

# Volume II With Income Details Just Off Press

## LONG-AWAITED REPORT GIVES IN FULL METHODS USED FOR ESTIMATING VARIOUS ITEMS

After many delays caused by the technical nature of the manuscript, Volume II of "Income in the United States" by the Staff of the National Bureau of Economic Research, has finally come from the press and will be ready for distribution November 6. Reservations for copies in advance of this date will be filled at the Bureau's offices in order of their receipt.

Volume II consists of 425 pages, 9 1/4 x 6 1/4 inches in size. It contains 222 tables, 35 charts and an index. The first volume which has already appeared is a summary of the findings intended for readers who are primarily interested in the results. The present volume gives 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.

While the Summary Volume was a joint product of the entire Staff of the Bureau, the detailed estimates now presented are primarily the work of three individual members of the Staff. Mr. King is responsible for the estimate of the National Income based on the value product of different industries; Mr. Knauth made the estimate based on incomes received by individuals; and Mr. Macaulay undertook the discussion of the distribution of income by income-classes.

### Directors Give Assistance

Unity was preserved by means of many consultations, and the whole book was edited by Mr. Mitchell. The Directors have made constructive as well as critical contributions, and at some points, where the manuscript was not changed to accord with individual suggestions, the Directors have inserted footnotes to indicate their points of view.

Among the various subjects treated, this volume gives the details of the study undertaken to show for each of the leading industrial fields covered by the U. S. Census Reports:

1. The net value product.
2. The share of the employees in the value product.
3. The average annual earnings derived from the industry by each employee.
4. The share of the entrepreneurs and other property owners in the net value product.
5. The purchasing power of each of the above items at prices of 1913.
6. Changes in the physical output per employee.
7. Changes in the physical output per inhabitant of the United States.

In the section devoted to the estimate of the National Income on the basis of incomes received, an attempt is made to find and summate the money values of the income of all persons who are reported by the Census as "gainfully employed".

### Group Data Studied

Since the largest group of income receivers below the income tax limit is made up of the wage earners, it has been necessary to make a careful study of wages data and to estimate the average yearly wages in each important industry. Because few farmers pay income tax, farmers' incomes were also treated as a separate class.

An additional discussion is that of undistributed corporate surpluses. This section treats two problems: first, whether such corporate surpluses should be regarded as real income or as contingent reserves, and second, changes in amount from year to year. The result of this study indicates that the American people make a very substantial annual saving in this impersonal form.

The number of individual annual incomes of each size is discussed in the concluding section, and the possibility and desirability of mathematically describing the frequency distribution of such incomes is considered at length.

Pareto's Law which states that the shape of the income frequency distribution curve for all countries and at all times is inevitably the same is shown to be untenable. The curve describing the distribution of income is not constant in shape.

The internal movements of its elements are subject to important changes. The evidence points to hope of further progress through the analysis of the parts rather than through any direct attack, such as Pareto's, upon the unbroken heterogeneous whole.

This volume is the most elaborate publication of the Bureau to date and completes an initial trilogy based upon the exhaustive investigation into the amount and distribution of income in the United States, upon which the Staff has been engaged since the Bureau's organization. Every effort has been made to price these volumes at the lowest figure in order to make possible their purchase by students desirous of getting a complete grounding in the theory and results of income studies and as reference works for libraries and business executives. No part of the price of these volumes covers more than actual publication costs, the scientific expense having been defrayed from the general funds of the Bureau.

## FIVE TITLES EMBRACED IN LIST OF BUREAU'S REPORTS

With the addition of two volumes growing out of the Unemployment Investigation, the list of official reports for publication this year under the auspices of the National Bureau of Economic Research, Inc., is increased to five. A complete list of the 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 7 1/2 by 5 1/4 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. Size 9 1/4 by 6 1/4 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 9 1/4 by 6 1/4 inches, 32 pages, with preface and 9 tables. Bound in blue cloth with gold letters \$1.30 postpaid.

Unemployment and the Business Cycle. 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, 504 pages, illustrated with tables and charts. Bound in blue cloth with gold letters. Price not yet determined.

In addition to the foregoing, the Bureau has in preparation a volume entitled "Employment, Hours and Earnings in the United States, 1920-1922." This will give the results of an inquiry conducted by the National Bureau of Economic Research, with the help of the Bureau of Markets and Crop Estimates and the Bureau of the Census for the President's Conference on Unemployment.

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. Those who subscribe during 1922 will receive all of the foregoing volumes.

An Organization  
for Impartial  
Investigations

# NEWS - BULLETIN

National Bureau of Economic Research, Inc.

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## CONTROL OF BUSINESS CYCLE

### STUDIED IN LIGHT OF NEWEST DATA UNCOVERED BY BUREAU

Striking possibilities in the direction of controlling Business Cycles are disclosed in a preliminary examination of the report just completed by the National Bureau of Economic Research for President Harding's Conference.

This study shows that succeeding business cycles—each comprising a period of prosperity and depression—are in many ways similar but that in some respects they differ materially. Leading students of the subject believe that the forces which predominate in a period of depression inevitably bring about an upturn in business and that the forces created by a period of prosperity just as inevitably bring about the resultant depression.

Whether or not these forces can be controlled is a matter of vital importance. Data bearing on this subject have been gathered and put into convenient form for use by all who wish to mitigate the losses due to depression.

Pushed at top speed, the investigation which covered the unemployment cycle of 1920-1922, was completed August 20th. The manuscript report was read by the Directors of the National Bureau and sent to the printer September 15th.

Secrets of business success and failure, taken from the costly experience of hundreds of corporations caught in the whirlpool of changing economic conditions, will appear in the report, which will form a volume of some 500 pages, illustrated with many charts, and entitled "Unemployment and the Business Cycle".

On the basis of this report, the Cycle Committee of the President's Conference, consisting of Mr. Owen D. Young, Chairman, Mr. Joseph H. Defrees, Miss Mary Van Kleeck, Mr. Matthew Woll, Mr. Clarence M. Woolley and Mr. Edward E. Hunt, Secretary, plan steps to bring about positive action in mitigating the extreme hardships of unemployment. The precise character of their campaign has not yet been finally determined.

### Much New Material Given

The fact-finding report completed by the National Bureau aims first to give the Committee and the public a comprehensive survey of the factors bearing on business depression and consequent unemployment. But it also aims to give business men, labor leaders and public officials a more complete basis for judging the merits of practical proposals for controlling business fluctuations than is at present available. There is much new material in the report. It contains also summaries of the various aspects of the subject by men who are already qualified to speak with authority, and who have many cases published their findings at greater length. Sources of information are given for the benefit of those who wish to pursue any topic in greater detail.

The report is divided into three parts—the general description of the Business Cycle, the known facts concerning the extent of unemployment, and the various proposals and attempts which have been made to meet the situation. Of these divisions, the last is the longest and most important. It contains in condensed form the experiences of many business concerns in their attempts to adjust themselves to changing conditions, as well as the efforts of governments and associa-

## NEW UNIT USED IN MEASURING RELATIVE ECONOMIC WELFARE

The measurement of the income of the people of the United States on a per ammain basis, and the development of a method of intercensal estimating which can also be used to forecast population, are two interesting by-products of the Income investigation, upon which the National Bureau of Economic Research has been engaged for the last two years.

How far income per ammain is an improvement upon per capita income as a measure of relative economic welfare, and how closely the new intercensal population estimates have been carried out, are discussed in detail in Volume II of Income in the United States, which is just coming off the press.

tions to lessen the hardships of unemployment.

Outlining the topics covered in the final division, Dr. Wesley C. Mitchell, Director of Research, who planned and edited the whole report, said:

"A first hand examination of the possibilities of stabilizing production by the initiative of private business enterprises has been made by Dr. N. I. Stone and Colonel Sanford E. Thompson.

"Mr. Gilbert H. Montague has discussed the thorny problem of cancellation from the legal and business viewpoint.

"The possibilities of using construction as a balance wheel were investigated by Mr. Ernest S. Bradford with reference to the building industries at large, by Dr. Julius H. Parmalee with reference to the railroads, and by Mr. Otto T. Mallery with reference to public works.

"Professor T. S. Adams contributes an interesting sketch of the leading financial devices for controlling the business cycle which merit attention.

"Developments of labor policy are discussed by Dr. John B. Andrews with reference to trade union benefits, by Mr. Shelby M. Harrison with reference to unemployment offices, and by Dr. Leo Wolman with reference to unemployment insurance plans, public and private.

"Miss Mary Van Kleeck, with the co-operation of the committee of the American Statistical Association, shows what can be done to improve present statistics of employment. Finally, Dr. Oswald W. Knauth treats the way in which the statistics of business conditions at present available can be used by business enterprises to safeguard themselves against loss."

The general study was initiated by the Business Cycle committee appointed by the President's Unemployment Conference of 1921. This Committee engaged the Bureau to organize the report, and supplied sufficient extra funds to meet the additional expenses required. The Bureau gave the services of its Staff for six months, and certain associations and individuals contributed chapters at their own expense; namely, The Russell Sage Foundation, The Bureau of Railway Economics, the Federated American Engineering Societies, The American Association for Labor Legislation, Professor Adams, Mr. Mallery, Mr. Montague.

**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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**BUREAU'S OPERATIONS TO DATE REVIEWED AND PLANS FOR THE FUTURE OUTLINED**

Many of those to whom the News-Bulletin has been sent have written to inquire as to the basis of support of the Bureau's operations, and in some instances have volunteered contributions.

The Bureau's purpose in issuing the News-Bulletin is not and has not been to solicit funds, but to bring the work of the Bureau to the attention of those who naturally would be interested. However, in view of the repeated inquiries that have been made, it may be proper to set forth briefly for the benefit of the Bureau's friends the basis of its finances and its program for the future.

Up to date the Bureau has been supported by certain foundations, to which public acknowledgment has already been made, and by a limited number of public-spirited individuals and corporations. The following is a statement of the Bureau's expenses by calendar years:

1920 (8 months) .....	\$20,977.95
1921 .....	33,550.81
1922 (Estimated) .....	42,500.00*

\* Excluding special expenditures of \$34,500.00 on account of the President's Conference on Unemployment.

Since the Bureau's organization in 1920 its administration has been marked by the strictest economy. No salaries have been paid except to the working staff. Directors give their services. Up to July 1, 1922, rents were donated.

With this economical administration the Bureau in less than three years of operation has combined a unique record of finished accomplishment.

Its work began with an exhaustive investigation of the Amount and Distribution of the National income. The results of this study for the years 1909-1919 inclusive, have been published in three separate volumes which are listed elsewhere in this Bulletin. These volumes have received gratifying recognition and approval, both in the United States and abroad, and have been adopted as supplemental texts in leading colleges and universities. Work is now in progress on the National income during 1920 and 1921 and it is the purpose of the Bureau to continue similar studies year by year.

During the present year the Bureau has completed at the request of Secretary Hoover, for the President's Conference on Unemployment, an investigation of Unemployment and Business Cycles which is now in the hands of the printers, and will be issued about January 1st as a volume of nearly 500 pages. This report will form the basis of recommendation to be made by the President's Committee. As a by-product of this investigation, the Bureau hopes to publish a separate volume on Employment, Hours of Work, and Earnings of Industrial, Agricultural and other Employees during the years 1920 to 1922.

The Bureau's program of operations for 1923 includes a continuation of its work on the National income and an exhaustive investigation into the fundamental nature and history of business cycles, together with certain other shorter studies now under consideration, which will be described in later issues of the News-Bulletin.

In carrying out this program the Directors have reasonable assurances of the continued support of those who have already contributed largely to the Bureau's activities. Certain very necessary expansions of the Bureau's work, and its ultimate permanence will, however, depend upon the success of plans now being made for the establishment of an endowment fund, and for the building up of a broad list of contributing subscribers. Progress in these directions will be reported from time to time in issues of the News-Bulletin.

**DATA PUBLISHED BY BUREAU USED IN BOOKS, SPEECHES AND COLLEGE CLASSROOM TEXTS**

Directors of the National Bureau of Economic Research, Inc., are taking the lead in demonstrating how the information published by the Bureau may be practically applied. The Bureau is also informed that extensive use is being made this fall of Vol. I Income in the United States as a supplementary text in various colleges and universities.

Col. M. C. Rorty, President of the Bureau, is making many references to the Bureau's income study in his forthcoming book, "Some Problems in Current Economics". Col. Rorty has made a novel departure in his book by including running critical comments in footnotes expressing labor union and socialistic viewpoints in opposition to his own.

Another director of the Bureau who has recently published is Mr. W. R. Ingalls, the representative of the American Engineering Council. Mr. Ingalls has made extensive use of the data developed by the Bureau in its income study in his own book, which is entitled "Wealth and Income of the American People".

Mr. Gray Silver, Vice President of the Bureau, who represents the American Farm Bureau Federation on the Board, has made frequent references to the "Distribution of Income by States in 1919" in the course of addresses which he has been delivering recently in Virginia, New York, Maryland and elsewhere.

Prof. T. S. Adams, a director at large, who is responsible for the chapter "Financial Devices for Controlling or Mitigating the Severity of Business Cycles" in the Unemployment study soon to be issued by the Bureau, for the President's Conference, was elected President of the National Tax Association, at its Fifteenth Annual Conference held at Minneapolis, Minn., September 18 to 22.

Prof. John R. Commons of the University of Wisconsin, who is a director at large, has recently conducted a research seminar on Unemployment and Business Cycles. Prof. Commons and two of his graduate students, H. L. McCracken and W. E. Zeuch, are jointly publishing in the Review of Economic Statistics of Harvard an article on the Classification of Theories of Secular Trends and Business Cycles. Prof. Commons also spoke at the Babson Conference at Wellesley Hills on August 4th, on the same subject.

The New Haven Chapter of the American Society of Mechanical Engineers asked the Bureau to supply a speaker for its Convention in conjunction with Yale University and the Machine Tool Exhibition September 21 to 23, and in response to this request Mr. O. W. Knauth, Secretary of the Bureau, made an address there on the subject of "Income in the United States".

Among the organizations using the basic data published by this Bureau are the National Industrial Conference Board, the National Education Association, and the Labor Bureau, Inc.

**WHAT THE REVIEWERS SAY OF VOL. I INCOME IN UNITED STATES**

"As the most reliable source of information upon the amount and distribution of income of the wealthiest people of the world, this excellent work commends itself to all students, as much by the care and accuracy of the methods employed as by the intrinsic importance and interest of its subject matter."—Sir Josiah C. Stamp, in the Journal of the Royal Statistical Society, July, 1922.

"The worth of this little volume is two-fold. As a positive contribution it ranks with the best that American economic scholarship is producing. As an exhibit of scientific method it is an exhilarating stimulus to inductive investigation. The group of gifted young scholars—King, Macaulay, and Knauth—whom Professor Mitchell has gathered about him and infected with something of his own enthusiasm and fidelity, not only have shown what success can attend quantitative investigation into "subjects that affect public welfare", but have given new proof that economic knowledge proceeds by the hard road of laborious inquiry rather than by the alluring ease of speculative theorizing."—Jacob H. Hollander, in the Journal of the American Statistical Association, September, 1922.

"Until the Government itself undertakes a comprehensive census of incomes, it will stand as our most dependable source of information on this important subject."—Political Science Quarterly, Page 359, Vol. XXXVII.

"The layman may utilize these figures with more confidence than is often the case with statistical summaries."—F. W. Taussig, Harvard, in N. Y. Evening Post, March 4, 1922.

"The book is therefore a highly important contribution to economic statistics or quantitative economics (as the reader may prefer), and will doubtless supersede any previous works on this subject for the United States."—G. P. Watkins in the American Economic Review, June, 1922.

**RESPONSIBILITIES OF DIRECTORS-BY-APPOINTMENT**

A unique feature of the Bureau's organization is the presence on the board of certain directors who are nominated by a group of institutions chosen to represent varying economic viewpoints. The reason for having directors on the board who are appointed from outside sources is a double one—first, to insure a judicial and many-sided review of the Bureau's findings of fact before publication, and, second, to safe-guard the Bureau at any future time from becoming a self-perpetuating corporation with all that this term implies. It is, however, no part of the plan to commit the nominating organizations and institutions to specific approval of the Bureau's publications. Each director, whether elected at large, or as the result of appointment by an outside institution, acts in his individual capacity.

The Bureau takes pleasure in making public acknowledgment to the nominating institutions for the care which they have given to the naming of directors who are competent to criticize and help the work of the research staff; and, to the ensuring of that feature which distinguishes the work of the Bureau—an agreement in regard to certain facts by men known to hold divergent views regarding the meaning of these facts.