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## INTRODUCTION

Since June 1970 twelve reports on research conducted by the staff and three conference volumes have been published. Five research reports, three conference volumes, and three sets of colloquia papers are in press.

Two issues of the *National Bureau Report*, each accompanied by a supplement, have been issued in the past year. The supplements included the following:

*Fiftieth Anniversary Colloquia Addresses*—U.S. Congressman Henry S. Reuss and Commissioner Richard B. Smith, S.E.C. (Supplement to *Report No. 7*)

*Recent Economic Changes and the Agenda of Business-Cycle Research*—Solomon Fabricant (Supplement to *Report No. 8*)

Publications issued since June 1970 and those forthcoming by mid-1972 are listed below.

Joan R. Tron

## PART 4

### Report on New Publications

### REPORTS PUBLISHED SINCE JUNE 1970

*The Design of Economic Accounts*, by Nancy and Richard Ruggles (General Series 89, 1970, xvi + 184 pp., \$8.00).

This volume points out some basic weaknesses in the concepts that underlie traditional income accounting in the United States and other countries. The authors call for substantial revisions in national accounting methods.

The book goes into great detail on technical accounting procedures, but one fundamental theme emerges: The five accounts now kept for the United States simply don't give economists or policymakers enough information on how the economy actually operates. Traditional accounts, for example, blur over differences between the economy's three major sectors—the enterprise or business sector, government, and households. The authors believe three separate sectoral accounts are necessary—both for policy judgments and for further economic research.

The system's other major flaw, according to the study, results in a gross understatement of national investment.

*New Series on Home Mortgage Yields Since 1951*, by Jack M. Guttentag and Morris Beck (General Series 92, 1971, xvi + 357 pp., \$10.00).

Residential mortgages are the single most important capital market instrument, yet the most poorly documented in the area of yields and other terms on which transactions are made. Inadequate time-series data on mortgage yields have been a particular problem to monetary policymakers. Data covering a reasonably long timespan and with a broad geographical basis are needed for time-series analysis. To meet these requirements, Guttentag and Beck obtained samples from four large life insurance companies. The authors describe and analyze the new series they developed. They also deal with technical problems connected with the collection, interpretation, reliability, and usefulness of mortgage yield data. They attempt to explain movements over time in mortgage yields and other contract terms for the 1951-63 period. They briefly consider the structure of mortgage yields and the influence of various yield-determining variables at different points in time.

*Essays on Interest Rates, Volume II*, Jack M. Guttentag, editor (General Series 93, 1971, xxxii + 465 pp., \$15.00).

The eight essays in this volume fall into three broad groups: patterns of interest rate fluctuation on a wide variety of instruments; the selected determinants of

yield or "quality" on risk instruments; and determinants of maturity structure on riskless securities.

Essays by Cagan and Diller examine changes in the cyclical behavior of interest rates relative to fluctuations in general business over a long period. A large part of the Bureau's work on interest rates, including the essays in this volume by Frankena, Fredrikson, and Cohan, is concerned with problems of yield structure. Kessel and Sargent deal with the term structure of interest rates on riskless (government) securities. The core of these essays is what has come to be called the expectations theory of term structure, which states that term structure at a point in time is determined by the market's expectations of future short-term rates.

*The Postwar Quality of State and Local Debt*, by George H. Hempel (General Series 94, 1971, xiv + 176 pp., \$8.00).

This volume is part of the National Bureau's extensive study of the quality of credit. Hempel defines and measures the quality of state and local credit. First he offers a clear explanation of the term "quality" as it is used in the study. He then examines the past payment performance of state and local debt, and the size of significant debt instruments and borrower characteristics in recent years. He identifies those instruments and borrower characteristics which measure the quality of state and local debt, and analyzes changes in these characteristics and in the economic environment.

The study makes major contributions in this area of economic inquiry, not only in the methodology developed by the author, but also in his analyses of the apparent differences in the quality of state and local debt due to variable measuring and rating techniques. Some of the reasons why states and localities are particularly vulnerable in times of economic decline are indicated, and some of the devices necessary to any marked improvement in the quality of their debt are suggested.

*Monetary Statistics of the United States: Estimates, Sources, Methods*, by Milton Friedman and Anna J. Schwartz (Studies in Business Cycles 20, 1970, xx + 629 pp., \$15.00).

This volume, and the authors' earlier work, *A Monetary History of the United States, 1867-1960*, form part of what will eventually be a series of five volumes devoted to the study of the quantity of money in the United States. This book provides a compendium of estimates of the quantity of money, as well as a thorough treatment of the historical background, the sources of data, and the techniques for the construction of estimates of the quantity of money at any given time.

Friedman and Schwartz establish a working definition of money, reviewing every major contribution to the understanding of this question, and critically examining various alternatives. In a historical survey they explore the work that has been done in the field of monetary estimates since the beginning of the Republic, evaluating in the process the basic source data for these early periods available to modern statisticians. The final section of the book contains the authors' estimates of the money stock, together with subsidiary series and breakdowns of deposit estimates.

*The Ownership Income of Management*, by Wilbur G. Lewellen (Fiscal Studies 14, 1971, xvi + 204 pp., \$7.50).

Traditional economic analyses of industrial behavior are founded on the proposition that the managers of an enterprise guide its activities in order to maximize profits. The possibilities that certain other managerial goals may take precedence

in a complex, heavily industrialized society has been raised with increasing frequency in recent years.

In this study Lewellen attempts to uncover the nature, direction, and strength of the measurable monetary factors that enter into the decisions of corporate managers. His empirical evidence indicates that there is no real difference between the pecuniary interests of management and stockholders. He stresses the point that stockholders and management can be considered to share a common economic goal, and that the observably high degree of separation of ownership and management roles in the modern corporation has not been accompanied by a significant separation of their respective self-interests.

Executives' circumstances are examined in three distinct groups of firms: fifty very large manufacturing corporations; fifteen companies engaged in retail trade; and fifteen small manufacturers. The investigation covered the period 1940 to 1963.

*The Responsiveness of Demand Policies to Balance of Payments: Postwar Patterns*, by Michael Michaely (Studies in International Economic Relations 5, 1971, xviii + 229 pp., \$10.00).

A rigorous search for the "rules of the game" applied to international payments problems in recent years leads to a rather negative conclusion: policies to regulate aggregate demand in the major trading countries have been largely inconsistent with the stability requirements of today's international monetary system, which is based on relatively fixed exchange rates. This is the major conclusion emerging from Michaely's analysis of the patterns of domestic economic policy followed by the United States and eight other leading world trade nations.

His study focuses on the movement of major monetary and fiscal policy variables that affect aggregate demand. By observing how these policy instruments respond—or fail to respond—to changes in a nation's balance-of-payments position, the author, a professor at Hebrew University in Jerusalem, attempts to establish patterns of domestic policy conduct in each of the countries studied. With the aid of these individual analyses, the overall pattern of the postwar international system is delineated.

*Price Competitiveness in World Trade*, by Irving B. Kravis and Robert E. Lipsey (Studies in International Economic Relations 6, 1971, xxviii + 740 pp., \$20.00).

Balance-of-payments difficulties experienced by the United States in recent years have frequently been explained by the statement that the United States had "priced itself out of world markets."

Irving Kravis and Robert Lipsey believe this conclusion is often based on indexes derived from foreign trade unit values or domestic wholesale prices, which are seriously defective for this purpose. At times the indexes based on these data give contradictory reports on the extent and even direction of price changes. The authors determined that these indexes cannot be relied upon, particularly during periods of large price movements.

In this volume, Kravis and Lipsey offer a number of specifications for a more effective price index for internationally traded goods. The methods developed were applied to metals and metal products, machinery, and transport equipment traded by the United States, the United Kingdom, countries of the European Economic Community, and Japan.

The authors conclude that it is feasible, by their system, to collect many types of data relevant to the measurement of international price competitiveness that have never been assembled before, to cover a wider range of complex manufactured products, and to avoid the dependence on list prices, which often produces illusions of price stability where prices are, in fact, changing.

*Education, Income, and Human Capital*, W. Lee Hansen, editor (Income and Wealth Conference 35, 1970, x + 320 pp., \$10.00).

These conference papers take stock of our knowledge of a subject of rapidly growing interest—the relationship between education and income, and the role of the human capital approach in illuminating this relationship. This volume attempts to pull together what has been learned and to plot some of the directions that future research on this subject should take. The work itself covers a wide range of fields, among them economic theory, production economics, public finance, labor economics, and development. Through much of this work there are two underlying themes: (1) there are important links between education and productivity—and therefore income; and (2) the role of education can be fruitfully explored when viewed as an income-generating form of human capital. Contributors to the volume include Samuel Bowles, Zvi Griliches, Yoram Ben-Porath, Barry R. Chiswick, Peter B. Kenen, Anthony Scott, Theodore W. Schultz, and W. Lee Hansen.

*The Technology Factor in International Trade*, Raymond Vernon, editor (Universities-National Bureau Conference 22, 1970, x + 493 pp., \$15.00).

For the last two decades, the evolution of international trade theory has been marked by the increasingly important role of technology. Although the importance of this factor has long been recognized, it was not until the advent of large-scale data processing that real progress could be made toward analyzing it. This development, plus the introduction of the Leontief Paradox, brought a torrent of new research which quickly outpaced the few efforts to synthesize it.

This conference volume is the result of the most comprehensive effort made since the breakthrough of the early 1950's to relate theory and evidence in the international trade sector.

*The Analysis of Public Output*, Julius Margolis, editor (Universities-National Bureau Conference 23, 1971, xvi + 409 pp., \$12.50).

The dramatic growth of government and the involvement of economists with the operation of government programs have resulted in the birth of the study of public economics—a branch of public finance.

Papers in this conference volume apply economic analysis to the formulation and implementation of public programs, such as decentralization of government and the correction of postal service inefficiencies, as well as to the solution of such problems as high accident rates due to highway congestion.

Four general categories of public economics are examined: the theory of market failure and public action; distributional aspects of public decisions; intergovernmental fiscal relations; and applications of analysis to specific problems and general approaches.

This publication, the latest in the Universities-National Bureau Conference series, has strong links to the conference volume published a decade ago entitled *Public Finances: Needs, Sources, and Utilization*.

*The Changing Position of Philanthropy in the American Economy*, by Frank G. Dickinson (Occasional Paper 110, 1970, xiv + 222 pp., \$6.00).

In this volume, which presents the follow-up study to his earlier *Philanthropy and Public Policy* (1962), the late Frank G. Dickinson continued his investigation into philanthropy in the American economy, this time during the period 1929-59. An extensive introduction by Solomon Fabricant examines the basic premises on which Dickinson conducted his study, with particular attention to the items comprised in Dickinson's definition of philanthropy, the validity of his estimates, and the soundness of the conclusions based upon them. Fabricant also enlarges

on the motivational aspects and provides an explanation for the significant increase of nearly 300 per cent in dollars of constant purchasing power which Dickinson traced during the period.

*Economic Factors in the Growth of Corporation Giving*, by Ralph L. Nelson (Occasional Paper 111, 1970, xvii + 116 pp., \$6.50).

Changes in corporate attitudes toward giving reflect changes in the role of the business corporation not only as an economic unit but also as a social institution shaped by noneconomic forces. This study examines the growth of corporate giving from the period 1936 through 1964 and measures the separate effects of changes in corporate attitudes and giving behavior, as well as developments of a more strictly economic character. The author pays particular attention to the complex noneconomic role that the corporation—particularly the large corporation—plays in society. The corporation is viewed as a citizen responsible to its several constituencies of employees, shareholders, customers, suppliers, government, and general society.

*A Theoretical Framework for Monetary Analysis*, by Milton Friedman (Occasional Paper 112, 1971, viii + 66 pp., \$3.50).

The general theoretical framework that underlies the series of monographs on money that Milton Friedman and Anna J. Schwartz have been writing is the quantity theory of money. This theory has taken many different forms and traces back to the very beginning of systematic thinking about economic matters. However, the success of the Keynesian revolution led to its rejection by perhaps most professional economists. In this paper, Friedman outlines a simple model of six equations on seven variables that is consistent with both the quantity theory of money and the Keynesian income-expenditure theory. He suggests that the difference between the two theories is in the missing equation. The quantity theory adds an equation stating that real income is determined outside the system, i.e., the assumption of price rigidity. The purpose of the framework is to document the belief that differences among economists concern judgments about empirical regularities rather than theoretical issues.

*Cyclical Analysis of Time Series: Selected Procedures and Computer Programs*, by Gerhard Bry and Charlotte Boschan (Technical Paper 20, 1971, xiv + 216 pp., \$8.00).

This study deals with some programmed approaches to business cycle research as they are used at the NBER. It describes a programmed selection of cyclical turning points in time series, currently under development, as well as the Bureau's standard business cycle analysis and recession-recovery analysis. The analytical approaches are sketched, the statistical measures are described, and the problems typically encountered in the interpretation of these measures are discussed. Illustrative output tables are provided in the appendixes to each chapter. Descriptions of the various computer programs, their scope, available options, and limitations are available on request in the form of mimeographed supplements, which also contain technical instructions and caveats essential for the practical implementation of the programs. The programmed approaches eliminate some of the barriers that, in the past, have restricted the use of the techniques described.

## **PUBLICATIONS FORTHCOMING**

*Measures of Credit Risk and Experience*, Edgar R. Fiedler. General Series 95.

*Econometric Models of Cyclical Behavior*, Bert Hickman, editor. Conference on Research in Income and Wealth 36.

*International Comparisons of Prices and Output*, D. J. Daly, editor. Conference on Research in Income and Wealth 37.

*International Mobility and Movement of Capital*, Fritz Machlup, Walter Salant, Lorie Tarshis, editors. Universities-National Bureau Conference 24.

*The Cyclical Timing of Consumer Credit*, Philip A. Klein. Occasional Paper 113.

*Measuring International Capital Movements*, Walther P. Michael. Occasional Paper 114.

*Business Loan Costs and Bank Market Structure: An Empirical Estimate of Their Relations*, Donald P. Jacobs. Occasional Paper 115.

*Orders, Production, and Investment* (with Special Reference to their Cyclical Behavior), Victor Zarnowitz. Studies in Business Cycles.

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