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INTRODUCTION

THE NATIONAL BUREAU'S FORTY-SECOND YEAR

At this time, it is the responsibility of the Directors of Research to report to the National Bureau's Board of Directors on studies completed, note the work done in studies under way, and set forth the objectives of studies begun; and to give similar information on the conferences on research in which the Bureau is involved. The responsibility is not only to give full information on the Bureau's work but also—as important—to assure the Board, and the public we serve, that the Bureau's work is proceeding in accordance with its guiding principles.

It is well to recall these principles, as we begin our review.

The National Bureau was organized, forty-two years ago, to determine the facts bearing upon major economic problems. The Bureau makes every effort to determine these facts objectively, and to interpret them impartially. The Bureau cannot deal with all significant economic problems; it therefore concentrates on topics of national importance, and, among topics of national importance, selects for study those that appear susceptible of scientific treatment. Further, the Bureau avoids recommendations on public policy, but it does not avoid objective analysis of policy. Finally, the Bureau does its work under such auspices and with such safeguards as shall make its findings carry conviction to thoughtful men, however divergent their views on public policy. Thus we aim to contribute objective knowledge, as distinguished from subjective opinion, to discussions of public issues of national importance.

These are the principles on which we stand.

NOTE: This report was presented at the annual meeting of the Board of Directors of the National Bureau held in New York City, February 26, 1962.

The Board will want to keep these principles in mind as it follows the review of the year's work. For the Board must ask itself whether, in fact, the staff of the National Bureau is devoting its attention to topics of national importance that are susceptible to scientific treatment, and whether the work is being done objectively and the results interpreted and presented impartially.

Since the beginning of 1961, the National Bureau has published twenty-one studies; five are in press or on the way to press; and nine are soon to be submitted to the Board for approval. These are listed on pages 29 through 32 of Part II. Noted in Part III are the various studies on which work is proceeding. The new studies begun are listed on pages 27 through 28 of Part II.

Do these studies deal with topics of national importance? In considering this question, the Board will want to examine the subjects of the studies. These are classified, under the headings used in Part III, as studies of Economic Growth; of National Income, Consumption, and Capital Formation; of Business Cycles; of Financial Institutions and Processes; and of International Economic Relations. Are the studies devoted directly to the analysis of important economic policies, existing or proposed? Or, if not immediately focused on policy, are they studies of economic behavior, knowledge of which is vital in assessing the trend of events or the consequences of change in economic conditions or institutions? Or are these studies aimed at developing or significantly improving the basic economic data that are needed for dealing with the country's major economic problems? In other words, do the studies bear, directly or indirectly, and in any case significantly, on the major public issues

of economic growth, stability of employment and price levels, distribution of income and wealth, and the balance of payments? The Board may wish to consider, in this connection, the uses made of the Bureau's results—as indicated, for example, by recent requests from congressional committees and federal executive departments for the results, before and after publication, of our studies of productivity, prices, inventories, money supply, finance, and the balance of payments.

Another question: Are the topics with which we are dealing and propose to deal susceptible of scientific treatment? Consider, for example, the new major study of taxation and economic growth. Here we enter a field that is surely of national importance, and as surely swept by a multitude of diverse and strong opinions. Of the many questions that can be examined here, is the staff selecting for study those that are important, and also those on which it is reasonable to expect that objective knowledge, as distinguished from subjective opinion, can be attained?

Still another question: Is the staff proceeding scientifically and with due safeguards to insure objectivity and impartiality? Let me mention, as an illustration, how we did proceed in the study of price changes and net worth, part of the manuscript, "Studies in the National Balance Sheet of the United States," which is now in the hands of the Board for approval. Knowing of the extensive work on the national balance sheet that the National Bureau has been engaged in for some time, the Joint Economic Committee requested two years ago that we use our data to show the varying effects of price changes on the net worth of different groups in the economy. With much of the required data already assembled, the staff was able to put together

very quickly an interesting and substantial report on the question posed. It is very likely that the draft report could have been published, as it stood at the time, in the Joint Economic Committee's series of study papers on "Employment, Growth, and Price Levels." But, as is our custom, the manuscript was read by various members of the Bureau's staff. During our discussions it became clear that a number of important analytical questions still needed to be dealt with, and that certain interesting results could be checked—and accepted or rejected—by study of information not available when the original draft had been prepared. The staff agreed that the time required for these tasks would be worthwhile, even if the report could not meet the deadline for inclusion in the Joint Economic Committee series. As I have stated, the report is now awaiting approval by the Board—the final "safeguard." The staff believes the study meets scientific standards. It will know that the Board agrees when publication is approved.

Since my remarks are intended simply to introduce the reports that follow, I will stop here. The Board was kind enough to offer me sabbatical relief from some of my administrative duties this year, and Geoffrey Moore has been willing and able to make it possible for me to take advantage of the opportunity. It is Mr. Moore, therefore, who has been in charge of this year's report on the National Bureau's activities. In his essay on "Tested Knowledge of Business Cycles," which follows, he takes the time to describe in some detail an important segment of our research. I believe the Board and the public will find in his story what it means to do scientific research in economics.

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