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NEW STUDIES

One of the most difficult yet important problems of our time is whether, or to what degree, trends in the price level are related to the rate of advance of a nation's prosperity. The problem is usually put in more specific terms, as follows: whether, and if so how, a free society can achieve significant increases in productivity, reach and maintain reasonably full employment, and yet avoid inflation. The National Bureau, with the aid of a five-year grant from the Alfred P. Sloan Foundation, has decided to embark upon a program of studies bearing on this problem.

Plans for such a program are being developed along three lines. First, a statistical review would be undertaken to provide a tolerably solid basis for economic analysis, as well as for improving current guides to economic policy. This would attempt to draw on existing materials for the United States covering the past fifty years or more and for Western Europe and Japan in recent decades, but some new factual investigations will also be required. Among those that promise useful results are efforts to account for developments in the role of the family and governmental sectors, not now adequately covered in our national income accounts; to explore possible biases in price indexes; and to reappraise critically the validity of employment and unemployment statistics for the United States, especially prior to 1940.

A second area of research would embrace historical studies: first, of the relations between general price trends and prosperity in various periods and countries; and second, of the relations between the behavior of relative prices, wages, employment, and production, on the one hand, and productivity trends, on the other, in individual industries in the United States. Especially interesting is the recent period of relative price stability in the United States, which should be studied against the background of other periods of price stability here and abroad as well as periods when upward or downward trends predominated.

PART III

Studies New and Completed

A third area of research would be concerned with analyses of policies for promoting prosperity without inflation. Of large interest would be a study, both empirical and analytical, of wage and price policies—including of course the so-called wage and price “guidelines”—in the context of the present economic setting in the United States. Also important would be a study of lags in the implementation of monetary and fiscal policies—lags that arise from delays in recognizing the need for change in policy, from delays in taking action once it appears that action is needed, and from delays between action taken and the response. The need for such a study is indicated by the fact that current differences about the desirable course of monetary policy are traceable, in very large part, to differences of judgment about the length of these lags. Of course, in order to understand better the changing environment within which decisions on policy have to be made, it would be useful at least to survey—from the viewpoint of policy action—the developments, both normal and distinctive, that unfold in the course of business cycles.

The problem posed is so enmeshed with political, institutional, and economic complexities that too much must not be expected from any program of research. Nevertheless, basic studies on relevant questions should help to distill some useful generalizations by which alternative economic policies may be judged, and it is in that spirit that the investigation is being launched.

The development of timely and comprehensive information on job vacancies throughout the United States may have a significant bearing on the problem just considered, both in promoting fuller employment directly and in providing guidance for fiscal and monetary policy. With the support of the Office of Manpower, Automation and Training of the U.S. Department of Labor, plans for a conference on the Measurement and Interpretation of Job Vacancies were pressed during 1964 and the conference was held in February 1965. Robert Ferber (University of Illinois) was chairman of the planning committee. The conference

drew heavily upon experience abroad and obtained encouraging firsthand reports on experimental studies under way in this country. Further details about the conference will be found in Part V.

Policies aimed at simultaneous achievement of the goals of full employment, rapid growth in productivity, and a stable price level must reckon with the constraints imposed by the balance of payments—a fact of life that has become increasingly plain to American citizens in recent years. In other countries, the process of adjusting or correcting balance-of-payments deficits and surpluses has also received much attention. With a view to learning from our experience and that of other countries, an empirical study of adjustment processes and policies has been planned, and Michael Michaely (Hebrew University) will begin work on this project at the National Bureau in the autumn.

An exploratory study of banking markets and bank structure, designed to determine whether new studies in this field might be desirable and feasible, was begun. Donald P. Jacobs (Northwestern University) and George Morrison (Cornell University) are in charge of the exploration, aided by an advisory committee headed by Lester V. Chandler (Princeton University). A grant from the American Bankers Association is supporting the work. For a brief description of the study, see Part IV, section 4.

George Morrison was appointed a research fellow for 1964-65, under a grant provided by the Sloan Foundation. He is devoting his attention mainly to a study of cyclical changes in corporate stock and bond financing, and describes his plans in Part IV, section 4.

Studies of the quality of credit carried out at the National Bureau and elsewhere during recent years have resulted in a considerable expansion of statistical information on credit terms, the financial status of borrowers, and lending experience. But these materials are currently published in various sources and are relatively inaccessible. To help remedy this situation, Edgar Fiedler has agreed to undertake the preparation of a compendium that

will present the data, describe their nature and sources, and contain a guide to their interpretation. This new work should admirably supplement the summary report on the credit quality studies that James Earley is preparing, and hopefully it may facilitate the wider use of these data in consideration of monetary and credit policies. The Bankers Trust Company is contributing substantially to the support of the study.

Consumer purchases of automobiles and household equipment have a vital bearing on the health and vigor of the economy. F. Thomas Juster's monograph, *Anticipations and Purchases: An Analysis of Consumer Behavior*, published last year, indicated that surveys of consumers' intentions to buy held some promise of aiding forecasts of actual purchases. Juster suggested that this promise might be improved by asking consumers to estimate the chances that they would buy an item, instead of merely asking whether they did or did not intend to do so. The Bureau of the Census has carried out an experimental survey to test this suggestion. Juster's analysis of the results, aided by a grant from the Automobile Manufacturers Association, Inc., should prove instructive. (See Part IV, section 2.)

STUDIES COMPLETED

Thirteen reports on research conducted by the staff have been published since January 1, 1964, and seven are in or about to go to press. The titles and authors of these reports are listed below, together with those of reports that will soon be ready for review by the Board. For a list of conference reports, see Part V.

REPORTS PUBLISHED SINCE JANUARY 1, 1964

Anticipations and Purchases: An Analysis of Consumer Behavior, by F. Thomas Juster (General Series 79, 1964, xviii + 303 pp., \$6.50). Investigates experience with surveys

of consumer buying intentions and their fulfillment. Finds that intention surveys can make a significant contribution to the prediction of purchases of automobiles and other durable goods, and suggests ways to improve surveys to that end.

Consumer Sensitivity to Finance Rates: An Empirical and Analytical Investigation, by F. Thomas Juster and Robert P. Shay (Occasional Paper 88, 1964, xi + 105 pp., \$2.50). Investigates the relation between finance rates charged on instalment credit contracts and the demand for credit, and develops a theoretical model for analysis of consumer borrowing decisions. Examines the extent of consumer knowledge of finance rates charged in instalment credit contracts, the relation between knowledge of rates and rate response, and how borrowing decisions may be influenced by the acquisition of finance rate knowledge.

Consumer Credit Costs, 1949-59, by Paul F. Smith (Studies in Consumer Instalment Financing 11, 1964, xix + 160 pp., \$4.50). Explores the interrelations between rates of charge and major cost components of four principal types of financial institutions: consumer finance companies, sales finance companies, commercial banks, and federal credit unions. Analyzes the profitability of consumer credit operations during the ten-year period.

Human Capital: A Theoretical and Empirical Analysis, with Special Reference to Education, by Gary S. Becker (General Series 80, 1964, xvi + 187 pp., \$5.00). This study presents estimates of rates of return on investment in human capital, mainly in the form of education. The author finds that not only does the individual benefit substantially but the return to society, in the form of higher productivity, is also greater. The study includes comparisons of the returns on high-school and college education to whites and nonwhites, males and females, urban and rural persons.

Evidences of Long Swings in Aggregate Construction Since the Civil War, by Moses Abramovitz (Occasional Paper 90, 1964, xii + 240 pp., \$4.00). Part of a recurrent effort by the National Bureau to contribute to the knowledge of long swings in economic development, this study reviews and assesses the evidence bearing on the existence of these waves in aggregate construction and in the major types of construction in the United States.

Estimates of Residential Building, United States, 1840-1939, by Manuel Gottlieb (Technical

Paper 17, 1964, xvi + 99 pp., \$2.00). Broadens the span of knowledge of American residential building by combining new information with older data. New estimates are provided for 1840-90 and, in addition, the study revises in an upward direction the presently accepted estimates for the years 1890-1939.

Research in the Capital Markets, National Bureau Exploratory Committee on Research in the Capital Markets (1964, v + 43 pp., \$1.00). This report is the result of two meetings and extensive discussions of the National Bureau Exploratory Committee on Research in the Capital Markets. It contains an inventory of recent and current research and recommendations for further research, both in the capital markets as a whole and in particular sectors. It is a supplement to the May 1964 *Journal of Finance*.

The Flow of Capital Funds in the Postwar Economy, by Raymond W. Goldsmith (Studies in Capital Formation and Financing 12, 1965, xxi + 317 pp., \$10.00). As the concluding volume in the National Bureau's Postwar Capital Market Study, this report presents the main features of the American capital market in the postwar period. It studies the fund flows for the main sectors of the economy and through five capital market instruments: U.S. Treasury securities, state and local government securities, corporate bonds, corporate stocks, and residential mortgages.

The Measurement of Corporate Sources and Uses of Funds, by David Meiselman and Eli Shapiro (Technical Paper 18, 1964, xvi + 281 pp., \$4.50). Provides basic data on the flow of funds through the corporate business sector by major industry groupings. Covers all non-financial corporations reporting for tax purposes to the Internal Revenue Service, classified in the following industries: manufacturing, mining, gas and electric utilities, railroads, and communications; and trade, service, credit agencies other than banks, and miscellaneous corporations.

The Cyclical Behavior of the Term Structure of Interest Rates, by Reuben A. Kessel (Occasional Paper 91, 1965, viii + 113 pp., \$3.00). The term structure of interest rates is analyzed chiefly according to the results of testing a modified version of the expectations hypothesis. The author explores whether such a modified hypothesis is consistent with the observed facts and, if so, whether the risk

premium of long-term securities is positive or negative. He also makes use of an alternate interpretation of admitting risk premiums to the expectations hypothesis.

The Quality of Trade Credit, by Martin H. Seiden (Occasional Paper 87, 1964, xx + 129 pp., \$3.00). A pioneering measurement of the volume, terms, and loss experience on trade credit for economic sectors and by size of creditor and debtor firm. Develops methods of analyzing risks attached to the extension of trade credit.

Productivity Trends in the Goods and Service Sectors, 1929-61: A Preliminary Survey, by Victor R. Fuchs (Occasional Paper 89, 1964, ix + 48 pp., \$1.75). Presents new data on trends in productivity in the service sector and in other industries. The study points out some reasons why the growth of output per man in the service industries has lagged greatly behind that in other industries. It also indicates the areas most in need of further research in order to increase understanding of productivity change. The role of the quality of labor in productivity change is given special attention.

Business and Professional Income Under the Personal Income Tax, by C. Harry Kahn (Fiscal Studies 8, 1964, xx + 188 pp., \$4.00). Deals with the tax treatment of individuals' income from sole proprietorships and partnerships in manufacturing, finance, trade, agriculture, and professional practice. Attention is paid to the changing relation, over time and cross-sectionally by size of income, between the sole proprietorship and partnership income and the total income of owners. The extent to which losses from business and professions are reported on tax returns with positive or negative total income is examined in detail, and its significance interpreted.

REPORTS IN PRESS

Determinants and Effects of Changes in the Stock of Money, 1875-1960, by Phillip Cagan (Studies in Business Cycles 13).

Costs, Prices, and Profits: Their Cyclical Relations, by Thor Hultgren (Studies in Business Cycles 14).

Trade Union Membership, 1897-1962, by Leo Troy (Occasional Paper 92).

Financial Adjustments to Unemployment, by Philip Klein (Occasional Paper 93).

REPORTS SOON TO GO TO PRESS

- "Consumer Credit Finance Charges: Rate Information and Quotation," by Wallace P. Mors (Studies in Consumer Instalment Financing 12).
- "Measuring Transactions Between World Areas," by Herbert Woolley (Studies in International Economic Relations 3).
- "International Price Competitiveness: A Preliminary Report," by Irving B. Kravis, Robert E. Lipsey, and Philip J. Bourque (Occasional Paper 94).

REPORTS SOON TO BE SUBMITTED FOR APPROVAL

- "Economic Aspects of Pensions," by Roger F. Murray (General Series).
- "The Effect of Pension Plans on Aggregate Saving: Evidence from a Sample Survey," by Phillip Cagan (Occasional Paper).
- "The Personal Exemptions in the Federal Income Tax," by Lawrence H. Seltzer (Fiscal Studies).

- "The Treatment of Income from Employment Under the Individual Income Tax," by C. Harry Kahn (Fiscal Studies).
- "The Behavior of Interest Rates: A Progress Report," by Joseph W. Conard (Occasional Paper).
- "Changes in the Cyclical Behavior of Interest Rates," by Phillip Cagan (Occasional Paper).
- "Orders and Production in Manufacturing Industries: A Cyclical Analysis," by Victor Zarnowitz (Studies in Business Cycles).

PUBLISHING ARRANGEMENTS

Effective September 1, 1964, Columbia University Press became the distributor of the National Bureau's books published prior to 1953 and since September 1, 1964, and of all Occasional Papers and Technical Papers.

Princeton University Press is the publisher and distributor of the books published by it for the National Bureau between 1953 and September 1, 1964.

