



BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

July 31, 1936.

Dear Governor:

Dr. Goldenweiser asked for my approval of a recommendation he is sending you. As it was drawn up it merely recommended men to work on taxation, social security and agriculture. At my suggestion I believe he included the recommendation that one or two men work in the fields of business trend analysis and business forecasting.

I am awfully sorry to keep pestering you, but this is a tremendously important matter to me and, I think, to you and the Board. I wish I could think of some way of bringing home to you how ill-equipped we are at present either to analyze current trends or to forecast, and the excellent possibilities there are of improving our knowledge in these things. Although there are probably better men in the country, I honestly feel that I am the only one here who has sufficient awareness of the problems to initiate and push through this type of work. I cannot possibly do it alone however. I must have some men with creative minds in whom I can have confidence.

I only have one junior economist of this type now. One of the three with whom I am credited in the enclosed organization chart is a woman who has been in the Division some years. Nobody wanted her; she was on the verge of a nervous breakdown, and I took her out of charity. She is of little assistance. Henry is a great help in my current work but he has not a creative mind for advanced research. You will observe from the chart that the rest of the Division, except Blattner and Gardner, is under Thomas. So you see I am an Assistant Director in Charge of Research and Monetary Problems, without having anyone to direct! Unless this situation is changed I will feel that I have gained nothing by raising the whole issue of the Division at this time.

I saw one of the men today I mentioned to you, George Terborgh of Brookings. He tells me that in a few weeks he is to start on a big two-year project and that once it is launched he would not

feel justified in leaving Brookings, so if he is to be considered it must be done right away. I mentioned his name to Dr. Goldenweiser some months ago, and, while not enthusiastic, he did not object to him.

I have gone over in my mind all the people in the field I know either personally or through their publications, and the ones I mentioned are the only ones I can think of who might be available and who have demonstrated that they combine imagination and originality with a high degree of technical competence. I know that you are not very well acquainted with the more technical men in this field and that you must rely heavily on other people's advice. I am hopeful that the quality of my work has been such as to inspire some confidence of the goodness of my judgment in this particular matter.

Except in Terborgh's case, the matter is not urgent. I have just learned that one of the men I mentioned, Arthur Burns, cannot at present leave his project at the National Bureau of Economic Research. The other man, Arthur Gayer of Columbia, is at the moment out of the country. Really outstanding men, as I mentioned to you before, are not lying around loose and I don't think we should be interested in any others. I think we should proceed slowly and, as far as possible, get people to obtain leaves of absence from their universities. If they work out well we can keep them. If not, we can get rid of them without embarrassment or breach of faith. In addition to these high-priced men, I have two or three young men in mind whom we could probably get at junior economists' salaries. If I could get Terborgh and two or three brilliant young men now, we would have an opportunity to judge whether the results justified the expenditure before adding more.

I am going to see Thurston and attempt to explain more exactly than I did in my long memo what I think are the possibilities in business trend analysis and in improving the basis of forecasting.

Very sincerely,

