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Part Two
ACTIVITIES DURING 1951

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NEW STUDIES

Several new studies projected in last year's report were started during the year. The first of these, a comprehensive analysis of the growth and impact of lending activities by the federal government, including loan insurance and guarantees besides direct lending, is under the direction of R. J. Saulnier. The three major fields of government lending comprise loans to farmers, to business firms, and to homeowners. These subjects are being investigated, respectively, by Dr. Harold G. Halcrow of Connecticut State University, Dr. Neil Jacoby of the University of California, and Dr. Saulnier. Lending and loan insuring by the federal government has come to be a major enterprise. It has affected the level and structure of interest rates, and through that the distribution of income, the geographical differences in the cost of credit, and the availability of credit for starting new businesses, operating farms, and acquiring homes. In these and other ways it has given government agencies a measure of power over the direction and level of economic activity. The objectives of the investigation are to determine the precise extent and character of the government's lending and insuring activities, and to clarify their effects on the operations of the economy. A special grant from the Association of Reserve City Bankers will cover the greater part of the cost of the investigation.

Another major study, concerned with the development of governmental activities in Western Europe, was started in the fall. Dr. Abramovitz, who is in charge of the investigation, is now analyzing the growth of government employment in relation to private employment in Great Britain since 1900. The study will later be extended, we hope, to several other countries and to other aspects of governmental activity. The basic objectives of the study are two: first, to examine the relation between the extent and direction of governmental activity and the economic development of nations; second, to bring the experience of other countries to bear on interpreting the trends in governmental activities in the United States established by Dr. Fabricant's investigation.

Various ways of extending our knowledge of the distribution of income by size, as well as of the factors that cause income differences, have been explored by Thomas Atkinson. The most promising approach seems to be to concentrate, at least initially, on wage and salary income, and to coordinate the scattered data relating to its distribution. It is hoped that it may be possible to cross a size classification of incomes, for each of several years over the last decade or so, against other classifications of individuals — such as their occupation, industrial attachment, education, and so on.

Two studies concentrating on war episodes have been started by Research Associates appointed this year. Bert Hickman is examining the similarities and differences between fluctuations in economic activity in wartime, on the one hand, and during peacetime business cycles, on the other. Marshall Robinson has interested himself in the management of public debt. He is concentrating on wartime episodes and their aftermath, since periods when the public debt has expanded rapidly seem likely to reveal most clearly the factors influencing its form and distribution.

Our third Research Associate, Gideon Rosenbluth, is studying the degree to which the output of different industries is concentrated in the hands of a small number of firms. It is expected that the study, now based largely on Canadian experience, will be extended to cover materials for the United States, and that it will serve to clarify the characteristics of industry that make for high or low degrees of concentration. Further contributions to this subject are expected to flow from the special Conference on Price Policy and Business Concentration, scheduled for June, by the Universities-National Bureau Committee for Economic Research.

PUBLICATIONS DURING THE YEAR

Ten publications were issued during 1951 and two in the first quarter of 1952:

Harold Barger, *The Transportation Industries, 1889-1946: A Study of Output, Employment, and Productivity*

Carl F. Behrens, *Commercial Bank Activities in Urban Mortgage Financing*

Sergei P. Dobrovolsky, *Corporate Income Retention, 1915-43*

Ernest M. Fisher, *Urban Real Estate Markets: Characteristics and Financing*

C. Lowell Harriss, *History and Policies of the Home Owners' Loan Corporation*

Avram Kisselgoff, 'Factors Affecting the Demand for Consumer Instalment Sales Credit,' *Technical Paper 7*

Ilse Mintz, *Deterioration in the Quality of Foreign Bonds Issued in the United States, 1920-1930*

Wesley C. Mitchell, *What Happens during Business Cycles: A Progress Report*

Lawrence H. Seltzer, *The Nature and Tax Treatment of Capital Gains and Losses*

Conference on Business Cycles

Conference on Research in Income and Wealth, *Studies in Income and Wealth, Volume Thirteen*

Conference on Research in Income and Wealth, *Studies in Income and Wealth, Volume Fourteen*

Three of these publications deal with the problem of business cycles. Wesley Mitchell's posthumous *What Happens during Business Cycles: A Progress Report*, while an unfinished work, goes much further in showing what actually happens in a modern economy during a business cycle than any previous study. Ilse Mintz' *Deterioration in the Quality of Foreign Bonds Issued in the United States, 1920-1930* shows how the changing economic climate of the twenties brought forth a large crop of poor quality issues, with disastrous consequences. *Conference on Business Cycles* reports the proceedings of a meeting held in November 1949 under the auspices of the Universities-National Bureau Committee for Economic Research. The volume contains papers on different aspects of business cycles by Moses Abramovitz, Arthur F. Burns, Carl Christ, R. A. Gordon, Gottfried Haberler, Thor Hultgren, Lawrence R. Klein, Joseph A. Schumpeter, Arthur Smithies, Jan Tinbergen, C. Ashley Wright, and others.

Five studies are devoted to the domestic financial markets. Ernest Fisher's *Urban Real Estate Markets: Characteristics and Financing*, C. Lowell Harriss' *History and Policies of the Home Owners' Loan Corporation*, and Carl F. Behrens' *Commercial Bank Activities in Urban Mortgage Financing* are products of the project on Urban Real Estate Finance. Fisher describes the main features of the markets for urban homes and other property, traces the typical cyclical course of these markets, and analyzes the relation of mortgage terms to trading in urban real estate. Harriss analyzes the unique experience of one of the major lending agencies of the federal government, from its origination in 1933 to its liquidation in 1951. Behrens develops new data on the experience of banks with mortgage loans since 1920, covering acquisition and servicing costs, foreclosure and loss rates, and yields. *Corporate Income Retention, 1915-43*, by Sergei P. Dobrovolsky, shows how retention policies have varied with current and past profits and with the

growth of corporations, and demonstrates the importance of retained income in the financing of capital expansion. Avram Kisselgoff's *Technical Paper*, 'Factors Affecting the Demand for Consumer Instalment Sales Credit,' extends our earlier studies of consumer credit; it measures the effect of changing income, credit terms, and other factors on the use of credit.

The Transportation Industries, 1889-1946: A Study of Output, Employment, and Productivity, by Harold Barger, is the latest contribution to the Bureau's series of studies of employment, production, and productivity in the American economy since the beginning of the twentieth century. New indexes of output, employment, and output per worker for all the transportation industries are presented, and trends in these measures in the past half-century are examined.

Three volumes are devoted to income and related problems. *The Nature and Tax Treatment of Capital Gains and Losses*, by Lawrence H. Seltzer, is a comprehensive study of the amount and distribution of gains and losses from the sale of capital assets, and of the theory and effect of their tax treatment in this and other countries. *Volume Thirteen of Studies in Income and Wealth*, sponsored by the Conference on Research in Income and Wealth, contains papers on the size distribution of income by Dorothy S. Brady, Selma F. Goldsmith, George Katona, Nathan M. Koffsky, Maurice Liebenberg, Benjamin J. Mandel, Joseph A. Pechman, Margaret G. Reid, Robert Wasson, Emmett H. Welch, and others. *Volume Fourteen* of this series contains papers on the measurement and analysis of wealth by Kenneth E. Boulding, Daniel H. Brill, Raymond W. Goldsmith, Lawrence R. Klein, Allen D. Manvel, Horst Mendershausen, Dwight B. Yntema, and others.

FORTHCOMING PUBLICATIONS

Six publications are now in press:

Arthur F. Burns (editor), *Wesley Clair Mitchell: The Economic Scientist*

Morris A. Copeland, *A Study of Moneyflows in the United States*

Simon Kuznets, *Shares of Upper Income Groups in Income and Savings*

Clarence D. Long, 'The Labor Force in War and Transition: Four Countries,' *Occasional Paper 36*

James A. Maxwell, *Federal Grants and the Business Cycle Conference on Research in Business Finance*

Several additional studies are likely to be published in 1952, including among others, Solomon Fabricant's *The Trend of Government*

Activity in the United States since 1900 and W. Braddock Hickman's *Occasional Paper*, 'Trends and Cycles in Corporate Bond Financing.'

UNIVERSITIES-NATIONAL BUREAU COMMITTEE FOR ECONOMIC RESEARCH

A special conference held in New York, November 23 and 24, 1951, was concerned with Regularization of Business Investment. The following papers were submitted in advance and discussed at the meeting:

- The Cyclical Behavior of Investment, by Millard Hastay
- The Concept and Economic Significance of Regularization of Business Investment, by Joel Dean
- Regularization of Fixed Capital Investment by the Individual Firm, by Melvin de Chazeau
- Regularization of Fixed Investment in the Building Materials Industry, by Walter E. Hoadley, Jr.
- Regularization of Business Investment for Industrial Machinery and Equipment Manufacturers, by Everett M. Hicks
- Regularizing Petroleum Investments, by Richard Gonzalez
- Regularization of Capital Investment in Railroads, by Kent Healy
- Regularization of Business Investment in the Electric Utility Industry, by Edward W. Morehouse
- The Role of Technological Change in Regularizing Private Investment, by Yale Brozen
- Inventory Policy and Business Stability, by Moses Abramovitz
- Indirect Approach to Regularization of Business Investment, by Emerson P. Schmidt
- Financial Policies for Regularizing Business Investment, by Neil Jacoby and J. Fred Weston
- Government Measures Designed to Promote Regularization of Business Investment, by Albert G. Hart
- Governmental Measures to Regularize Private Investment in Other Countries than the United States, by Benjamin H. Higgins

It is hoped that the above papers, the summaries prepared by Jacob Viner and Donald B. Woodward, and the ensuing discussion will be published in a separate volume in the Special Conference Series. The planning of this conference was in charge of a committee consisting of Melvin de Chazeau, *Chairman*, Adolph G. Abramson, Edgar M. Hoover, George W. Terborgh, Donald H. Wallace, and Geoffrey H. Moore, *Secretary*.

The next special conference, on the subject of Price Policy and Business Concentration, is to be held at Princeton on June 17-19, 1952. This conference has been planned by a committee consisting of George

J. Stigler, *Chairman*, Corwin D. Edwards, Carl Kaysen, Edward S. Mason, and Clair Wilcox, with Gideon Rosenbluth as *Secretary*.

Of the several special conferences held since 1948, the results of the first — on Problems in the Study of Economic Growth — are available in a bound volume of mimeographed papers that can be obtained, in limited numbers, from the National Bureau at the nominal charge of \$2.00. The proceedings of the second, on Business Cycles, were published in 1951. Those of the third, on Research in Business Finance, are now in press and should be available in early 1952.

The Universities-National Bureau Committee met in connection with the special conference in November. Among the topics discussed were: (a) subjects for future special conferences — with some agreement as to the advisability of another discussion in the field of economic growth, and of a conference in the field of labor economics; (b) the possible usefulness of brief reports on research projects under way at the various member universities, such as those submitted in 1951 by six universities; (c) addition to the Committee of a few men engaged in research outside the universities; (d) possible activities of the Committee in addition to organizing the series of special conferences.

The following were elected members of the Executive Committee for 1951-52: Simon Kuznets, *Chairman*, I. L. Sharfman, *Vice-Chairman*, Arthur F. Burns, Benjamin H. Higgins, Dexter M. Keezer, Lloyd G. Reynolds, and George W. Stocking.

DIRECTORS AND RESEARCH STAFF

Frederick V. Waugh was elected Director by Appointment of the American Farm Economic Association to fill the unexpired term of Warren C. Waite, who died on November 11, 1950. Moses Abramovitz rejoined the staff during the year to take charge of the study of governmental activities in Western Europe. Bert G. Hickman of Stanford University, Marshall A. Robinson of The Tulane University of Louisiana, and Gideon Rosenbluth were appointed Research Associates for 1951-52.

RESEARCH IN PROCESS

Reports by members of the staff on their research activities during 1951 are presented in Part Three. The reported findings have not yet been subjected to the full critical review accorded the National Bureau's studies, and are therefore tentative and provisional.