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NEW STUDIES

The first investigation undertaken by the National Bureau upon its founding in 1920 was a study of national income. The Bureau has pursued this interest in various ways ever since, and in due course laid the foundations of the system of national accounts that is now widely used throughout the world. National accounts today provide both a set of economic data useful for summarizing the performance of the economic system and an accounting framework for analyzing and evaluating most major economic events. Government officials do much of their planning and policy design in terms of the national accounts, and the daily press discusses economic developments in terms of the now familiar constructs of gross national product, personal income, gross capital formation, and so forth. National accounts have in fact become for the nation much the same sort of tool which the income statement is for the business firm.

In view of the central role which national accounts play in the analysis of current economic conditions, in the design and evaluation of current economic policy, and in economic research, it is quite proper to ask from time to time whether in fact the concepts and constructs contained in the accounts and the information provided about the economy are adequate and meaningful. Richard and Nancy Ruggles, who have participated over the years in much of the developmental work underlying the national accounts, have posed this question and have planned a study directed to it. The study, which will benefit from the work John Kendrick already has under way, is described in section 2 of Part IV.

Year-to-year fluctuations in consumer capital outlays for houses, cars, furniture, and major appliances are now an important factor influencing the current level of economic activity and its rate of growth. During recent years outlays for consumer capital have been as large as business capital outlays, and their cyclical swings have been even wider. A clear understanding of these movements and a

PART III

Studies New and Completed and Conferences on Research

sound method of predicting them, therefore, is essential.

The initial results of the recent experimental survey of consumer purchase probabilities, devised by F. Thomas Juster and conducted jointly by the National Bureau and the Bureau of the Census, open up the possibility that predictions on the basis of surveys in the consumer area may become as valuable as those derived from surveys of prospective plant and equipment expenditures. The Census Bureau inaugurated last year a new quarterly consumer survey along these lines. A cooperative study with the National Bureau is planned to analyze the results of the regular survey and conduct new experiments. The study, directed by Juster and aided by a grant from the National Science Foundation, will explore (a) the relation between purchase probability judgments and their basic determinants—the economic, financial, and demographic characteristics of the consumer unit; and (b) the role of anticipations surveys in models designed to predict short-run changes in consumer capital outlays and saving.

The National Bureau has begun a new program of research on the economics of health with the aid of a grant by the Commonwealth Fund. Section 2 of Part IV describes the formation of a research advisory committee, and discusses some of the studies that are contemplated under this program. These include studies of Negro health, the demand for health services, the role of health services and environmental variables in the production of health, and hospital costs.

Three new studies pertaining to business cycles have been started. Gregory C. Chow is undertaking to determine whether the analytical description of business cycles in Arthur Burns's recent article on that subject can be successfully incorporated in an econometric model. Ilse Mintz has begun a study of foreign business cycles with a view to establishing a cycle chronology for each of several countries. Because of the mild and limited nature of these fluctuations since World War II, some experiments will be conducted with

methods of identifying periods of prosperity and recession other than those hitherto relied upon by the National Bureau in determining such chronologies. The new computer program designed by Gerhard Bry and Charlotte Boschan to identify cyclical peaks and troughs in individual economic series may prove useful in this project. The third study, by Phillip Cagan, is concerned with the question whether prices have become less responsive to cyclical declines in demand in recent decades—a condition that is said to produce an "inflation bias" in the economy. Cagan plans to examine the relation between prices and output of a large list of commodities over a long historical period.

The National Bureau's work in international economic relations is being expanded with the aid of a grant by the Ford Foundation effective at the beginning of last year. Section 5 of Part IV describes several projects recently started, including a study of U.S. investments abroad and U.S. exports, a study of foreign holdings of dollar balances, and a conference on technology and international trade.

STUDIES COMPLETED

Fourteen reports on research conducted by the staff and five conference reports have been published since January 1, 1966, and six reports are in press.

REPORTS PUBLISHED SINCE JANUARY 1, 1966

Household Capital Formation and Financing, 1897-1962, by F. Thomas Juster (General Series 83, 1966, xiv + 144 pp., \$6.00). Concentrates on the long-term trends and short-term variations of capital formation and credit in the household (consumer) sector of the U.S. economy. Finds that households, using borrowed funds more and more extensively, now purchase a larger share of capital goods than do business enterprises. One result is that these household purchases have come to be a dominant factor in cyclical movements in total capital formation.

Consumer Buying Intentions and Purchase Probability: An Experiment in Survey Design,

by F. Thomas Juster (Occasional Paper 99, 1966, 60 pp., \$2.00). This joint study by the National Bureau and the Bureau of the Census describes a new type of consumer purchase forecasting. It shows that a survey based on buying probability produces more accurate predictions of actual buying behavior than the usual type of survey based on intent to buy. For example, most purchases were made by households reporting no intention to buy, but only about 10 per cent of total purchases were made by those who said they had "no probability of buying."

Productivity Differences Within the Service Sector, by Victor R. Fuchs and Jean Alexander Wilburn (Occasional Paper 102, 1967, xiii + 109 pp., \$3.00). The third report to appear in the National Bureau study of productivity in the service industries, this paper attempts to study productivity at a much finer level of industry detail than the preceding reports. It consists of two studies: the first, by Victor Fuchs, examines differential trends in productivity across seventeen service industries; the second, by Jean Wilburn, analyzes the different and contradictory trends in productivity between two related service industries, barber and beauty shops.

Output, Employment, and Productivity in the United States After 1800 (Studies in Income and Wealth 30, 1966, xiv + 660 pp., \$12.50). This volume contains fourteen papers plus comments by conference participants on sources of output growth. It covers (1) consumption, investment, and employment; (2) output of final products; (3) minerals and fuels; (4) power and machines; and (5) sources of productivity change.

Foreign Tax Policies and Economic Growth (Conference held under the auspices of the National Bureau of Economic Research and the Brookings Institution, 1966, xii + 482 pp., \$10.00). Provides analyses and evaluation of the contribution of tax policy to postwar economic development in the United Kingdom, Sweden, France, Italy, Germany, Japan, and the Netherlands. Each paper is by a recognized authority in the field.

Accelerated Depreciation in the United States, 1954-60, by Norman B. Ture, (Fiscal Studies 9, 1967, xix + 238 pp., \$7.50). The first comprehensive investigation of taxpayer response to postwar liberalization in tax rules governing depreciable assets and of the role

it plays in promoting fixed capital accumulation and economic growth. Measures the extent to which the new provisions have been used by businesses and estimates the effect of the new depreciation methods on the amount of corporate depreciation, income tax liabilities, and capital outlays.

Private Pension Funds: Projected Growth, by Daniel M. Holland (Occasional Paper 97, 1966, xx + 146 pp., \$4.00). The second report in the National Bureau research project on the economic aspects of pensions puts its emphasis on fund flows and portfolios, as they may reasonably be expected to develop over the years ahead, and deals concomitantly with prospective growth in coverage and beneficiaries. Finds that private pension funds, currently the most rapidly growing of all financial intermediaries, will grow even more substantially over the next decade and that growth in state and local pension funds may approach the private plans as a force on the capital market.

Indicators of Business Expansions and Contractions, by Geoffrey H. Moore and Julius Shiskin (Occasional Paper 103, 1967, xiii + 127 pp., \$6.00). As part of a comprehensive study being conducted by the National Bureau to evaluate and improve short-term forecasts of aggregate economic activity, provides improved methods for early warning of business recessions and recoveries and brings up to date the National Bureau list of business cycle indicators. Presents a new method of scoring the relative usefulness of different statistical series for analyzing short-term business conditions and prospects. Among the new indicators included are job openings at U.S. Employment Service offices, delinquency rates on instalment loans, export orders for durable goods, and man-hours of nonagricultural employment. New composite indexes of the leading and other indicators are also provided.

An Appraisal of Short-Term Economic Forecasts, by Victor Zarnowitz (Occasional Paper 104, 1967, ix + 144 pp., \$5.00). Evaluates an extensive record of forecasts of general economic activity in the United States. Compares annual and quarterly forecasts of gross national product and industrial production with actual values and with mechanical extrapolations. Analyzes accuracy of predictions of GNP components. Suggests ways of improving forecasts and use of data.

- The Measurement and Interpretation of Job Vacancies* (Conference Report of the National Bureau of Economic Research, 1966, ix + 593 pp., \$12.50). This report contains seventeen papers by specialists in manpower policy and labor economics. The book is organized around four main topics: needs and uses of data for measuring current demand for labor, uses of job vacancy data in foreign countries (Canada, France, Japan, the Netherlands, and Sweden), experimental vacancy surveys in the United States, and alternative approaches to measuring vacancies.
- Differentials in Hourly Earnings by Region and City Size, 1959*, by Victor R. Fuchs (Occasional Paper 101, 1967, x + 50 pp., \$1.00). Based on comprehensive estimates taken from Bureau of the Census sampling of 1960 Census. Finds that workers in metropolitan areas of a million and over earn 13 per cent more than similar workers in metropolitan areas of less than a million and 25 to 35 per cent more than those outside metropolitan areas. Finds also a 25 per cent wage differential between the South and the rest of the country. Detailed treatment of sources and extent of wage differentials associated with the worker's age, sex, color, and years of schooling.
- The Behavior of Interest Rates: A Progress Report*, by Joseph W. Conard (General Series 81, 1966, xiv + 145 pp., \$5.00). Reviews work of the NBER interest rate project. Examines seasonal as well as cyclical movements of interest rates, relations between short-term and long-term rates, and differentials between yields on newly issued and seasonal securities.
- Trends in Corporate Bond Quality*, by Thomas R. Atkinson (Studies in Corporate Bond Financing 4, 1967, xvi + 106 pp., \$5.00). Investigates corporate bond defaults in the postwar period; quality of new bond issues as measured by agency and market ratings; and such factors as direct placements versus public offerings, convertible versus nonconvertible bonds, earning coverage, and lien position. Finds a discernible improvement in bond quality; however, most of the measures used show that corporate bonds were of sounder quality in the earlier postwar years than recently.
- Changes in the Cyclical Behavior of Interest Rates*, by Phillip Cagan (Occasional Paper 100, 1966, 32 pp., \$1.00). Analyzes the cyclical timing and amplitude of a variety of interest rate series over a long period, some going as far back as the Civil War. The study also examines the influence of the money stock on interest rates. It shows that interest rates have displayed greater sensitivity to business cycles in recent years as compared with the 1920's and traces this, in part, to changes in the cyclical behavior of the money stock.
- Source Book of Statistics Relating to Construction*, by Robert E. Lipsey and Doris Preston (General Series 82, 1966, x + 307 pp., \$12.50). A compilation in one volume of the principal monthly, quarterly, and annual series on construction in the United States. Special effort has been made to include series available over long historical periods. Describes sources and methods for all series. Monthly and quarterly series are seasonally adjusted. Summary measures of business cycle behavior included for most important elements of construction activity.
- Measuring Transactions Between World Areas*, by Herbert B. Woolley (Studies in International Economic Relations 3, 1966, xviii + 157 pp., \$7.50). Presents the first detailed matrixes of transactions between major world areas and provides essential background on the problems encountered in moving from each country's global balance-of-payments estimates to a system of regionally integrated accounts. This work has been performed for each of the years 1950-54 and covers the following main types of transactions—merchandise, services, unilateral transfers, capital and gold movements, and multi-lateral settlements.
- Comparative Prices of Nonferrous Metals in International Trade, 1953-64*, by Irving B. Kravis and Robert E. Lipsey (Occasional Paper 98, 1966, viii + 56 pp., \$2.00). Part of a study designed to improve methods of measuring comparative prices and price trends in the international trade of the U.S. and its main competitors. Presents new indexes of relative prices and price trends in the nonferrous metals market, together with background information on ownership, production, and trade.
- Determinants of Investment Behavior* (Universi-

ties-National Bureau Conference Series 18, 1967, xi + 611 pp., \$15.00). Brings together a number of papers and discussion by leading economists. The volume consists of five parts: (1) empirical study of consumer investment and summary of current theory of business investment behavior; (2) study of financing of business investment—an estimation of cost of capital applicable to investment decisions under uncertainty and a consideration of the role of financial behavior in investment policy; (3) studies on consumer investment—location of potential investment for housing; role of financial intermediaries in residential housing, determinants of consumer investment in durable goods, and dynamics of consumer choice of financial assets; (4) papers on fixed business investment and the interrelations of the firm's investment, dividend payments, and use of external finance; (5) new evidence on the relation of anticipations to investment behavior.

National Economic Planning (Universities-National Bureau Conference Series 19, 1967, x + 413 pp., \$10.00). Papers and discussion by prominent economists. The book is in two parts. The first contains five papers dealing with functional issues in planning: the methodology of planning models, locational choices in planning, techniques of project appraisal, implications of planning for trade and capital movements, and the planning of public expenditures. The second part describes the nature of planning and evaluates the planning experience in four countries: the USSR, France, India, and Yugoslavia.

REPORTS IN PRESS

Information, Expectations, and Inventory Fluctuation: A Study of Materials Stock on Hand and on Order, by Ruth P. Mack (Studies in Business Cycles).

Cyclical Fluctuations in the Exports of the United States Since 1879, by Ilse Mintz (Studies in Business Cycles).

The Quality of Consumer Instalment Credit, by Geoffrey H. Moore and Philip A. Klein (Studies in Consumer Instalment Financing).

Yields on Corporate Debt Directly Placed, by Avery B. Cohan (General Series).

Issues in Defense Economics (Universities-National Bureau Conference Series 20).

The Theory and Empirical Analysis of Production (Studies in Income and Wealth 31).

REPORTS IN MANUSCRIPT

A limited number of copies of the reports in press listed above, as well as of the reports listed below, are available for distribution in mimeographed form. Requests will be filled in order of receipt and as long as the supply lasts. Additional copies will be made available at cost of reproduction. These reports are preliminary and may not conform to the final published report.

Research Reports

Richard A. Easterlin, "Population, Labor Force, and Long Swings in Economic Growth"

Jacob Mincer and Victor Zarnowitz, "The Evaluation of Economic Forecasts"

Jacob Mincer, "Adaptive Forecasting: Exponential vs. Nonexponential Extrapolations"

Rosanne Cole, "Errors in Estimates of GNP and Their Relation to Forecasting Accuracy"

F. Thomas Juster, "Predictions with Consumer Anticipations Surveys: The Time-Series, Cross-Section Paradox Re-examined"

Phillip Cagan, "The Influence of Interest Rates on the Duration of Business Cycles"

Phillip Cagan, "Interest Rates and Bank Reserve Ratios—A Reinterpretation of the Association"

Phillip Cagan, "A Study of Liquidity Premiums on Federal and Municipal Government Securities"

Avery B. Cohan, "Yields on Corporate Debt Directly Placed"

Thomas M. Stanback, Jr., "An Evaluation of the Influence of Liberalized Depreciation and the Investment Credit on Modernization Expenditures in the Textile Industry"

Wilbur G. Lewellen, "Executive Compensation in Large Industrial Corporations"

C. Harry Kahn, "Employee Compensation Under the Income Tax"

Conference Proceedings

"Industrial Composition of Income and Product," Income and Wealth Conference, December 1-2, 1966, at Brookings Institution, Washington, D.C.

"The Size Distribution of Income and Wealth,"

Income and Wealth Conference, March 24–25, 1967, University of Pennsylvania, Philadelphia, Pa.

CONFERENCES ON RESEARCH

Besides the research conducted by its own staff, the National Bureau sponsors two continuing groups that plan and organize research conferences: the Conference on Research in Income and Wealth and the Universities-National Bureau Committee for Economic Research. Economists from universities, government agencies, and other institutions participate in these conferences. They are invited to prepare papers growing out of their own research and to discuss those prepared by others. Conference proceedings volumes recently published or in press are listed in the preceding section.

The activities of the two conference-organizing groups, described below, are supported by a grant from the National Science Foundation as well as by other funds of the National Bureau.

CONFERENCE ON RESEARCH IN INCOME AND WEALTH

The Conference on Research in Income and Wealth presently includes in its membership 127 individuals from universities, government agencies, and research institutions. Its meetings and reports are devoted to conceptual and methodological problems; and economic analysis concerning income, production, consumption, saving, investment, wealth, balance sheets, and related subjects. Members of the Executive Committee of the Conference are Robert Eisner (chairman), Jack Alterman, Donald J. Daly, Evsey D. Domar, Graeme S. Dorrance, Morris R. Goldman, Zvi Griliches, F. Thomas Juster, Irving B. Kravis, Milton Moss, and Mildred E. Courtney (secretary).

The proceedings of the 1965 conference are to be published this spring as Volume 31 in Studies of Income and Wealth, *The Theory and Empirical Analysis of Production*. Murray Brown served as conference editor.

During 1966 two conferences were held. A special meeting devoted to a "Review of the United Nations Proposals to Revise Their System of National Accounts" was convened in June at the Carnegie Center in New York. A report giving the background of the conference and summarizing each of the seven sessions has been prepared by Helen Stone Tice and will appear in the March 1967 issue of *The Review of Income and Wealth*. The regular meeting, the Conference on the Industrial Composition of Income and Product, was held on December 1–2 at the Brookings Institution. The papers presented at this conference are being revised for the proceedings volume.

The Conference on Size Distribution of Income and Wealth, under the chairmanship of Irving B. Kravis, was held at the University of Pennsylvania on March 24–25, 1967. Papers presented were:

- Economic Theory and Size Distribution of Incomes: An Integrative Approach
Melvin W. Reder, Stanford University
- Sources of Income Variability for Male Individuals
Martin H. David, Roger F. Miller, and Richard A. Bauman, University of Wisconsin
- Interacting Data Systems and the Measurement of Income Distribution
Joseph Steinberg, Department of Health, Education and Welfare
- Effect of Number of Families in the Population on the Income Distribution
Dorothy S. Brady and Sonia A. Klein, University of Pennsylvania
- Comparative Size Distribution by Income, by States, 1959
Harry T. Oshima, University of Hawaii, and Mitsuo Ono, Bureau of the Census
- Measuring the Low-Income Population
Lenore A. Epstein, Department of Health, Education and Welfare
- Composition of Income as Shown by the Survey of Financial Characteristics of Consumers
Dorothy S. Projector, Gertrude S. Weiss, and Erling T. Thoresen, Federal Reserve Board
- Trends in the Size Distribution of Wealth in the 19th Century: Some Speculations

Robert E. Gallman, University of North Carolina

A Cohort Analysis of Changes in the Distribution of Wealth

John B. Lansing and John Sonquist, University of Michigan

Secular Equalization and Cyclical Behavior of Income

T. Paul Schultz, Rand Corporation

On October 20–21, 1967 a Conference on Production and Productivity in the Service Industries will be held at the Dominion Bureau of Statistics in Ottawa. Serving on the program committee are Victor R. Fuchs (chairman), Richard A. Easterlin, and John W. Kendrick. The following papers are to be presented:

Measuring Real Output of the Service Industries—OBE Concepts and Methods

Martin L. Marimont, Office of Business Economics

What is Output?—Problems of Definition and Measurement

Arthur Treadway, Northwestern University

Output and Productivity in Health: Theoretical Problems

Melvin W. Reder, Stanford University

Output and Productivity in Banking

Yoram Barzel, University of Washington

On the Pure Effect of Education on Market Productivity

Samuel Bowles, Harvard University

The Service Industries in Canada

David A. Worton, Dominion Bureau of Statistics

The Service Industries in the 19th Century

Robert E. Gallman, University of North Carolina

A Conference on Education and Income has been authorized by the executive committee and tentatively scheduled for the fall of 1968. W. Lee Hansen of the University of Wisconsin has agreed to serve as chairman of the program committee.

UNIVERSITIES-NATIONAL BUREAU COMMITTEE FOR ECONOMIC RESEARCH

The Conference on the Economics of Defense was held on April 15–16, 1966, at the

University of Chicago Center for Continuing Education, with Roland N. McKean, University of California, Los Angeles, as chairman. Evsey Domar, Alain Enthoven, Jack Hirshleifer, G. Warren Nutter, Jerome Rothenberg, Thomas C. Schelling, and James R. Schlesinger were members of the planning committee.

The annual meeting of the Universities-National Bureau Committee for Economic Research was held in conjunction with the Conference on the Economics of Defense on April 15, 1966. The committee approved the admission of three universities to membership: Ohio State, Pittsburgh, and Washington (St. Louis).

The Conference on Agriculture and Economic Development is scheduled for December 1 and 2, 1967, with Karl A. Fox as chairman. Bruce F. Johnston, Max Millikan, William H. Nicholls, and Gustav Ranis are also members of the planning committee. The next annual meeting of the Universities-National Bureau Committee will be held in conjunction with this conference.

Plans for two other conferences are well advanced: a Conference on Public Products (spring 1968), with Julius Margolis as chairman and William Capron, Robert Dorfman, Victor R. Fuchs, Werner Hirsch, and Burton Weisbrod members of the planning committee; and a Conference on Technology and Competition in International Trade (fall 1968), with Raymond Vernon as chairman and Harry Johnson, Hal B. Lary, Edwin Mansfield, and Jacob Schmookler members of the planning committee.

Thirty-five universities offering graduate work in economics and emphasizing research, together with the National Bureau, are represented on the committee. The participating universities and their present representatives are:

Buffalo
California, Berkeley
California, Los Angeles
Carnegie Institute of
Technology
Chicago

Daniel Hamberg
Albert Fishlow
Warren C. Scoville
Michael Lovell
H. Gregg Lewis

Columbia
Cornell
Duke
Harvard
Illinois
Indiana
Iowa State
Johns Hopkins
Massachusetts Institute
of Technology
McGill
Michigan
Minnesota
New School for Social
Research
New York
North Carolina
Northwestern
Ohio State
Pennsylvania
Pittsburgh
Princeton
Queen's
Stanford

Harold Barger
Richard T. Selden
Joseph J. Spengler
John R. Meyer
Marvin Frankel
Robert W. Campbell
Dudley G. Lockett
Edwin S. Mills

M. A. Adelman
Earl F. Beach
Warren L. Smith
Clifford Hildreth

Philip Nelson
Bruno Stein
Henry A. Latané
Richard B. Heflebower
Paul G. Craig
Almarin Phillips
Jacob Cohen
Ansley J. Coale
T. M. Brown
Moses Abramovitz

Texas
Toronto
Vanderbilt
Virginia
Washington (Seattle)
Washington (St. Louis)
Wisconsin
Yale

Walter C. Neale
Donald C. MacGregor
Rendigs Fels
G. Warren Nutter
Yoram Barzel
Hyman P. Minsky
James S. Earley
Richard Ruggles

Other members of the committee elected as members at large are Raymond T. Bowman, G. A. Elliott, Martin R. Gainsbrugh, Burton H. Klein, Walter S. Salant, Herbert Stein, and George J. Stigler; and Geoffrey H. Moore representing the National Bureau of Economic Research.

The members of the Executive Committee are Rendigs Fels (chairman), Carl F. Christ (vice-chairman), James M. Henderson, Michael Lovell, John R. Meyer, Geoffrey H. Moore, and Walter S. Salant. Robert P. Shay is secretary.