

An Organization
for Impartial
Investigations

NEWS-BULLETIN

National Bureau of Economic Research, Inc.

To Find Facts
Divested of
Propaganda.FINANCIAL SUPPORT FROM
WIDE LIST OF CONTRIBUTORS

That there is an increasing interest in the Bureau's efforts to conduct impartial investigations to determine fundamental facts in the field of economic, social and industrial science, is shown by communications accompanying recent contributions.

As the Bureau is purely a scientific organization, limiting its investigations to topics of national importance and capable of quantitative treatment, and since it has rigid provisions in its Constitution and By-Laws to prevent it from becoming an agency for profit or propaganda, it hopes to develop its support from a public that holds similarly disinterested views.

The character of its list of contributors is therefore particularly gratifying. In addition to those thanked in previous issues of the News-Bulletin, the Bureau makes grateful acknowledgment to the following enrolled in February:

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TWO DIRECTORS ON ADVISORY
COMMITTEE OF U. S. CENSUS

Dr. T. S. Adams, director-at-large, has been appointed a member of the Advisory Committee of the Census, joining Professor Allyn A. Young, another director-at-large. Although Dr. W. C. Mitchell and Dr. E. F. Gay are retiring this will still leave two Directors of the National Bureau of Economic Research as members of this important committee of seven.

FIVE TITLES EMBRACED IN
LIST OF PUBLICATIONS ISSUED
UNDER AUSPICES OF BUREAU

With the addition of two volumes growing out of the Unemployment Investigation, the list of official reports published under the auspices of the National Bureau of Economic Research, Inc., is increased to five. A complete list of titles, with specifications and prices, follows. The prices have been fixed at the lowest practicable figures, and are intended to cover publishing and distribution costs only.

Volume I, Income in the United States. A summary of an investigation of the Amount and Distribution of Income in the United States 1909-1919 intended for readers who are primarily interested in the results. Size 7½ by 5¼ inches, 152 pages, with preface, 29 tables, 31 charts and index. Bound in blue cloth with gold letters \$1.58 postpaid.

Volume II, Income in the United States. A volume giving in full the methods and estimates on which the results shown in the first volume are based. In addition it goes into many details concerning particular industries. It consists of three parts: (1) Estimate by sources of production; (2) Estimate by incomes received; (3) Personal distribution of income in the United States. Size 9¼ by 6¼ inches, 425 pages, 222 tables, 35 charts and index. Bound in blue cloth with gold letters \$5.15 postpaid.

Distribution of Income by States in 1919. A study of the share of each state in the national income with a special analysis of the amount and relative importance of farmers' income. Size 9¼ by 6¼ inches, 32 pages, with preface and 9 tables. Bound in blue cloth with gold letters \$1.30 postpaid.

Business Cycles and Unemployment. Results of an investigation made for the President's Conference on Unemployment. By the staff of the Bureau with 16 collaborators. Twenty-one topics covered. This report summarizes the known facts of unemployment and describes the various methods suggested to control the business cycle and alleviate cyclical unemployment. It was planned to furnish a basis for the recommendations of the Business Cycle Committee, and as a guide to executives who have an active interest in stabilizing employment within their own organizations. Many practical suggestions are also made for the avoidance of the business losses that result during periods of excessive business expansion and depression. Size 9 by 6 inches, 430 pages, illustrated with tables and charts. Bound in blue cloth with gold letters. \$4.10 postpaid.

Employment Hours and Earnings in Prosperity and Depression. Results of an inquiry conducted by the National Bureau of Economic Research, with the help of the U. S. Bureau of Markets and Crop Estimates and the Bureau of the Census, for the President's Conference on Unemployment. Designed to meet the special needs of all persons interested in the study of labor conditions. Gives full details of investigation summarized in Business Cycles and Unemployment to which it is companion volume. Size 9 x 6 inches, 150 pages, illustrated with tables and charts. Bound in blue cloth with gold letters. \$3.10 postpaid.

Persons who wish to receive early copies of all the publications of the Bureau as issued may enroll as contributing subscribers, paying a minimum of \$25 a year. In addition to receiving the publications, the contributing subscribers will be kept in touch with the work of the Bureau as it progresses, and with the work planned for the future.

No. 5

474 West 24th Street, NEW YORK CITY

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Depression of 1921 Cost Six Billion Dollars

ECONOMIC LOSSES CAUSED BY
BUSINESS CYCLES RESULT IN
STUDY OF PROPOSED REMEDIES

The business depression of 1921 from which the country is now recovering, cost the nation a loss in income of approximately six billion dollars, according to a report entitled "Business Cycles and Unemployment", published by the National Bureau of Economic Research.

In seven years out of ten, the National income was below the level attained in periods of moderate activity.

The report, which was made at the request of Secretary Hoover for President Harding's Conference on Unemployment, represents six months work by the staff of the Bureau with the assistance of a large number of government agencies, trade associations and public spirited individuals. Part I is an analysis of Business Cycles and Unemployment; Part II reveals the fluctuations of unemployment and the way unemployment affects the worker's body and mind, his home life and the development of his children; and Part III gives the leading proposals for preventing or reducing cyclical unemployment and how they have operated so far.

Production and Income Analyzed

Summarizing the figures showing the difference between the production of goods or income in years of depression and production or income in years of moderate and of intense activity, Dr. Wesley C. Mitchell under whose supervision the investigation was conducted, said:

"The broad result is that the worst years run something like 15 to 20 per cent behind the best, and something like 8 to 12 per cent behind the moderately good years. Even 10 per cent of the national income represents several billions of dollars.

"These figures are rough approximations to the direct losses caused by crises and depressions. The indirect losses cannot be measured even roughly. It may be contended that both the strains of booms and the sufferings of depressions impair efficiency more than uncertainty stimulates it. The latter is probably the commoner opinion. Those who accept this view will regard even the higher of the estimates here presented as understating the losses which plans for stabilizing production aim to check.

"Finally, it is obvious that certain intangibles of grave concern to social welfare are omitted from our estimates and cannot be inserted by any process of correction. Privation, anxiety, loss of self-respect—the concomitants of unemployment—are evils not measurable in dollars or percentages of physical production."

Nature of Business Cycles

"Fifteen times within the past one hundred and ten years, American business has passed through a crisis. The list of crisis years (1812, 1818, 1825, 1837, 1847, 1857, 1873, 1884, 1890, 1893, 1903, 1907, 1910, 1913, 1920) shows that the periods between successive crises have varied considerably in length. Further no two crises have been precisely alike and the differences between some crises have been more conspicuous than the similarities. It is not surprising, therefore,

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THE CURRENT CYCLE

All observers agree that business as a whole is now highly prosperous. The revival, which may be dated from the summer of 1921, made slow progress for about a year in the face of most discouraging conditions. By the autumn of 1922 it had acquired considerable momentum and the pace has quickened notably in the last eight months.

Production has reached again the high records of 1920, and complaints of unemployment have been succeeded by complaints of labor shortage.

All this looks highly regular and suggests that we are soon to have a "boom" with all the standard trimmings and the standard ending. But there are, as always, exceptional features in the present business situation which will make the boom more or less different from previous periods of the sort:

1. The extraordinary strength of the banks would make it possible to carry speculation to great extremes before the dwindling of reserve ratios called a halt.
2. On the other hand the recollections of the disasters of 1920-21 are first in the minds of business men and bankers, many of whom are preaching a wholesale caution. The fact that there has been no runaway speculation in stocks may be taken as a symptom that the business public is not dazzled to the same degree as usual, at this stage in the cycle.
3. The restrictions upon immigration make it probable that the prices of labor will rise relatively high. The results both on profit margins and on the volume of retail demand may have a powerful effect upon the course of the cycle.
4. Recent reports from Great Britain indicate that the boom, which has so far been a home-made affair, may presently receive a further impetus from abroad.
5. If 1923 proves to be even a tolerably good year for the farmers, the prosperity of business will be still further enhanced this autumn. All in all the outlook is bright—indeed so bright that one's fears are mainly fears that the business public may presently lose that cautious spirit which is the best safeguard against the return of over-buying and inflation.

RADIO USED TO BROADCAST

BUREAU'S INCOME FINDINGS

The first broadcasting of the Bureau's findings covering the amount and distribution of income in the United States, took place from the WIF station in Philadelphia, March 1. President Rorty being the speaker. That the subject was of direct interest was shown by the number of letters and postcard requests for more information which were received during the two weeks following the address.

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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ECONOMIC LOSSES CAUSED BY BUSINESS CYCLES RESULT IN STUDY OF PROPOSED REMEDIES

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that business men long thought of crises as 'abnormal' events brought on by some foolish blunder made by the public or the government. According to this view each crisis has a special cause which is often summed up by the newspapers in a picturesque phrase 'the Jay Cooke panic' of 1873, 'the Rich Man's Panic of 1903,' 'the Roosevelt Panic of 1907.'

"Longer experience, wider knowledge of business in other countries and better statistical data have gradually discredited this view that each crisis is due to a special cause. The modern view is that crises are but one feature of recurrent 'business cycles.' Instead of 'normal' state of business interrupted by occasional crises, men look for a continually changing state of business—continually changing in a fairly regular way. A crisis is expected to be followed by a depression, the depression by a revival, the revival by prosperity, and prosperity by a new crisis. Cycles of this sort can be traced for at least one century in America, perhaps for two centuries in the Netherlands, England and France, and for shorter periods in Austria, Germany, Italy, Spain, and the Scandinavian countries. Within a generation or two similar cycles have begun to run their courses in Canada and Australia, South America, Russia, British India, and Japan.

One Constantly Acting Factor

"Differences among business cycles arise from the fact that the business situation at any given moment is the net resultant of a complex of forces among which the rhythm of business activity is only one. Harvest conditions, domestic politics, changes in monetary and banking systems, international relations, the making of war or of peace, the discovery of new industrial methods or resources, and a thousand other matters all affect the prospects of profits favorably or adversely and therefore tend to quicken or to slacken the pace of business.

"The fact that the rhythm of business activity can be traced in the net resultants produced by these many factors argues that it is one of the most constantly acting and probably one of the most powerful factors among them."

Proposed Remedies Considered

How a number of enterprising business men have been able to stabilize production in their own lines is described in two chapters of Part III by Dr. N. I. Stone and Sanford E. Thompson.

Legal and economic aspects of the proposal to check cancellation of orders are treated by Gilbert H. Montague. The proposal to use construction work as a balance wheel is discussed by Ernest S. Bradford with reference to the building trades at large; by Julius H. Parmelee with reference to railways and by Otto T. Mallery with reference to public works.

The outstanding devices of a financial sort for controlling the business cycle are outlined by T. S. Adams.

The trade unions' out-of-work benefits are treated by John B. Andrews and unemployment insurance schemes of governments and business concerns by Leo Wolman.

Materials available for business forecasting and the way in which they can be used are sketched by Oswald W. Knauth.

Charting the course of employment is discussed by Miss Mary Van Kleeck.

A review of the extent to which various devices for stabilizing business throughout the cycle are now applied in practice is given by a committee of the Federated American Engineering Societies.

Copies of this report which contains 430 pages 6 x 9 inches in size fully illustrated with charts and tables, may be obtained direct from the National Bureau of Economic Research, 474 West 24th St., New York.

Cycle Is Phenomenon Of "Big" Business

SMALL EMPLOYERS GIVE MORE STEADY EMPLOYMENT BUREAU'S SURVEY SHOWS

That cyclical fluctuations are most marked in the realm of so-called "big business" is revealed in figures taken from advance sheets of a report entitled "Employment, Hours, and Earnings in Prosperity and Depression", soon to be issued by the National Bureau of Economic Research. This volume will contain the detailed facts of the nation-wide survey made by the Bureau for the use of the Business Cycle Committee of the President's Conference on Unemployment.

Scope of Investigation

This report,

- (1) shows the relative responsiveness of different industries to the forces giving rise to the business cycle;
- (2) indicates the comparative ability of large and small scale business to resist such forces;
- (3) analyzes the shifts of population from one industrial field to another;
- (4) traces the variations in hours and earnings of employees that accompany the change from boom to depression;
- (5) presents the first approximately complete record of the seasonal changes occurring in the conditions of agricultural labor;
- (6) gives the first picture of the distribution of farm employees according to hours and earnings;
- (7) measures the importance of part-time employment in the chief industrial fields, and
- (8) makes it possible for the first time to estimate the approximate total reduction in employment brought about by the depression of 1921.

Rise of Wages and Salaries

"During the boom, salaries and wages rose faster than did total employment hours, and in the following depression they fell farther," said Willford I. King, who was in charge of this inquiry for the National Bureau of Economic Research. "On the other hand, the number of hours worked during the period of decline in industrial activities diminished distinctly faster than did the number of employees on all payrolls.

"Perhaps the most surprising discovery made in the course of this investigation is the fact brought out by the tables and charts, that the reduction in employment during the depression of 1921 was a phenomenon affecting most severely the establishments of the larger sizes. While there are a few exceptions to this rule, it nevertheless holds for the great majority of industries. The reason for this state of affairs is not made clear by the figures.

"It may be due to the more intimate personal relationships existing between small scale employers and their employees; it may arise from the fact that the small producer is in closer touch with the ultimate consumer of his products and can therefore better gauge the demand; it may be the result of difference in the nature of the large and small establishments or it may arise from some unsuspected cause. The fact remains, however, that the difference exists and is large enough to be important."

ONE IN SIX LOST JOBS IN NATION'S LAST DEPRESSION

The depression of 1921 caused a diminution of approximately one-sixth in the total volume of employment in the United States.

The principal sufferers were the workers in mining, transportation, and manufacturing.

Small employers in general, gave more steady employment than did large employers in the same industries.

The shift of workers from one industrial field to another, was somewhat limited in extent.

INDUSTRIES AFFECTED IN STRIKINGLY DIFFERENT WAYS

That the manner, degree and intensity with which changes in general business conditions affect different industries in the same cycle and the same industry in different cycles are by no means uniform, is brought out by Frederick R. Macaulay of the staff of the National Bureau of Economic Research, in the report on "Business Cycles and Unemployment". He points out that there are actually a few industries in which profits rise during depression and fall in booms. Such anomalous results may be produced if prices are fixed and demand fluctuates little, but costs are highly variable (for example, many public utilities); or they may occur in industries providing cheap wares which people substitute for better grades when they must economize.

Evidence is also presented, that certain crises and certain revivals have started in one district and spread gradually over the rest of the country.

The figures in this report show that retail business, among department stores at least, did not pass its peak in any district until six months after wholesale prices had culminated and until after physical production had begun to decline in all those manufacturing industries for which we have good data.

Where Declines Started

When the decline in retail sales did begin, it started in the Southern sections affected by the fall in cotton prices, and in the Northwest wheat growing area where another group of farmers had been hard hit by a price drop. Not until four months later did the great cities of the Northwest see a similar decline in retail buying.

Changes in business conditions affect different industries very differently, both as to extent of fluctuation and as to time when high and low points are reached.

The prices of important industrial commodities ranged in the extent of their rise from the 1913 lows all the way from 537 per cent rise in coke to 40 per cent fall in rubber. The dates of their maxima ranged all the way from July 1919, for cottonseed oil, to March 1921, for newsprint.

In the extent of their fall they ranged all the way from 86.5 per cent decline in calfskin hides to 23.1 per cent in Portland Cement. The dates of their minima tell the same story. Raw silk reached its minimum as early as July, 1920.