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Volume Title: Issues for Research: Energy, the Environment, and the Economy, Inflation Accounting (NBER Annual Report 54)

Volume Author/Editor:

Volume Publisher: NBER

Volume URL: <http://www.nber.org/books/unkn74-2>

Publication Date: 1974

Chapter Title: Organization and Finances

Chapter Author: Various

Chapter URL: <http://www.nber.org/chapters/c4189>

Chapter pages in book: (p. 124 - 129)

Organization and Finances

Directors and Officers

The Board of Directors met twice during the fiscal year to review and act on National Bureau operations and developments in the research program. The annual meeting was on September 13, 1973, and a special meeting was held on May 13, 1974, both in New York City. In addition, the Executive Committee of the Board met three times during the year to consider and act on research proposals, staff appointments, budgets, and financial arrangements, within the general policies established by the Board.

At the annual meeting, the incumbent officers of the National Bureau were reelected for the ensuing year. Three new Directors were elected. Philip M. Klutznick became Director by Appointment of the Committee for Economic Development, replacing Emilio G. Collado. Roy E. Moor succeeded Charles B. Reeder as Director by Appointment of the National Association of Business Economists. William S. Vickrey succeeded Kelvin J. Lancaster as Director by Appointment of Columbia University.

Frank W. Fetter, who had served with distinction on the Board since 1950 and had been Chairman in 1965–66, resigned at the time of the annual meeting from his position as Director at Large and was elected Director Emeritus. Emilio G. Collado was elected to complete the term as Director at Large from which Mr. Fetter had resigned.

The Board lost an esteemed colleague with the death of Eli Goldston on January 21, 1974. He had been a Director at Large since 1968, and by resolution his associates at the National Bureau noted his passing with deep regret.

In March 1974, Eli Shapiro was elected a Director at Large to complete Mr. Goldston's term.

During the year fourteen special reading committees of Directors reviewed manuscripts and evaluated their suitability for National Bureau publication.

Following recommendations of a special committee appointed to review the structure of the Board and administration, three new standing committees were established. These include a Directors Audit Committee with four appointed members, a Publications Committee with eight appointed members, and a NBER–West Advisory Committee with seven members.

The Finance Committee of the Board was redesignated as the Investment Committee. This Committee met five times during the year to consider and supervise the operations of the National Bureau's sustaining fund investment accounts.

The Development Committee, whose membership includes several Directors and also others from the business and financial communities, was active throughout the year. Their successful efforts in substantially raising unrestricted income from contributions are noted further in the section on finances below.

In April 1974, Sam Parker, formerly of Hurdman and Cranstoun, succeeded Evan Stephens as the National Bureau's Controller.

Douglas H. Eldridge

Finances and Sources of Support

During the fiscal year ending June 30, 1974, expenditures for the National Bureau's program of research, conferences, publications, and related activities were about \$4.7 million. Current income closely approximated expenditures.¹

The National Bureau's income is of two general types: restricted income, which is derived

¹ These are preliminary, pre-audit figures. At the time this *Annual Report* was prepared, the audit of accounts for the fiscal year was not completed. When final figures from certified financial statements are available, statements of revenues and expenditures, assets, liabilities, and funds will be published in the periodical *National Bureau Report*, which is sent to all of those on the mailing list for the *Annual Report*. Copies of detailed financial statements with report of certified public accountants will also be available from the National Bureau on request.

from grants or contracts for the whole or partial support of particular research projects in accordance with specific terms; and unrestricted income, which is available for general program support and is allocable by the Bureau to individual projects as is deemed appropriate by the Board of Directors.

In fiscal 1974, 70 per cent of total income was obtained from restricted fund grants or contracts. The largest single activity was operation of the Computer Research Center for Economics and Management Science. Expenditures for this Center were \$1,267,000, or 27 per cent of total Bureau expenditures, and these were met by restricted fund income from a grant provided by the National Science Foundation. Sources of other restricted fund support for specific research projects discussed in the staff reports above included the following:

American Association of Advertising Agencies—marketing and advertising studies.

American Life Insurance Association—effects of inflation on financial markets.

Ford Foundation—Human Behavior and Social Institutions Center studies of economics of population; effects of United States direct overseas investment on recipient countries; economics of the performing arts.

Hoover Institution—business cycles, inflation, and economic indicators.

International Business Machines Corporation—workshops on the computer in economic and social research.

IBM World Trade Corporation—Latin American research and computer workshops.

Robert Wood Johnson Foundation—Human Behavior and Social Institutions Center studies of economics of health.

Population Council—conferences on population and fertility.

Rockefeller Foundation—Center for Economic Analysis studies of education and income distributions; research fellowships for scholars from developing countries.

Scherman Foundation—money, financial flows, and credit in the Soviet Union.

Alex C. Walker Educational and Charitable Foundation—money, prices, and output.

United States Government

Agency for International Development—foreign trade regimes and economic development.

Department of the Army, Corps of Engineers—industrial water consumption.

Department of Commerce—(1) Bureau of Economic Analysis—evaluation of cyclical indicators; (2) Office of Competitive Assessment—international economic indicators; (3) Economic Development Administration—analysis of federal economic development programs; modeling differential consequences of alternative federal tax, transfer, and expenditure policies.

Council of Economic Advisers—railroad productivity analysis.

Office of Economic Opportunity—education, labor market behavior, earnings functions, and poverty problems.

Department of Health, Education and Welfare—(1) Bureau of Health Services Research and Evaluation—economics of health; (2) National Institute of Child Health and Development—analysis of human fertility behavior; (3) National Institute of Education—economic and social impact of quantity and quality of education.

Department of Housing and Urban Development—NBER model to simulate urban housing market dynamics.

Department of Labor, Manpower Administration—determinants of earnings over the life cycle.

National Academy of Sciences—evaluation of auto emission control standards.

National Commission on Productivity—quarterly productivity review prototype.

National Commission on Water Quality—impact of Water Pollution Control Act on selected manufacturing industries.

National Science Foundation—measurement of economic and social performance; law and economics; behavior of output and input prices; determinants of distribution of income; aggregation of production functions and explanation of wages; research, education, and agricultural productivity; returns to firm investment outlays for research, development, plant, and equipment; diffusion of product innovations; impact of multinational firms on technology and trade flows; role of prices in international trade;

conference programs on research in income and wealth, on econometrics and mathematical economics, and the Universities-National Bureau Committee for Economic Research; U.S.-U.S.S.R. program on scientific and technical cooperation in econometrics and computer applications.

The National Bureau's unrestricted or general fund income, 30 per cent of total current income in fiscal 1974, was from four types of sources. General program support grants from the Ford Foundation, the Scherman Foundation, and the Investment Company Institute provided \$235,000, or 5 per cent of total income. Interest and dividends from Sustaining Fund investments were about \$400,000, or 9 per cent of total income. About 3 per cent of income was received from sales to the general public of publications and statistical materials. And about \$600,000, or 13 per cent of income, was received from the annual contributions and subscriptions of business firms, banks, labor organizations, libraries, and individuals.

Unrestricted income, although less than one-third of the total, is highly important to the National Bureau's program of independent, objective, and innovative studies. Unrestricted income is used for the development and initiation of research proposals, for cost sharing on projects for which restricted funds provide only partial support, and for costs of publications and dissemination of results that are not covered by restricted grants. Several projects approved by the Board of Directors are supported entirely from unrestricted funds.

The Board of Directors and others are continuously concerned with the need to augment general program support. The Alfred P. Sloan Foundation has also taken an interest in the National Bureau's efforts to increase its unrestricted income from annual contributions of business corporations and others who appreciate and use the Bureau's research findings and analyses. The Sloan Foundation helpfully provided an incentive matching grant of up to \$250,000 of sustaining funds that would be available to the National Bureau to the extent of increments in annual revenues obtained from contributions and subscriptions during fiscal

years 1973 and 1974. In 1974 the Bureau was successful in fulfilling the requirements of the matching grant, increasing its receipts from contributions by about two-thirds again above the level of preceding years.

The goal set by the Sloan Foundation matching grant was achieved through generous responses from more than 300 contributors who participated in the general support of the Bureau's work. Their annual contributions ranged from a few hundred dollars up to \$25,000 each. The contributors' interest and practical assistance are greatly appreciated. Special thanks are also due to the members of the Development Committee established by the Bureau's Board of Directors. These men gave generously of their time, and their personal efforts during 1973 and 1974 substantially increased contributors' support of the Bureau's program. Robert V. Roosa, Partner, Brown Brothers, Harriman & Co., was Chairman of the Development Committee, and J. Wilson Newman, Chairman, Finance Committee, Dun & Bradstreet, Inc., was Vice Chairman. Others who served as members of the Committee in 1973 and/or 1974 were as follows:

Atherton Bean
Chairman, Executive Committee
International Multifoods Corporation

Emilio G. Collado, Executive Vice President
Exxon Corporation

Stewart S. Cort, Chairman
Bethlehem Steel Corporation

James H. Evans, President
Union Pacific Corporation

David A. Floreen, Chairman
Atlantic Companies

Thomas D. Flynn, Partner
Arthur Young & Company

Henry H. Fowler, General Partner
Goldman, Sachs & Company

Henry W. Gadsden, Chairman
Merck & Company, Inc.

Fred Gretsches, Jr., Chairman
The Lincoln Savings Bank

Walter W. Heller

Regents' Professor of Economics
University of Minnesota

P. E. Haggerty, Chief Corporate Officer
Texas Instruments, Inc.

Donald S. Jones, Chairman
Commercial Credit Company

Frederick G. Larkin, Jr., Chairman
Security Pacific National Bank

Donald S. MacNaughton, Chairman
Prudential Insurance Company of America

J. Irwin Miller, Chairman
Cummins Engine Company, Inc.

Hamilton B. Mitchell, Chairman
Dun & Bradstreet, Inc.

James J. O'Leary, Vice Chairman
United States Trust Company

John B. M. Place, Chairman and President
Anaconda Company

Charles B. Reeder, Chief Economist
E. I. du Pont de Nemours & Company

Richard R. Shinn, President
Metropolitan Life Insurance Company

Arnold M. Soloway
Boston, Massachusetts

Robert M. Surdam, Chairman
National Bank of Detroit

O. Pendleton Thomas, Chairman
The B. F. Goodrich Company

Theodore O. Yntema
Oakland University

It is expected that successive Development Committees will continue to broaden understanding, among business firms and others, of the significance of the Bureau's program and needs. It is hoped that research efforts to provide improved factual bases for economic decisions in the private sector and in government will continue to justify the confidence and general support of business, labor organizations, and individuals as well as grants from philanthropic foundations and government agencies.

Douglas H. Eldridge

Research Fellowships

Each year the National Bureau appoints one or more research fellows who spend approximately a year at the Bureau. These fellowships are intended to provide additional educational opportunities to scholars of outstanding promise, generally at an early post-doctoral stage of their careers.

The research fellows for 1973–74 were Peter K. Clark of the University of Minnesota and Daniel H. Saks of Michigan State University. Clark, designated as the Harry Scherman Research Fellow, spent the year at the Bureau's New York office studying the investment behavior of U.S. manufacturing industries. Saks was in residence at the Bureau's Cambridge office working with the urban studies group on urban labor markets and public assistance. Reports by Clark and Saks on their research are included in the present volume.

For 1974–75 the research fellows selected from a large number of outstanding candidates are Michael R. Darby of the University of California at Los Angeles, Mark V. Pauly of Northwestern University, and Robert J. Shiller of the University of Minnesota. Darby, the new Harry Scherman Research Fellow for the year, will be at the New York office. His major interests are in monetary theory and both macroeconomics and microeconomics. Pauly intends to focus on the relationship of physicians and professional staff to hospital effectiveness and will be attached to the Center for the Economic Analysis of Human Behavior and Social Institutions at the National Bureau's new West Coast office in Palo Alto. Shiller, whose interests are in applied macroeconomics, will be at the NBER Computer Research Center in Cambridge.

In addition to the foregoing program, which dates back to 1930 and is aimed primarily at scholars in the United States, the National Bureau is also conducting a program, with the support of the Rockefeller Foundation, for bringing in promising young research fellows from several universities in Africa, Asia, and Latin America. Applications under this program are currently being reviewed.

Hal B. Lary

Staff Seminars

The New York Office of the NBER has a regular seminar program for the presentation of reports on research in progress to members of the staff. The seminars serve two principal purposes: to provide a forum for the discussion of NBER research projects and to acquaint the staff with current research interests and topics of other staff members and visiting scholars. In the past year we have tried to broaden the topics discussed to include some of general economic interest.

For further information on the current state of the research discussed in the seminars, the authors should be contacted directly. A list of seminars presented since the publication of last year's *Annual Report* follows.

Michael Hartley SUNY at Buffalo	Labor Supply under Uncertainty and the Rate of Unemployment	August 15, 1973
James Heckman NBER	Estimates of the Parameters of the Human Capital Production Function, etc.	August 31, 1973
Phoebus Dhrymes Columbia University	Restricted and Unrestricted Reduced Forms: Asymptotic Distribution and Relative Efficiency	September 5, 1973
Michael Boskin Stanford University	Welfare Dependency	September 13, 1973
Vincent Su NBER and Baruch College, CUNY	The Demand for Air Travel between New York City and other Large Cities	September 21, 1973
James Heckman NBER and University of Chicago, and Robert Willis, NBER and CUNY	Contraception Strategies and Fertility Outcomes: Estimation of a Stochastic Model of Reproduction	October 12, 1973
Anders Klevmarken Stockholm University	Investment in Human Capital and Earnings, by Active and Physical Age	October 19, 1973
James McCabe Yale University, and Daniel Sibley, Bell Laboratories	Economic Determinants of Fertility: A Sequential Choice Approach	November 2, 1973
Morris Adelman Massachusetts Institute of Technology	The Political Economy of World Oil	November 9, 1973
Glen Burress University of Texas of the Permian Basin	One Response to Frustrated Economic Policy: A More General Theory of the Consumption Function	November 16, 1973
Paul Taubman University of Pennsylvania and NBER	Schooling, Ability, Non-Pecuniary Rewards, Socioeconomic Background, and the Lifetime Distribution of Earnings	November 27, 1973
Mark Pauly Northwestern University	Information and the Demand for Physician's Services	December 7, 1973

Frank Sloan University of Florida	Non-Price Rationing of Physician's Services	December 14, 1973
Ernst Boehm University of Melbourne, Australia	Distortions in Relative Wages: The Inflationary Consequences and Policy Implications	December 21, 1973
Peter K. Clark NBER	Operational Time and Seasonality in Distributed Lag Estimation	January 11, 1974
Hans Binswanger Agricultural Development Council and University of Minnesota	A Microeconomic Approach to Induced Innovation	February 8, 1974
Jerry Green Harvard University	Insurance and the Economics of the Liability Law	February 15, 1974
Robert J. Gordon Northwestern University	The Disappearance of Inflation in Durable Goods Prices, 1947-1970	February 22, 1974
Yoram Weiss NBER	The Wealth Effect in Occupational Choice	March 1, 1974
Ronald Grieson Queens College	The Demand for and Supply of Heroin	March 15, 1974
Gary Becker University of Chicago	A Theory of Social Interaction	March 25, 1974
Donald Parsons Ohio State University	Intergenerational Wealth Transfers and the Educational Decisions of Male Youths	April 19, 1974
Walter Oi Princeton University	Scientific Manpower Forecasts from the Viewpoint of a Dismal Scientist	April 26, 1974
David Sibley Bell Laboratories	Permanent and Transitory Income Effects in a Model of Optimal Consumption with Wage Uncertainty	May 10, 1974
Robert Inman University of Pennsylvania	An Allocation Model for Health Expenditures: Children's Health as an Example	May 24, 1974
Walter Ebanks NBER	The Effects of Monetary and Fiscal Policy in a Three Sector Model	June 12, 1974
James Smith NBER, and Finis Welch, NBER	Black-White Earnings Between the Decades	June 24, 1974
Paul Wachtel NBER and New York University	The Effect of School Quality on Achievement, Attainment Levels, and Lifetime Earnings	July 17, 1974
		Paul Wachtel