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INTEREST RATES

A PROGRESS REPORT

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A PROGRESS REPORT

by Joseph W. Conard



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This report is one of a series emerging from an investigation of interest rates made possible by a grant to the National Bureau from the Life Insurance Association of America. The Association is not, however, responsible for any of the statements made or views expressed.

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* W. A. Clarke was a member of the Committee until his death on February 8, 1965.

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Preface

This brief review of the work done thus far on the National Bureau's interest rate project is presented now, even though it is too early to obtain more than a limited view of the findings of the study as a whole. We do this in the hope that many will find it useful to know what is going on here even in midstream, and because as we look ahead we see no time when there will not be, as now, a number of studies which will reveal much more if we "just wait a few more weeks" for publication. As will become clear, a large part of our effort has been invested in obtaining basic data from which findings are only beginning to emerge.

The space devoted to various topics in the following summary is no indication of the importance of the studies involved or of the prospective size of underlying studies upon completion. It reflects rather the extent to which studies have reached the point of providing substantive findings. Where data-gathering was minimal, progress toward conclusions was naturally most rapid.

One feels almost like a plagiarist claiming authorship of a report which is so largely the work of others as is this one. In some instances even the wording of this summary is borrowed from reports or correspondence of the scholars whose work it reviews. In any event it is obvious that the underlying research on which this summary rests is largely that of others. We have all worked together in plans and criticism, though the extent of collaboration varies widely from one project to another.

Since those who undertook the responsibility for specific research projects are named in the body of the report, I shall not further identify them here, but many others deserve mention as well. The project owes its existence to the generosity of the Life Insurance Association of America. But we owe a debt of gratitude for much beyond money to that group. James J. O'Leary, director of research for the Association, has given invaluable help in many ways. George T. Conklin, the chairman of its Investment Research Committee when the project was undertaken, gave essential advice at many points in its development.

Subsequent chairmen of that committee and others of its members have given helpful counsel in the several meetings we have had with them. As indicated later, both the mortgage market study and the study of direct placements would have been impossible without the generous cooperation of nearly thirty large insurance companies in providing data at the expense of considerable effort.

Throughout the interest rate project we have been aided by an Advisory Committee under the chairmanship of W. Braddock Hickman, Federal Reserve Bank of Cleveland. The members of this committee are identified on an earlier page. Many have given help well beyond the implications of committee membership, but Sidney Homer has aided us so profoundly and so continuously that special mention of his assistance is a necessary pleasure. Daniel Brill has also been especially helpful, not only by providing his own criticism of our earlier draft, but also by obtaining for us the comments of specialists on the research staff at the Board of Governors.

We are indebted, also, to William H. White of the International Monetary Fund, who read the preliminary draft with detailed care and made numerous useful suggestions.

As in every National Bureau project, we owe thanks to staff members who have read and criticized one part or another of the reports on which this summary is based, as well as the summary itself. Particular thanks go to Jacob Mincer for his valuable suggestions on statistical procedure and inferences, and to Geoffrey H. Moore for his careful reading and criticism of every document. We are grateful, also, to the many secretaries and research assistants who often bear the brunt of the labor in efforts of this kind. The manuscript was edited by James F. McRee, Jr., and the charts drawn by H. Irving Forman.

My own work in planning and evaluating the project was fully shared by William H. Brown, Jr., my colleague at Swarthmore College, whose office I have probably invaded an average of once a day for the full time of the project.

JOSEPH W. CONARD

NOTE: Joseph W. Conard died on April 5, 1965. He had virtually completed the present draft of this report some weeks before, when he left it in my care. Apart from a few minor changes, it is presented here in the form in which he finished it.

In preparing the report for publication I have had the assistance of Jack Guttentag, the late William H. Brown, Jr., Stanley Diller, Anna J. Schwartz, and other colleagues. We are indebted, also, to Victor B. Gerard, R. G. Davis, Albert J. Hettinger, R. A. Gordon, Boris Shishkin, and Murray Shields for their reading of the manuscript.

GEOFFREY H. MOORE