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EDITOR'S CORNER

This issue contains articles generated in the research program of the NBER or related to that program. Back in 1937, the *NBER Program of Financial Research* was initiated, and the long involvement in this area is documented in John Lintner's report on *Finance and Capital Markets* (Fiftieth Anniversary Colloquium II, NBER 1972). In a non-NBER study, George von Furstenberg's "Flow of Funds Analysis and the Economic Outlook" presents a reconciliation of financial relationships consistent with the balance between gross saving and private capital expenditures and the money supply. The forecast through 1977 illustrates how this framework can be applied to some important policy issues.

Next, John Carlson, in "A Study of Price Forecasts," describes and evaluates Livingston's data series on price expectations. This semi-annual data series (1947-75) represents a unique source of information for researchers, but users should be aware of collection techniques, accuracy of the forecasts, and the implications of the official revisions. Carlson also criticizes extreme forms of the rational expectations model utilizing the Livingston data series (which is listed in a data appendix).

"On the Theory of Industrial Price Measurement: Output Price Indexes," by Robert B. Archibald, was written while the author was with the Office of Prices and Living Conditions of the Bureau of Labor Statistics. The NBER has long had an interest in the development of index numbers. The output price indexes proposed by Archibald are developed from the theory of the firm, and include the effects of substitution caused by price change. An understanding of desirable properties of indexes is important for both researchers and policy makers.

Another area where appropriate indexes are needed for research is industrial concentration statistics. Authors in the 1955 NBER volume, *Business Concentration and Price Policy*, stressed the difficulty of having a single index capture the impact of a particular size distribution of firms on industrial performance. John Hause, in "The Measurement of Industrial Structure and the Size Distribution of Firms" deduces criteria for an index based on the Cournot-Nash equilibrium. He proposes two Cournot measures consistent with theory, and presents empirical results for 45 Swedish manufacturing industries.

In recent years researchers from the NBER Computer Research Center for Economics and Management Science have made contributions to modeling techniques and statistical tests. Richard Hill of the Center, presents "Some Results Concerning the Covariance of Estimated Parameters in ARMA Regression Models." Alternative sample estimates of this

covariance matrix are presented, and the results are then extended to forecasting. Other on-going research is reported in the *Computer Research Center Notes* at the end of the issue.

Three other short contributions are also included in this issue. Warren T. Dent's paper is "On Numerical Computation in Simultaneous Equations Systems." He notes that the NBER-GREMLIN computer package (David A. Belsley, *Annals* October 1974) takes advantage of Householder transformations, and he indicates where some modifications in the Belsley procedure are necessary. Dent then summarizes applications of these accuracy-preserving estimation procedures for linear and nonlinear econometric systems.

The last notes are with respect to Stefano Fenoaltea's "Real Value Added and the Measurement of Industrial Production" (*Annals*, Winter 1976). Christopher Sims presents examples of undesirable behavior by Fenoaltea's type of index and argues that the latter's "criteria for a good real value added measure point to the central importance of a separability assumption." Fenoaltea responds by reasserting that a proper measure should reflect both "relative prices as well as physical flows of goods and services." These notes sharpen their contrasting views.

Finally, the Board of Editors would like to take this opportunity to thank referees who have aided the Board in evaluating potential articles. David Kendrick and James Heckman deserve special acknowledgements for their editorial aid in putting together the special issues on control theory and discrete data in 1976. The Conferences, workshops, and the research program of the NBER have benefitted from the comments of the following individuals:

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