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organizations on price control problems. During 1942 such a committee functioned in an advisory capacity to the Bureau of Labor Statistics in its very extensive and useful compilation of new price indices.

E. S. MASON
Chairman

Financial Research Program

The work of the Financial Research Program during 1942 has been primarily concerned with two groups of studies, one dealing with the effect of war on banking and one with the effect of war on business financial structure. The purpose of both is to determine the changing function of banks and other financial institutions in the economy, by observing wartime developments and comparing them with similar developments during World War I. If the changing functions of banks and other financial institutions in these difficult times are better understood by the financial community, by public officials, and by the public at large, the solution of post-war problems should be more speedily and effectively worked out.

In the first group of studies C. R. Whittlesey (University of Pennsylvania) has analyzed the ways in which the banking system facilitates Treasury financing and what banking problems result, and is now trying to determine how war financing affects the growth and stability of bank deposits, and the rise of monetary circulation. His first study, *War Financing and the Banking System*, appeared in February as the first of the National Bureau series *Our Economy in War*. Anna Youngman of the editorial staff of the *Washington Post* is examining how war finance affects the functioning of our central banks and alters their problem and methods of credit control. W. Braddock Hickman (Financial Research Staff) is dealing with the determinants of the interest rate structure in war and in peace, and the effect on the financial system of wartime freezing of interest rates. Benjamin H. Higgins (McGill University) is analyzing the lessons of Canadian and British war financing experience with special reference to their application to American problems. Other studies in this group deal with effects of war on bank lending and investment policies, with effects of wartime banking expansion on bank liquidity and solvency, and with the

behavior of bank deposits and currency in Canada and Great Britain. This group of studies was made possible by grants from the Association of Reserve City Bankers and the Rockefeller Foundation.

In the second group Ralph A. Young (University of Pennsylvania) and Charles H. Schmidt (Financial Research Staff) are studying how the World War I expansion affected business debt and its composition, in relation to the expansion of business assets. Mr. Schmidt is to deal with the effects of World War II on business assets and liabilities. These two studies are supported by a special grant from the Carnegie Corporation. R. V. Rosa and M. C. Urquhart (both of the Massachusetts Institute of Technology) are examining the data on financing small and medium-sized companies by means of intermediate-term credits, with special reference to the applicability of this experience to postwar financing of business enterprise. This exploratory study, a cooperative undertaking of the finance group at the Massachusetts Institute of Technology and the National Bureau's Financial Research Program, is supported from the general funds of the Financial Research Program.

R. J. Saulnier (Barnard College, Columbia University) has prepared a report surveying problems of international economic reconstruction for the International Labour Office. As a result of this work, he has undertaken a special study of plans for reviving private international investment after the war. This work is in line with the recommendation made last year by the Committee on Research in Finance that the Central Research Staff explore the problems of private international investment after the war.

While the primary work of the Financial Research Staff has been given to wartime financial problems, we have also carried forward several studies previously begun. Although some staff associates have joined the armed services and government war agencies, considerable progress has been made toward completing and publishing these studies.

STUDIES IN BUSINESS FINANCING

Of the first group of studies in this series, under the general title, Changes in the Financing of Business Enterprise, 1900-1940, two technical studies have been published: *Financing Small Corporations in Five Manufacturing Industries, 1926-36*, by Charles L. Merwin, and *Financial Requirements of Department Stores*, by

Pearson Hunt and Albert R. Koch. *The Financing of Large Corporations, 1920-39*, by A. R. Koch, is in press, and *The Financial Structure of Incorporated Business: A Cross-Section View, 1937*, by Walter A. Chudson, is being revised. A general study of changes in the financial structure of American business enterprise, by Sidney S. Alexander, has been completed and will be circulated for criticism this spring.

The second group of studies in the series, representing the collaborative work of Neil H. Jacoby (University of Chicago) and Raymond J. Saulnier, is concerned with contemporary relations between business enterprise and financial institutions. The technical studies in this group, which have all been completed, include: *Term Lending to Business*, *Accounts Receivable Financing*, *Inventory Financing on Field Warehouse Receipts*, and *Instalment Financing of Income-Producing Equipment*. The first two have been published, the third is in circulation for criticism, and the fourth is in press. The collaborators have also laid plans for a general interpretation of changes in the business financing functions of commercial banks since the turn of the century.

INVESTMENT CREDIT

As an outgrowth of the Corporate Bond Project, the Central Research Staff has begun a new series of studies in the field of investment credit. Two have been prepared with the cooperation of the Economics Staff of the Institute for Advanced Study. The first, David Durand's estimates of basic yields on corporate bonds by maturities, 1900-42, was published as *Technical Paper 3*. The second, by W. Braddock Hickman, is an exploratory analysis of the determinants of the term structure of interest rates, with the object of outlining needs for further research on interest rates. Mr. Hickman's proposals have been circulated for criticism and will soon be reviewed by the Committee on Research in Finance.

Additional studies in the area of investment credit have been under consideration for some time, but the Central Research Staff has not yet proposed a specific program to the Committee on Research in Finance. Further work in this field may be postponed until after the war.

CONSUMER INSTALMENT FINANCING

Two studies remain unpublished in this series. *Comparative Oper-*

ating Experience of Consumer Instalment Financing Agencies and Commercial Banks, 1929-1941, by Ernst A. Dauer of the research staff of the Federal Deposit Insurance Corporation, has now been extensively revised, and we hope will be published in late spring. A preliminary draft of *The Business of Consumer Instalment Financing* was completed a year ago, but the Central Research Staff has decided that its final revision should be postponed until after the war, when publication would be especially timely.

CORPORATE BOND PROJECT

The records and files of the Corporate Bond Project, transferred to Hillside at the end of 1941, have now been put in order for future use. Much progress was made during the year in completing the several technical memoranda prepared by the supervisory staff to describe the methods used in compiling data under the Project, and it is hoped that all the explanatory memoranda will be completed this year. These memoranda will be mimeographed and distributed with the volumes of primary and summary tabulations, *Corporate Bond Statistics, 1900-38*, which were prepared by the National Bureau in cooperation with the WPA and other federal agencies. Copies of these volumes and memoranda are to be deposited with each public and private agency cooperating in the Project, and also with the libraries of leading universities.

RALPH A. YOUNG

Conference on Research in Fiscal Policy

Volume I of the Fiscal Policy Series, *Fiscal Planning for Total War*, was published in September. The Relation between Taxable Income and Income as defined for Business Purposes will probably be ready for publication by the middle of the year. A study of Capital Gains Taxation, concerning which friends of the Conference in the Treasury had expressed a special interest, has been laid out by M. Slade Kendrick and Lawrence H. Seltzer as the next major job. They will be two of the three-man Directing Committee in charge, authorized to choose their staff and prepare the report, subject to the usual supervision by the Conference.

The unforeseen delays in the completion of the taxable income project are entirely chargeable to loss of personnel and inability to replace them. Of the three members of the Directing Committee,