

Pareto's Thesis Untenable, Data in Vol. II Show

INTERESTING THEORETICAL DISCUSSIONS MADE POSSIBLE BY COMPREHENSIVE REPORT

Full details of the estimate of the National income made by the National Bureau of Economic Research, Inc., a summary of which was published in Volume I of "Income in the United States", will be made public when Volume II of the same work comes off the press early in August.

How the incomes produced by the leading industries is divided between employees and property owners will be explained in the new volume. Changes in the efficiency of different classes of workers will be shown. The distribution of incomes among individuals will be discussed with a criticism of "Pareto's Law".

Volume II will contain 222 tables and 36 charts, representing the most comprehensive analysis ever made of the Amount and Distribution of Income in the United States. It is difficult to summarize the scope of the inquiry in this limited space, as the titles of the tables alone comprise more than 5,000 words.

Estimate by Industries

This Volume will be divided into three parts:

Part I, by W. I. King, estimates the income of the country from the point of view of the different industries from which individuals derive their income. He has taken up one industry after another, estimated the value which it has contributed to the sum total, and divided this value into the shares withdrawn by employees and by property owners and the savings made by the business enterprises. He has then shown how this division varied in each industry in each year of the decade covered, e.g., whether the earnings of employers were absorbing a greater or smaller proportion of the value produced. He has further shown whether the purchasing power of employees' earnings was increasing or decreasing in each industry during the decade. Next he has indicated whether or not the services of each industry have kept pace with the growth in population. The result of these three processes is to give a clear picture of the relative and absolute changes within each industry.

Definite Comparison Made

Part II, by O. W. Knauth, estimates the income of the country by totalling the incomes of several large classes of income receivers. Since one of these groups is composed of persons making income tax returns, Mr. Knauth has been led into a careful analysis of the success of the methods of collection which have been adopted by the Bureau of Internal Revenue.

The largest group of income receivers below the income tax limit is of course made up of the wage earners of the country. This fact has necessitated a careful study of wages data, and an estimate of average yearly wages in each important industry. Since few farmers pay income tax, farmers' incomes must also be treated as a separate class. In this field alone is there an opportunity to make a definite comparison of the results obtained with those derived for a corresponding field by the investigation recorded in Part I. Part II also contains a discussion of the variation of corporate surplus, (1) whether the corporate surplus is real or fictitious and (2) changes in size.

Part III, by F. R. Macaulay, is an estimate of the distribution of individual incomes in the United States in the

year 1918. Mr. Macaulay has considered a very large number of actual distributions of incomes, wages, and wage rates, and has fitted the data together in what appears, all things considered, to be the most probable way. As a result, he obtains an estimate of the proportion of the population falling into each income group.

From a purely theoretical point of view, perhaps the most interesting sections of Mr. Macaulay's discussion of income distribution are those in which he examines "Pareto's Law". It will be recalled that Pareto claimed that income data supported the thesis that the distribution is significantly similar for all times and places, and can be described adequately by a particular mathematical equation. Mr. Macaulay's work has definitely shown that Pareto's thesis is untenable and has suggested the improbability that any such "law" exists.

BUREAU ADOPTS UNIFORM STYLE OF PUBLICATION FOR FUTURE RESEARCH REPORTS

A uniform style of publication for the reports of the National Bureau of Economic Research was authorized at the May meeting of the Executive Committee. This will apply to all reports except Volume I "Income in the United States", the plates of which it is impossible to change.

Volume I is a pocket-sized dark blue clothbound book, 7½ x 5¼ inches, of 152 pages, with preface, 29 tables, 31 charts and index. \$1.50 net. \$1.58 postpaid.

Specifications for the new volumes are as follows:

"Distribution of Income by States"—dark blue clothbound book, 9¼ x 6¼, of 32 pages, with preface, 9 tables. \$1.25 net. \$1.32 postpaid.

Volume II, "Income in the United States"—dark blue clothbound book, 9¼ x 6¼ inches, of 430 pages, with preface, 220 tables, 35 charts and index. (Price not yet determined.)

TASK OF MOVING TO NEW QUARTERS ACCOMPLISHED

The task of moving the offices of the National Bureau of Economic Research, Inc., from 175 Ninth Avenue, where for two years, the Bureau had enjoyed the hospitality of the General Theological Seminary, to a three story building at 474 West 24th Street, New York, was completed July 3. The new quarters occupy 1800 square feet of floor space.

The officers of the Bureau will be glad to have friends visit the new quarters. The telephone number is the same as the old one, Watkins 0636.

In departing from the General Theological Seminary, the President and Director of Research expressed the thanks of the Bureau, as spread upon the minutes by resolution of the Board of Directors, to the General Theological Seminary for its generous aid to the Bureau in giving a space steadily enlarging since the organization of the Bureau, and for the numerous other ways in which the Seminary has aided the Bureau in its critical days.

An Organization
for Impartial
Investigations.

NEWS-BULLETIN

National Bureau of Economic Research, Inc.

To Find Facts
Divested of
Propaganda.

No 1

474 West 24th Street, NEW YORK CITY

AUG. 1, 1922

INTRODUCTORY

With this issue, the News-Bulletin makes its bow to the friends of the National Bureau of Economic Research, Inc., and to all who are interested in impartial investigations in the field of economic, social, and industrial science.

So many persons have asked to be kept in touch with the Bureau's work that the issue of this informal periodical has become necessary. While limitations of space make impossible the publication of long reports, the News-Bulletin will give advance summaries of findings approved by the Bureau's directors, report the progress of work under way, and state the topics under consideration for future investigations.

To new acquaintances the Bureau may introduce itself by explaining that it is an organization for the impartial study of questions affecting the public interest and capable of being treated in quantitative terms. It is managed by nineteen directors who differ widely in training, interests, and social views but who agree upon the cardinal point of basing social policy upon study of the underlying facts.

The Bureau believes that the cordial welcome given to its first publication—a summary volume on "Income in the United States"—was due largely to the impartial nature of the organization, to the rigid provisions of its constitution which prevent it from becoming a profit-seeking or propaganda-spreading organization. Whatever questions it may take up in the future, the Bureau will keep the spirit which has animated its beginnings.

By means of the News-Bulletin, the Bureau hopes maintain a mutually helpful contact with the growing body of thoughtful men and women who believe with it that economic, social and industrial programs of whatever sort should rest whenever possible on objective knowledge of fact and not on subjective impressions. The Bureau invites the cooperation of all who hold this faith.

UNEMPLOYMENT INQUIRY IS COVERING NEW FIELDS; 11,000 EMPLOYERS ASSIST

For the first time, samples of data from all the major fields of employment in the United States, throwing new light on cyclical fluctuations, are being collected by the National Bureau of Economic Research, Inc., in an investigation of "Unemployment and the Business Cycle," the field work of which is rapidly nearing completion.

In the investigation, which was undertaken at the request of Herbert Hoover as Chairman of the President's Conference on Unemployment, the Bureau is receiving the help of the Bureau of the Census, the Federal Bureau of Markets and Crop Estimates, the Chamber of Commerce of the United States, the Bureau of Railway Economics, and many university authorities on economics and statistics.

More than 11,000 employers, including merchants, farmers, manufacturers and others, are cooperating with the Bureau. The data obtained cover the boom which culminated early in 1920, the crisis which began in the spring of that year, the depression of 1921, and the beginning of the revival in 1922.

Figures for Each Industry

It is hoped that the figures derived by the present study may be used in conjunction with the relative index numbers which other investigators have recently constructed, in estimating the absolute volume of employment in different industries at various periods.

One of the first problems confronting the President's Unemployment Conference was the extent of unemployment. were there three million, or six million, or ten million persons unemployed?

Pessimistically inclined members of the Conference figured thus—"We know that one-third of the workers in manufacturing have been laid off. We have no data concerning other fields but presumably the same fraction holds for them also. There are forty million gainfully employed persons in the country. Therefore, thirteen million are idle".

To this argument, the optimists in the Conference retorted that unemployment was mostly a myth. The boom of 1920, they said had drawn greater number of workers from agriculture and other rural industries into manufacturing. When the boom was over they returned to their old callings. Unemployment was, as always, merely the lot of the ne'er do wells, the optimists concluded.

Cross-Section of Conditions

The only official reports of unemployment available were from selected manufacturing plants, and these might or might not be typical of all industries. The size of any estimate therefore depended on whether the per cent of factory workers unemployed was regarded as equal to, greater, or smaller than that in other industries such as trade, transportation, and farming.

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National Bureau of Economic Research, Inc.

The National Bureau of Economic Research, Inc., was incorporated in 1920 for the purpose of making impartial investigations in the field of economic, social and industrial science.

The Bureau deals only with topics of national importance, regarding which quantitative analysis is feasible.

No report of the Research staff may be published without the approval of the Board of Directors. Rigid provisions guard the Bureau from becoming a source of profit to its members, directors or officers, and from becoming an agency for propaganda. The Bureau assumes no obligation to present or future contributors, except to determine and publish facts.

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**MEN OF VARIOUS SHADES
 OF OPINION UNITE IN CALL
 FOR IMPARTIAL RESEARCH**

When the National Bureau of Economic Research, Inc., was founded in 1920, it was an experiment. The founders believed there was a demand for economic research of an impartial nature, but the extent of that demand was not known.

Publication of the Bureau's first report attracted considerable attention. Comments made by the leaders of public opinion throughout the country—including statisticians, economists, business men, lawyers, and labor leaders—revealed them as weary of inspired statistics and propagandist economics, and as united in support of the policy of impartial research.

"In these days when so many old traditions are being attacked, and so many economic fallacies—some of them new and some of them as old as the hills—are making their appearance, it is very desirable that scientific investigations, conducted without political partisanship, furnish reliable statistical data so that the public may be shown what is really true and what is really false", wrote James B. Forgan, Chairman of the Board of the First National Bank of Chicago.

Reports Are Timely

"Research organizations", observed D. R. Dewey, Managing Editor of the American Economic Review, "generally have a habit of moving very leisurely and the work of the Bureau of Economic Research is in striking contrast. The topics which the Bureau is tackling are always most timely. I certainly hope that the Bureau will be amply supported. You and your associates deserve the most hearty thanks and good will of not only the economists but of the public at large."

"I am particularly impressed with the scientific nature of your work", was the cheering word from William F. Ogburn, of the American Statistical Association. "With so many statistical bureaus attached to private businesses it seems to me very essential that there should be some independent bureau free to make scientific investigations along lines other than special utilities. I am sure you will maintain this high standard."

Other typical expressions follow:

"There is no question but that the National Bureau of Economic Research is filling a long felt want, and all constructive business influences should be brought to bear to ensure its continuance."—Jules S. Bache, of J. S. Bache & Company.

"I consider the recent volume on Income in the United States to be a model of its kind."—Prof. E. R. A. Seligman.

Information Is Indispensable

"I assume that every leader in public affairs, especially in finance and industry, will find it necessary to have this volume at hand for careful reading and for reference."—D. F. Houston, formerly a member of President Wilson's Cabinet, now President of the Bell Telephone Securities Company.

"That such a staff and such a directorate should guarantee the careful and sound character of the study must go without saying."—Albert De Silver, Associate Director, American Civil Liberties Union.

New Yorkers Receive One-Eighth of Nation's Income

**PACIFIC STATES LEAD ON
 PER CAPITA BASIS; MIDDLE
 ATLANTIC GROUP SECOND**

That there is an extraordinary diversity in both total and per capita income in different states of the Union is shown by the advance sheets of a report entitled "Distribution of Income by States" which will be issued by the National Bureau of Economic Research, Inc., early in August.

This study is a companion to the exhaustive investigation of "Income in the United States" upon which the Research Staff of the Bureau under Dr. Wesley C. Mitchell has been engaged for more than a year.

New York leads the states with a total income of \$9,047,859,000, which is more than one-eighth of the total national income, while Nevada brings up the rear with \$65,791,000, according to the Bureau's report on "Distribution of Income by States" which has been prepared by Oswald W. Knauth.

While per capita income in the United States as a whole in 1919 was \$627, in the region embracing the Pacific States it was \$796 and in the Middle Atlantic States it was \$783. These high figures are in striking contrast with per capita income of \$463 in the South Central States and \$364 in the East South Central States.

Bulk of Income on Atlantic

The total income in the various States shows even greater extremes, owing to the disparity of population. The people of the Middle Atlantic States alone received more than one-fourth of the entire income of the country in 1919, and with the East North Central States received nearly one-half of it. On the other hand the people of the twelve Southern States, comprising more than 21% of the population received less than 15% of the total national income.

New York again heads the list of per capita incomes, with \$874. Nevada, California, Delaware, Wyoming and Massachusetts are next with per capita incomes around \$800. The average income of the gainfully employed shows variations from the per capita income, due to the wide differences in the character of the employment of the population of the various states. South Dakota and New York head the list with just over \$2,000, while at the other hand Alabama and Mississippi are both under \$900.

The wide variations in the incomes of farmers are well known, but how wide these differences are may be a surprise. Farmers in the Pacific States in 1919 had an average income of over \$2,800; in the West North Central States their average was \$2,300. These figures may be contrasted with the average of \$1,160 for farmers in New England, \$1,340 in the South Atlantic States and less than a thousand in the East South Central States.

South Dependent on Farming

The total income of the South is largely derived from farming. The South Atlantic States draw about one-fourth of their income from this source; and the South Central States about one-third. The only other group of states that is equally dependent on farming is the West North Central States, which draw about one-third of their income from this source. In contrast with these States New England and the Middle States draw less than four per cent. of their income from agriculture.

These facts are shown in detail in the report on "Distribution of Income by States", which is especially designed to meet the needs of many investigators who are concerned with the comparative capacity of the various states to bear increased taxes, to buy goods of various sorts, to absorb securities, etc. It also undertakes to analyze the relative importance of agriculture in the different sections of the country.

Income as defined in this report is the money value of all the goods and services produced during the year. The sources on which the estimate are based are the Income Tax Reports, Census Reports, wages data, reports of the Department of Agriculture and statements of corporations.

**DIRECTOR INSTALLED AS
 PRESIDENT OF COLLEGE**

Prof. David Friday, who represents the American Economic Association on the Board of Directors of the National Bureau of Economic Research, Inc., was installed at the commencement exercises this year as president of the Michigan College of Agriculture.

**DIRECTORS OF BUREAU IN
 DEMAND AS PUBLIC SPEAKERS**

The President and other Directors of the National Bureau of Economic Research, Inc., have recently addressed important association conventions.

Colonel Rorty was able to bring out some phases of the work of the Bureau in speaking before the American Construction Congress in Washington on the subject of "Construction Statistics for the Public Service" and in discussing the topic "Profits in Competitive Business" before the Tanners' Council in Boston.

Dr. Edwin F. Gay spoke in Indianapolis before the Credit men and before the Advertising Men in Milwaukee.

Dr. N. I. Stone spoke before the National Conference for Social Work at Providence, R. I., June 29th, on the subject "Can the Worker be Guaranteed Continuous Employment". Dr. Stone was introduced by Miss Mary Van Kleeck, of the Russell Sage Foundation, who is collaborating with the Bureau, and who took occasion to mention the work the Bureau is doing for the President's Conference on Unemployment.

Dr. Wesley C. Mitchell was the speaker at the annual convention of the Chamber of Commerce of the United States, discussing the work now being done on "Business Cycles".

UNEMPLOYMENT INQUIRY

(Continued from page 1)

The National Bureau of Economic Research therefore was chosen to find the facts, and Willford I. King was put in charge of an investigation intended to give a more reliable cross-section of conditions throughout the country.

A check of the questionnaires received during June shows replies from 8,000 farmers and 2,500 employers in various other industries.

These answers are from persons well scattered over the country, and the similarity of results obtained from different sources gives reason to believe that the sample is typical of the whole. Moreover, there is much evidence that the answers have been made with unusual care, so that results based on them will be trustworthy.

They have been carefully checked over by a staff of editors, and doubtful points cleared up by writing for further information. The necessary computations are now being made and the results tabulated by the Census Bureau. "When this work is finished," explains Mr. King, "we shall have more reliable information than heretofore concerning the effects of a depression on different industries, plants of different size in different parts of the country, and in cities, villages and rural communities. With this basis, it is hoped that a correction factor can be applied to the official statistics of unemployment in manufactures which will give us an accurate estimate of the total amount of unemployment."