in shaping American policy in the immediate future.

In order that our influence may be fully exerted, I believe two new agencies are needed—one designed to diffuse such economic knowledge as we possess among the people who do not possess it, and the other designed to increase that knowledge.

At present we college men are, in a sense, teaching the wrong people. We reach a college audience which is not only small but is, I think most teachers will agree, less in need of our elementary teachings than the general public.

An urgent need, in my opinion, is some organized machinery for diffusing economic principles among the masses of our population. The common people, whose ideas will, more and more, rule the world, are in crying need of competent instruction in economics, simplified and reduced to its lowest terms.

In a democracy the people express their opinion on economic problems, but without much opportunity, in the first instance, to make that opinion intelligent. Workmen now act on the ideas, often fallacious even from the standpoint of labor alone, of labor leaders woefully ignorant of the fundamental principles of economics. It is for lack of economic enlightenment that they approve of limitation of output, extravagant expenditure on public works, slackness and inefficiency of workmen, exclusion or destruction of "labor saving" machinery, sabotage, limitation of apprentices, cessation of trade schools, etc. In so doing they are laboring under a "make work" delusion. Likewise, they are apt to cry out for more money in times of inflation, under a money delusion. It is encouraging to note, however, that recently some labor elements, especially the English, as indicated by their recent manifesto on Reconstruction, have become emancipated from most of these doctrines.

The second suggestion is that there should be created an endowment for economic research, in the management of which labor, capital, and economists would, all three, share and which would be a sort of laboratory for the study of the great economic problems before us. Today the physical sciences have their great laboratories, as a matter of course. But the economist is expected to secure his own facts and statistics and make his own calculations at his own expense. Expensive research, far beyond the reach of the professor's purse, is necessary if the economist is to be of any important public service in studying wealth distribution, the profit system, the problem of labor unrest, and the other many pressing practical problems. Harvard University, through its Committee on Economic Research, and other Research Bureaus, are now making a beginning in this direction.

Such an endowment as has recently been suggested might be under the auspices of this Association or otherwise guarded against narrow or partisan control.

Certainly if we are to serve the great world democracy which we hope to see arise from the ashes of this great world conflagration, we must see the problem whole.

Our present opportunity is one which, if now missed, may never come again. The war has kindly lifted us, for a time, out of the old ruts. Consequently the world is far more open-minded, more expectant, and more desirous of getting at the real truth of things today than ever before. But as the years roll by ruts will be worn

again and, once worn wrongly, may be harder than ever to efface or correct.

It is given to us as to no previous generation of economists to share in fixing the foundations for a new economic organization and one which shall harmonize with the principles of democracy.

If we are to succeed it will be because we perform our task with wisdom, unselfishness, and impartiality. As economists in public service in a democratic world we are pledged not to serve simply our local community, our own country, or our own time, but to serve rather all humanity throughout the world and throughout future generations.