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*Retrospect
and Prospect
1920-1936*

BY THE DIRECTOR OF RESEARCH

NATIONAL BUREAU OF ECONOMIC RESEARCH

1819 BROADWAY

NEW YORK

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SALVE

VALETE

LIST OF PUBLICATIONS

National Bureau of Economic Research, Inc.
Its Purposes, Organization, Work and Plans

NINETEEN HUNDRED AND THIRTY-FIVE was the sixteenth year of the National Bureau's life. The details of what we have accomplished with the resources entrusted to us have been set forth in successive annual reports. This year it seems wise to review our past as a whole and to consider what our future should be. Every organization that serves a public interest should examine itself critically from time to time, facing the questions whether it has valid reasons for continuing to exist and if so how it can improve its performance.

What were the purposes for which the National Bureau was founded and how has it served them? Do these purposes still seem as important as they were in 1920?

How has the peculiar organization of the National Bureau worked in practice?

What have been the sources of the National Bureau's funds, the size of its budgets, the character of its expenditures, and the results of its efforts?

What contributions has the National Bureau made to economic knowledge? What has been its influence upon economic research? What value have its findings? What standing has it attained in its field?

If the record indicates the fitness of the National Bureau to survive, what changes, if any, does its experience suggest that it should make in its objectives, in the scope or organization of its research, and in its administrative set-up?

I. Purposes

ARTICLE I of the Charter granted to the National Bureau by the State of New York on January 23, 1920 reads:

The particular objects for which the corporation is formed are to encourage, in the broadest and most liberal manner, investigation, research and discovery, and the application of knowledge to the well-being of mankind; and in particular to conduct, or assist in the making of exact and impartial investigations in the field of economic, social and industrial science, and to this end to cooperate with Governments, universities, learned societies, and individuals.

II. Organization

To conduct economic research effectively on a factual basis men must be found who have both high native ability and appropriate technical training. They must have at their disposal an adequately equipped statistical laboratory and a force of compilers, computers and clerks skilled in the handling of many types of materials. The National Bureau has maintained a staff of this character, varying in size and personnel with the investigations undertaken. It has succeeded in attracting investigators of established reputation and in selecting and training younger men whose development has justified their choice.

In these days of conflicting economic opinions and skillful propaganda, the interests of economic knowledge can best be served by the presentation and analysis of data, objectively collected and interpreted. Unless some guarantee of impartiality can be given, results will be viewed with distrust by many. Keenly impressed by this justifiably sceptical attitude of the public, and aware of their personal susceptibilities to bias, the founders of the National Bureau devised a provision which has given it a reputation for impartiality that is one of its most cherished possessions.

The by-laws require that the directors be chosen to provide a balanced representation of the different viewpoints from which significant groups within the country survey its economic and social problems. They require further that every director shall have the opportunity to criticize all findings by the staff prior to publication and to publish dissenting opinions if he so desires, though he be in a minority of one. The feasibility of this provision was doubted by some of the National Bureau's organizers who feared that the publication of dissenting footnotes might discredit the reports in the eyes

of the public. Experience has shown that these fears were groundless. The National Bureau's candor has commanded the public confidence. Knowing that every report is submitted in advance of publication to criticism by bankers and socialists, manufacturers and labor leaders, engineers and economists, men of opposing political parties and social philosophies, readers have used the results of our studies with the assurance that they are reliable within the varying margins of error fixed by the underlying data, to which attention is scrupulously called.

Besides facilitating the acceptance of the National Bureau's findings and so extending their practical usefulness, the provisions in question add materially to their scientific value. The widely and variously experienced men of affairs together with the economists from six great universities who make up the Board of Directors constitute an admirable body of reviewers whose judgment and knowledge are available to the staff throughout the various stages of their researches. Prior to the final review by the directors, every manuscript is critically examined by all members of the staff.

The maintenance of the policy which has established the National Bureau's reputation is secured by the by-laws concerning the election of directors. Every nominee of the universities, scientific societies, financial, industrial, agricultural, commercial and labor organizations represented upon the Board

shall be certified in the belief of the appointing body to be a person of scientific and judicial habit of thought, possessing knowledge and experience qualifying him to assist in the direction of exact and impartial investigations within the scope of the corporation's activities.

No nominee becomes a director until he has been elected by the Board. Directors at large, of whom at the moment there are eight, are nominated as well as elected by the directors. Thus the choice of new members of the Board must be ratified by men who have proven their faithfulness to the National Bureau's ideals.

III. A Review of Sixteen Years

1. FIELDS IN WHICH THE NATIONAL BUREAU HAS WORKED

ALL but three of the National Bureau's publications have been studies of economic change. One group of reports starts with certain *factors* in economic life and describes their fluctuations through time. A second group starts with significant *periods* and shows how numerous economic factors have fluctuated during them. A third group of reports starts with *types of fluctuation* and traces the patterns they have followed in different economic activities, periods and countries. Thus the publications issued and those in an advanced stage of preparation can be arranged under the headings (1) Changes in Economic Factors; (2) Changes During Significant Periods; (3) Types of Economic Fluctuation.

CHANGES IN ECONOMIC FACTORS

Income

Income in the U. S., I (1921), II (1922)

The National Income and Its Purchasing Power (1930)

National Income, 1919-1934 (in preparation)

History of Income Estimates in Various Countries (in preparation)

Income from Professional Practice (in preparation)

Labor Market

Employment, Hours and Earnings, (1923)

Growth of American Trade Unions (1924)

Mechanization in Industry (1934)

Ebb and Flow in Trade Unionism (in preparation)

Migration

Migration and Business Cycles (1926)

International Migrations, I (1929), II (1931)

Profits

Industrial Profits in the U. S.
(1934)

*Corporate Profits as Shown by
Audit Reports* (1935)

Philanthropy

Trends in Philanthropy (1928)

*Corporation Contributions to
Welfare Services* (1930)

Purchase of Medical Care
(1932)

Prices

The Behavior of Prices (1927)

*The Price Structure in Recession
and Recovery* (in preparation)

Capital

*Planning and Control of Public
Works* (1930)

*Public Works in Prosperity
and Depression* (1935)

*Durable Goods and Capital
Formation* (in preparation)

*Real Estate Financing and
Economic Stability* (in preparation)

Capital Consumption (in
preparation)

*Bond Yields, Interest Rates
and Security Prices* (in press)

CHANGES DURING SIGNIFICANT PERIODS

Recent Economic Changes, 2
vols. (1929)

*Economic Tendencies in the U.
S.* (1932)

TYPES OF ECONOMIC FLUCTUATION

Business Cycles and Unemployment
(1923)

Business Annals (1926)

*Business Cycles: The Problem
and Its Setting* (1927)

*Strategic Factors in Business
Cycles* (1934)

*German Business Cycles, 1924-
1933* (1934)

*Business Cycles: Analysis of Cy-
clical Behavior* (in preparation)

Agriculture and Business Cycles
(in preparation)

*Seasonal Variations in Industry
and Trade* (1933)

*Production Trends in the U. S.
since 1870* (1934)

The three publications that do not fit neatly into this scheme are two studies of the geographical distribution of personal incomes:

Distribution of Income by States in 1919 (1922);

Income in the Various States, 1919-1921 (1925);

and one contribution to statistical technique:

The Smoothing of Time Series (1931).

Few of our volumes can be called tracts for the times. They aim at a broader significance and a more lasting usefulness than is attained by studies of current issues. Nevertheless they have immediate practical value as is shown by the wide use made of the National Bureau's findings by judges, legislators and administrative officials, business executives and labor leaders, thoughtful journalists and realistic economists. Their scientific value is objectively established by their citation in almost all serious books, both foreign and American, that appear nowadays upon subjects that we have studied. We seem justified in believing that the policy of putting most of our energy into the laborious task of determining as accurately as possible the relative importance, the interrelationships and the behavior of fundamental economic processes is bearing the fruits we hoped for and winning a gratifying recognition. A hasty survey of problems that catch the attention of the public for brief periods would bring us more transient publicity; it would not be so useful to public welfare in the long run, or promote so effectively the aims set forth in the National Bureau's charter. Research of the sort we do is slow and costly; but its results are cumulative and enduring.

2. COOPERATION WITH OTHER RESEARCH AGENCIES

From its inception the National Bureau has pursued a policy of active cooperation with research organizations and individual workers in its field. This cooperation has assumed several forms.

a. Other organizations have requested the National Bureau to make or to aid in making investigations. Thus a subcommittee of President Harding's Conference on Unemployment requested us to make the report on *Business Cycles and Unemployment* that was published in 1923. The Committee on Recent Economic Changes, for which we made a two-volume report in 1929, was an outgrowth of President Harding's Conference and was presided over for a time by Mr. Hoover. This

collaboration illustrates one feature of our policy which is sometimes misunderstood. The National Bureau makes no recommendations concerning public policy, except in matters touching the technical improvement of statistics. Thus the Committee on Recent Economic Changes took full responsibility for the numerous recommendations which it based in large part upon our findings and those of several other agencies, while the National Bureau was responsible only for the accuracy of its own factual report. The same Committee requested us also to make the studies that led to *The Planning and Control of Public Works*, *Economic Tendencies in the United States*, *Industrial Profits in the United States*, and *Strategic Factors in Business Cycles*. Our latest publication, *Public Works in Prosperity and Depression*, was prepared for the National Planning Board. The National Research Council initiated our study of *Migration and Business Cycles*; the Social Science Research Council and the International Labour Office sponsored our work on *International Migrations*. The study of *Trends in Philanthropy* was undertaken at the request of the Carnegie Corporation; *Corporation Contributions to Organized Community Welfare Services* was prepared for the Association of Community Chests and Councils, and the *Purchase of Medical Care through Fixed Periodic Payment* for the Committee on the Costs of Medical Care. Dr. Simon Kuznets was borrowed by the Department of Commerce to supervise the preparation of their report, *National Income, 1929-1932*. A committee of the Social Science Research Council, presided over by one of our directors, Dr. Friday, requested us to make the studies of *Durable Goods and Capital Formation* and *Real Estate Financing and Economic Stability*, both of which are in an advanced stage of preparation.

In dealing with requests by other organizations to conduct investigations, the National Bureau has acquiesced only when the subjects were affected by a public interest, clearly fell within its field as defined by the charter, admitted of reasonably exact determinations, and when it was assured of a free

hand both in carrying on the studies and in publishing whatever findings it deemed significant.

b. In turn the National Bureau has often requested the aid of other agencies in obtaining data. Detailed requests of this character have been far too numerous to list but a large measure of our success has been due to the willingness of responsible agencies, private as well as public, to make available to us unpublished records of many sorts.

For two studies, *Business Cycles and Unemployment* (1923) and *Recent Economic Changes* (1929), the National Bureau obtained the aid of investigators from the American Engineering Council, American Association of Labor Legislation, Bureau of Railway Economics, Department of Commerce, Institute of Economics, New York Federal Reserve Bank, Pennsylvania State Industrial Board, Russell Sage Foundation; Brown, Columbia, Cornell, Harvard, Missouri, and Yale Universities; New School for Social Research, and the Dennison Manufacturing, Hickey-Freeman, and Thompson and Lichtner Companies, besides that of a lawyer and a statistician in independent practice. The list of organizations and individuals who aided in the collection, preparation or analysis of data is far too long to include here.

Three other examples of large-scale cooperation at our initiative may be mentioned. The International Labour Office rendered most valuable service in preparing the data published in our statistical volume on *International Migrations* (1929), and an international committee of scholars from eighteen countries collaborated with Professor Walter F. Willcox of Cornell to produce the companion volume of interpretations. The Department of Commerce gave Dr. Epstein official status that enabled him to compile the *Source Book of Industrial Profits*, which was the foundation for the volume he wrote for us, *Industrial Profits in the United States*. At the suggestion of George O. May, one of our past presidents, the American Institute of Accountants made available the finan-

cial statements upon which rests Dr. Paton's *Corporate Profits as Shown by Audit Reports*.

c. Under the auspices of the Social Science Research Council an International Committee to inquire into wage data was formed, the work to be supervised by the American section of the Committee, composed of Henry S. Dennison, Chairman; Edwin F. Gay, and Leo Wolman. Two international conferences were held in Geneva. The memorandum presented by the American section at the May 1930 conference was prepared by Dr. Wolman as a member of the National Bureau's staff. Upon the basis of this and the other memoranda presented at the two conferences a report, *International Wage Comparisons*, was prepared by John Jewkes of Manchester University, in cooperation with Henry Clay, and J. W. Nixon of the International Labour Office.

d. With the economic research carried on in universities, governmental agencies and business concerns the National Bureau's relations have been many. Six of our directors are appointed by universities. Our research staff has included men from the faculties of Amherst, Buffalo, Columbia, Cornell, Harvard, Michigan, Minnesota, New School for Social Research, New York University, Pennsylvania, Rutgers and Wisconsin. For briefer periods as remarked above, we have had the collaboration of men from still other universities, as well as from Federal agencies, research institutes, scientific societies and business enterprises.

e. The extensive collections of statistical materials that the National Bureau has gradually built up are unique and have become known to many research workers, both here and abroad. As announced in the Annual Report for 1933 we have an informal agreement with the Economic Research Section of the University of Manchester for interchange of publications and plans for research in progress or contemplated. We now have a similar arrangement with the Institut Scientifique de Recherches Économiques et Sociales, of which Professor Charles Rist is President. Data are now being issued in such

variety both by governments and private agencies that investigators working in a country other than that in which the statistics originate can scarcely keep track of what is published. Moreover, only close familiarity with the mode of compilation can reveal the precautions that should be taken to avoid misuse of the data. The National Bureau has arranged with the French and the English organization for mutual assistance in locating materials and appraising series in respect of their scope and reliability. Our study of business cycles has greatly benefited by technical details concerning certain British time series that were furnished by Professor Jewkes. Collaboration of this kind enables workers in one country to use statistics of another with increased safety and understanding.

To meet individual requests for access to our files we have gone as far as our facilities allow in putting not only our collections but also what we know about the data at the disposal of qualified persons. That is a service for which calls are likely to increase in the future. We should like to provide more space for visiting investigators in our offices and more clerical assistance in helping them to find promptly what they need. It is also one of our cherished ambitions to publish from time to time parts of our collections that are likely to prove useful to investigators the world around.

f. In 1930 the National Bureau introduced a plan of appointing Research Associates to our staff for a period of one year. Our aim was to aid young investigators who had started studies that would enrich our field of interest but who lacked the time and facilities for pushing their researches to completion. For two years the National Bureau maintained three Research Associates. The appointees came from Oxford, Berlin, California, Harvard, Rutgers and Smith. Three publications have developed from these appointments: *German Business Cycles, 1924-1933*, by Carl T. Schmidt; *Production Trends in the United States since 1870*, by Arthur F. Burns; *Public Works in Prosperity and Depression*, by Arthur D. Gayler. Two more

publications from former research associates are in prospect: *Cyclical Shifts in Demand*, by Wassily Leontief; *Cyclical Fluctuations in British Foreign Trade*, by A. G. Silverman.

These appointments were suspended in 1932, when the National Bureau was threatened with a deficit that could be avoided only by drastic measures, including a reduction of salaries. Their resumption at an early date is highly desirable. Such appointments aid the development of promising students who, under American conditions, are so commonly given teaching positions or business posts that impose long hours of routine duty just at the time of life when a vigorous mind is most likely to make significant discoveries. Few gifts would add more to the National Bureau's service than the endowment of several research fellowships, carrying stipends sufficient to support young investigators and to supply them with the essential clerical assistance. The arrangements for appointment might be made to increase the intimacy of the National Bureau's relations with the research work carried on in universities here and abroad.

g. On June 1, 1933 the National Bureau held a Planning Conference to which it invited representatives of various research agencies having interests similar to its own. We wished to get suggestions for the most fruitful development of our program and to avoid duplication of work. This experiment proved so helpful that it was repeated in 1934 and in 1935.

At the latest of these conferences an experiment in more systematic cooperation was begun. Representatives of the economics departments of Harvard, Columbia, Pennsylvania, Chicago, Wisconsin and Minnesota universities met with the staff of the National Bureau and adopted the following resolutions:

That at the initiative of the National Bureau of Economic Research a committee be appointed by the departments of economics of selected universities, or by the appropriate equivalent economic research organizations of these universities. These representatives should be no more than two from each university so invited.

That this committee, in conjunction with the National Bureau, through its two representatives on the committee, should examine the major research problems of common interest, should undertake if possible one or more cooperative projects of economic research, and not later than the end of 1937 should recommend that form of continuing organization which study and experience have suggested.

The Committee thus appointed met at Shawnee-on-Delaware on September 7 and 8. They recommended that in the near future two conferences be called of organizations and individuals actively engaged in research relating to prices and to the amount and distribution of national income and wealth.

The first of these conferences was held at the National Bureau on November 29 and 30. It was attended by representatives of the Bureaus of Agricultural Economics and of Labor Statistics, Central Statistical Board, Food Research Institute, Harvard, Columbia, Pennsylvania, Chicago and Minnesota Universities. After a careful canvass of the many pieces of price research in process and contemplated, the Conference made specific recommendations for cooperative action, and appointed an Executive Committee: F. C. Mills, Chairman; Anne Bezanson of Pennsylvania, J. D. Black of Harvard, R. W. Burgess, a business statistician, F. B. Garver of Minnesota, Henry Schultz of Chicago, and S. W. Wilcox of the Bureau of Labor Statistics, to put its recommendations into practice.

The second conference, dealing with national income and wealth, met at the National Bureau on January 31 and February 1, 1936. Representatives from the Department of the Treasury and of the Interior; the Bureau of Agricultural Economics, of Labor Statistics, of Foreign and Domestic Commerce; the National Resources Committee; the Federal Reserve Board; the Central Statistical Board; Chicago, Columbia, Harvard, Michigan, Minnesota and Wisconsin Universities, and the National Industrial Conference Board attended. A continuing organization, to be known as the Con-

ference on National Income and Wealth, was set up on a basis similar to that of the Conference on Price Research, and for similar purposes. To carry these out an Executive Committee was elected, composed of Simon Kuznets, Chairman; M. A. Copeland, Central Statistical Board; W. L. Crum, Harvard University; Aaron Director, United States Treasury; H. M. Groves, University of Wisconsin; A. W. Marget, University of Minnesota; and R. R. Nathan, Department of Commerce.

From the plans of our University Committee we are hoping for large results. They should enable the National Bureau to render far wider service. The readiness of other research organizations, governmental, university and business, as well as of individual investigators to accept our invitations, and the frankness with which the participants in the two technical conferences disclosed their tentative working plans indicate that the time is ripe for more vigorous efforts to push explorations on a wide front. If the National Bureau is enabled to play the role marked out for it by the University Committee it will merit the term *National* more thoroughly than it has in the past.

3. FINANCES

The following schedule shows the National Bureau's receipts and expenditures from 1920 to the close of 1935, not on a cash basis, but as given by the annual audits. Income and outgo are the sums of the items used in adjusting the surplus account at the close of each year.

YEAR	INCOME	OUTGO	INCREASE OR REDUCTION IN CURRENT SURPLUS
1920	\$23,764.06	\$18,749.74	+ \$ 5,014.32
1921	43,903.09	35,779.02	+ 8,124.07
1922	35,903.20	47,319.87	- 11,416.67
1923	66,244.27	66,540.23	- 295.96
1924	87,058.76	85,269.26	+ 1,789.50
1925	108,590.48	113,962.56	- 5,372.08
1926	135,359.19	125,318.34	+ 10,040.85
1927	116,840.36	113,272.71	+ 3,567.65
1928	175,951.09	168,451.72	+ 7,499.37
1929	176,776.41	171,086.67	+ 5,689.74
1930	164,989.62	171,780.88	- 6,791.26

YEAR	INCOME	OUTGO	INCREASE OR REDUCTION IN CURRENT SURPLUS
1931	178,914.62	189,430.15	— 10,515.53
1932	127,587.54	118,682.60	+ 8,904.94
1933	109,880.70	81,448.61	+ 28,432.09
1934	109,869.18	107,149.31	+ 2,226.52
1935	122,399.86	129,340.92	— 6,941.06

Net current surplus, December 31, 1935 39,956.49

The current surplus at the end of 1935 was composed of assets amounting to \$39,971.55, minus liabilities of \$15.06. The assets included cash (all funds), \$16,913.56; saleable books at cost, \$11,080.08; miscellaneous items, \$1,977.91; and a reserve fund invested in bonds, \$10,000. In addition the National Bureau had furniture, equipment, records and library which, valued at cost less depreciation, amounted to approximately \$5,000.

From these figures it is clear that the National Bureau has lived well within its income. When receipts have fallen off, expenditures have been curtailed drastically. In 1933 salaries were reduced to avert a threatened deficit and to accumulate a reserve fund that could be used to complete part of the work in progress in case the National Bureau came to an early end. Living precariously on annual grants, subscriptions and the excess of book sales over manufacturing and distribution costs, with a possible demise always before our eyes, we have husbanded our resources carefully.

Much the most important sources of income have been grants from philanthropic foundations: chiefly the Rockefeller Foundation and the Carnegie Corporation, with smaller sums from the Laura Spelman Rockefeller Memorial, the Commonwealth Fund, the Twentieth Century Fund, and the Falk Foundation. A few business corporations have made grants, none exceeding \$1,000 per annum. Individual subscriptions, mainly at \$25 per year but a few at higher rates, have brought in a fluctuating income that somewhat exceeds the cost of the publications sent to subscribers. Our book "profits" exist because we disregard the cost of preparing manuscripts, and charge as costs only the bills for printing,

bookbinding, advertising on a modest scale, insurance, storage, wrapping and mailing. Our average sales of all the books that have been published for a year or more are 1,110 copies per volume—not counting copies sent to subscribers.

It has been the policy of the National Bureau to offer salaries to its collaborators, even in the few instances when they have been business men of substantial means. Most members of our “permanent” staff have been at the same time teachers in receipt of salaries from some university. By employing men who had other sources of income, we have been able to get the investigators of our choice at much lower rates than we would have had to pay if we assumed the full burden of their support. Research and graduate teaching is a combination advantageous to both activities. In effect the universities have been subsidizing the National Bureau’s investigations—to this no objections have been raised. Of the present staff, one was connected with Columbia and one with Rutgers before they joined the National Bureau; four were on the National Bureau staff before they were offered professorships, two at Columbia, one at Pennsylvania and one at Minnesota; one is on leave from the Department of Agriculture.

Another possible policy, which is followed by several university councils for research, would have been to offer qualified economists assistance of whatever sort they required for working on problems that interested them, with the understanding that they should receive no personal remuneration. Had we adopted it, our choice of personnel would have been limited to men who had adequate incomes from other sources, or to men who could have devoted but a minor part of their time and energy to the National Bureau’s researches because they had to do “pot-boiling” in addition to their teaching. The average age of our collaborators would have been higher and their professional prestige perhaps greater, but their working capacity and mental flexibility might have averaged lower. Further, that policy would have made it difficult to develop a coherent program of work; we should have had to treat the

problems that happened to interest the men available on these terms. We should have had a larger number of investigators on our lists, and we might have published more titles; but we should have spent more time and money on administrative work, our scientific output would have been more uneven and miscellaneous, the undertakings that came to nothing would have been more numerous, and we should have made fewer contributions of substantial importance.

Salaries to the members of the staff, editor, research assistants, computers, and office force make up about nine-tenths of our expenditures. Our present rent is \$6,500 a year. To safeguard our unique collections we must have fire-proof quarters and so cannot economize in this direction. Travelling expenses fluctuate with the amount of field work called for by the investigations in hand. Another variable item and one that will grow larger as we push our efforts to cooperate with other research agencies is the expense of meetings.

The precariousness of our financial position is obvious. We live from hand to mouth. In years when our immediate future is particularly uncertain not a little energy that should go into scientific work must be expended upon problems of ways and means. The bulk of the contributions received now comes from a single source. While we are deeply grateful for the faith reposed in us by this foundation during our pioneering stage, it is highly desirable that we should find a much broader basis of financial support.