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1 The Conference on Research in Income and Wealth: The Early Years

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Since its formation in 1936, the Conference on Research in Income and Wealth has been an important force in the development of the national income field. In terms of the topics discussed and the people participating, the conference has changed as the field itself has changed. Yet, over the years, the papers and discussions presented at the conference and published in the volumes of the Studies in Income and Wealth series are evidence of a remarkable vigor.

The formation of the conference, which for several years had “national” in its title as a modifier of income and wealth, was responsive to the institutional needs of the National Bureau of Economic Research and the stage of development of the national income field. Simon Kuznets recounts that the need for a more systematic relation between the National Bureau and the universities was perceived. The Bureau, by its charter, was never attached to any particular university, yet it was obvious that it was supplying material for academic investigation (Kuznets 1969). In 1935 the National Bureau invited the economics departments of six universities to join with it in developing a program of cooperative research. The outgrowth was the formation of a Universities–National Bureau Committee to consider plans and procedures. This committee selected two fields that it believed could be cultivated through cooperation of numerous agencies and in which the National Bureau had special competence. Two conferences—one on research in national income and wealth, the other on price research—were organized.

A Conference on National Income and Wealth was called in January 1936, and it became a permanent body on its own initiative. At the time there were representatives from the economics departments of six universities (Chicago, Columbia, Harvard, Minnesota, Pennsylvania, and Wisconsin); the U.S. De-

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partments of Commerce (Bureau of Foreign and Domestic Commerce), Agriculture, Treasury, and Labor (Bureau of Labor Statistics); the National Resources Committee; the Board of Governors of the Federal Reserve System; the Central Statistical Board; the National Industrial Conference Board; Dun and Bradstreet; and the National Bureau of Economic Research.¹ The purposes of the conference were:

1. to exchange information among the various organizations and individuals carrying on or planning studies in the field, in order to prevent overlapping, to establish conditions for more intelligent division of work, and to facilitate cooperative activity;
2. to agree upon the most appropriate concepts, terminology, and methods of exposition;
3. to work out plans for research, calling attention to the particular segments of the field that demand more primary data or more analytical study;
4. to stimulate cooperative research in the field by initiating and sponsoring cooperative studies, and by using the facilities of the conference to assist in their prosecution (NBER 1937, xvii).

An executive committee was formed to plan conference meetings and carry out other administrative tasks. Simon Kuznets was the first chairman, and Milton Friedman was the first secretary. Topics were put on the program either because people already had projects underway or, in some cases, by assignment. Kuznets tried to plan the meetings about two years in advance, in the hope that the conference might precipitate completion of statistical work or some special application. It was also possible to adjust the agenda to accommodate a subject that members were anxious to discuss (Kuznets 1969).

The procedures for the early conference meetings established a tradition. Generally papers were circulated in advance; only summaries of the papers were presented at the actual meetings. Assigned discussants made comments, and remarks were received from the floor. Subsequent to the meeting, written comments could be submitted to the author, who had the opportunity to revise his paper. When the proceedings were published, as they usually were, these comments were also included.

Economic events were partly responsible for the keen interest in the subject of national income. Because the subject matter up to that time had been cultivated by people who had broken new ground, differences in approach, terminology, and rankings or priorities were not uncommon. The conference successfully combined people with academic and government affiliations and was thus able to cover a broad spectrum of topics.

The constructive force of the conference was especially felt in two areas

1. Shortly thereafter, representatives of the Census Bureau, the Brookings Institution, the Federal Deposit Insurance Corporation, the American Statistical Association, and the University of Cincinnati joined the conference.

during the early years. The first was terminology and concepts. Carl S. Shoup later commented: "The development of a common technical vocabulary has been one of the major achievements of the Conference" (Shoup 1948, 290). In accordance with the instructions of the conference, the Executive Committee in 1936 set up a committee on concepts and terminology, consisting of Morris A. Copeland, as chairman, Winfield W. Riefler, and Simon Kuznets. The task of the committee was "to prepare a report containing a clear exposition of the various terms, with the object of bringing about a better understanding of their significance and application and thereby helping to promote a greater uniformity of usage" (NBER 1936, 16).

The January 1937 meeting of the conference had before it several reports initiated by this committee. The papers included Morris A. Copeland's "Concepts of National Income," Solomon Fabricant's "On the Treatment of Corporate Savings in the Measurement of National Income," and Simon Kuznets's "Changing Inventory Valuations and Their Effect on Business Savings and on National Income Produced" (NBER 1937).

One of the terminological issues dealt with in these papers and in lengthy discussion at the meeting was the designation of the main income aggregate. In particular, conference participants debated the advisability of retaining the designations "national income produced" and "national income paid out" that had been used in *National Income, 1929-32* (U.S. Congress 1934). In that document, prepared under Simon Kuznets's direction by the U.S. Department of Commerce with the cooperation of the National Bureau, "national income produced" was used to refer to the net product of the national economy. The total of compensation in money or in kind for efforts in producing the net product was called "national income paid out." In general terms, the difference between national income produced and national income paid out is that the former includes saving by business establishments, but the latter does not. Kuznets later reported:

It was concluded that the use of the two terms . . . as equally important concepts created confusion and led to misinterpretations; that the term "national income" should be reserved for the magnitude formerly called "national income produced" as being the most inclusive category and most consonant with the national income concept in economic writings; and that the magnitude formerly called "national income paid out," being a subdivision of national income, would be best described by a specific term." (Kuznets 1937, 4)

Kuznets, in his work for the National Bureau, immediately made the terminological change, calling his former "national income paid out" by the new name "aggregate income payments to individuals." In November 1938, when "Income in the United States, 1929-37" was released, the Department of Commerce still used the earlier designations. However, in defining "national income produced," it was parenthetically added that it "might better be termed

merely the 'national income' because it is the most inclusive concept" (U.S. Department of Commerce 1938, 3). By June 1939, Robert Nathan's by-then annual article in the *Survey of Current Business* featured "national income" as the most inclusive concept (Nathan 1939). For a short while, "national income paid out" was called "income paid out," without "national" as a modifier, and then "total shares transferred by business enterprises." It was discontinued when "income payments to individuals," a forerunner of present-day "personal income," proved more useful as a measure of distributed income.

To be sure, agreement such as this was not reached in all cases. However, by 1939, when the third volume of the *Studies in Income and Wealth* series was published, the preface described the following accomplishments in dealing with conceptual and terminological issues:

But they [the first two volumes] have served the function of laying bare the nature of and reasons for the divergencies, of setting forth the border areas where disagreement is sharp, and of making explicit the assumptions concerning them. We can now formulate, as we could not so clearly before, three major questions about the constitution and measurement of national income on which there is a fundamental division of opinion: first, whether capital gains and losses should be included in the income total; second, whether the net value product of illegal enterprises should be included in the income total; and third, how the services rendered by government should be valued. (NBER 1939, viii)

The preface of the third volume further noted that, while the papers of the first two volumes were devoted primarily to issues related to total national income and wealth, every paper of the third volume dealt with the division of a national total into meaningful constituents. In the third volume, three papers, by C. L. Merwin, Jr., Charles Stewart, and Enid Baird and Selma Fine, dealt with the division of the total among groups classified by size of income or of wealth holdings; a paper by R. W. Goldsmith dealt with the portion of income that is saved; a paper by Clark Warburton dealt with allocations among kinds of goods and services; and papers by R. R. Nathan and P. H. Wueller dealt with allocations of income by state.

The first *Studies in Income and Wealth* volumes were the proceedings from three consecutive annual meetings of the conference—in 1937, 1938, and 1939. Thereafter, the one-to-one correspondence between volumes and meetings did not hold for several years. The 1940 meeting of the conference was devoted primarily to discussion that seemed to be of "insufficient general interest to warrant publication" (NBER 1941, 1). The papers for the 1941 meeting centered around two themes—the uses of income estimates and the relation between the defense effort and national income. The first group included papers by Oscar C. Altman and Thomas C. Blaisdell, Jr., on uses of income estimates in measuring consumer welfare, planning public works, and analyzing fiscal and monetary policy; Eleanor L. Dulles on uses by the Social Security Board; Wroe Anderson on uses for market analysis; Louis H. Bean on uses in agricultural research and policy; and John C. Driver on use in estimat-

ing Federal tax revenues. The second group included papers by Gardner C. Means, Gerhard Colm, W. L. Crum, and Rollin F. Bennett. These papers, too, were not published, because it was recognized “that interest in the subject matter of some of the papers was restricted, and that some of the others were primarily of temporary . . . concern” (NBER 1941, 1). The fourth volume did not present the proceedings of a meeting; instead it represented the conference’s efforts to stimulate and sponsor studies in the field of income and wealth measurement. As described in the foreword, in publishing *Outlay and Income in the United States, 1921–1938* by Harold Barger, the conference saw its role as “making available a stimulating and useful study . . . without endorsing the author’s method in detail or underwriting his results” (Barger 1942, ix, x).

In the meantime, work on the second area in which the conference was an especially constructive force in the early years—preparation of distributions of income by size—was coming to fruition. The absence of data and studies on size distributions among consumer units, particularly on a consistent basis over time and by region, was generally seen as the biggest gap in the income field. The conference tried to remedy the situation in at least four ways.

First, Merwin’s paper in the third volume of *Studies in Income and Wealth* reviewed the already-published distributions of income and wealth by size, concluding with some discussion of why they had been relatively inadequate. Second, advisory work in connection with the plans of the 1940 census led to the inclusion of income questions on the population schedule. Third, in 1938 the conference had initiated the preparation of a handbook of the more important recent studies of the distribution of personal income by size. A committee consisting of Milton Friedman, as chairman, Dorothy Brady, Clark Warburton, and C. Lowell Harris carried out the work, which resulted in the fifth volume of *Studies in Income and Wealth* (NBER 1943). The first part of that volume opened with a chapter on “The Why and How of Distributions of Income by Size” by Simon Kuznets. It then provided, as the work of the committee, a summary of the 16 most important U.S. studies on the distribution of income and a set of recommendations for the coordination of future research. Part 2 to volume 5 (mimeographed) presented the studies that were summarized in part 1. Fourth, close contact was also maintained with three state studies—for Wisconsin, Delaware, and Minnesota—of distribution of income by size in local areas (Kuznets 1940).

The conference’s activities through its tenth anniversary in 1946 led to six more volumes of *Studies in Income and Wealth*. Two volumes—*Changes in Income Distribution during the Great Depression* by Horst Mendershausen and *Analysis of Wisconsin Income* by Frank A. Hanna, Joseph A. Pechman, and Sidney M. Lerner—were the further results of the conference’s continuing support of work on size distributions. The four others—presenting the proceedings from the meetings in 1942, 1944, 1945, and 1946—reflected, as would be expected, strong interest in the problems of the war and postwar adjustment. However, they show a broadening scope. For example, they in-

cluded papers on labor-force data, forecasting, and international comparisons and standardization of methods. With regard to the last, Edward F. Denison's report in the tenth volume, on the 1944 meeting of representatives of the estimating agencies of the United Kingdom, Canada, and the United States, is of particular interest. This meeting had been set up to discuss mutual conceptual and methodological problems and, to the extent possible, to bring about uniform terminology and treatments.

By the mid-1940s, Richard Stone, in referring economists and statisticians to work in the field, could say that the conference's publications "provide a mine of information on many topics, theoretical and practical" (Stone 1947, 96). This evaluation, coming from a contemporary who was already recognized as a world leader in the field, suggests the breadth and pervasiveness of the conference's influence during these early years.

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