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Natl Bureau of Economic Research

NATIONAL BUREAU OF ECONOMIC RESEARCH INC
51 MADISON AVENUE, NEW YORK

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A NON-PROFIT MEMBERSHIP CORPORATION FOR IMPARTIAL INVESTIGATIONS IN ECONOMIC, SOCIAL AND INDUSTRIAL SCIENCE

MAR 18 1933

February 17, 1933.

Dr. Edmund E. Day
Director for the Social Sciences
Rockefeller Foundation
61 Broadway
New York City

Dear Dr. Day:

On behalf of the National Bureau of Economic Research, Inc., and acting upon the vote of its Executive Committee, I hereby make application to the Rockefeller Foundation for a five-year grant of \$375,000. It is requested that \$50,000 be available unconditionally during each calendar year and that the balance of the appropriation be paid on the basis of \$1.00 for every \$1.00 received in cash by the National Bureau from other sources. This grant is vital not only to the long-range planning that is essential to making our research effective, but also to the very continuance of the work now in progress.

In support of this application I am enclosing galley proof of the annual report of the Directors of Research presented at the annual meeting of the Board of Directors on February 6, 1933. Printed copies will be available at the time of the March meeting of your Trustees. The projects there described, in support of which your assistance is requisite, may be summarized as follows:

1. A thorough revision of the estimates of national income, its total amount, and especially its distribution. The preeminence of the National Bureau in this field of research has long been recognized. The research staff member in charge, Dr. Simon Kuznets, is now actively cooperating with the Department of Commerce in directing the compilation of their estimates for the three years 1929, 1930, and 1931, which the Department is making in pursuance of Senate Resolution No. 220. The advantages of this cooperation are obvious.

The need for a complete description of the methods used, and for a discussion of the scope and implications of the estimates themselves, makes it desirable that the National Bureau publish an interpretative account of these estimates at the earliest possible moment. In addition, certain other phases of this subject should be surveyed. The study of inequality in incomes through an examination of frequency distributions of incomes, classified by size and the flow of income into various channels of expenditure and into savings are two highly important fields of inquiry which have been relatively neglected so far. These stages of the study call for long-range planning. The continuation of its work upon national income is one of the most important elements in the National Bureau's program.

2. The National Bureau's continuing studies of economic changes, including secular trends, seasonal variations and cyclical fluctuations, deal with an array of problems of great practical importance, and promise constructive results. For the completion of the work on the second volume of business cycles, now rapidly approaching final form, and preparations for the final volume which will sum up this long continued investigation, funds are necessary.
3. The National Bureau has also marked out as a field of continuing activity the analysis, by Dr. Mills, of the valuable materials compiled in the Biennial Censuses of Manufactures. At the present time no other comparable attempts are being made to utilize these data and it is proposed that they be systematically exploited by the National Bureau. As a by-product of these investigations much valuable information is being obtained concerning the relationships between prices and costs.
4. Also under the direction of Dr. Mills it is planned to continue the study of prices and the relations between changes in the prices of different commodities. There are constantly being opened up new elements in this major project, like rich veins in a mother lode. Dr. Mills is now preparing a monograph on the significance of the relation between prices of raw materials and manufactured goods.
5. Dr. Wolman, with the aid of a single research assistant, is continuing work on the labor market. The publication of a first report on the subject is to be expected during the current year. Materials of great value are already compiled, and a constantly developing series of problems in this field will continue to demand the attention of the National Bureau.

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6. The National Bureau has planned for some time a study of national savings and the investment of capital, a study closely linked with its continuing investigations of national income and of the physical volume of production. Lack of funds, however, has prevented the launching of the project. The Social Science Research Council has recently requested the National Bureau to investigate the physical aspects of capital formation. It is hoped that within the period of this grant many elements of the major project may be fully explored.

For the realization of our plans for research in these carefully chosen and extremely fertile fields of economic industry, the National Bureau is applying to several Foundations. We believe that the disruption of our organization with its experienced staff and its accumulation of valuable statistical materials would be a serious loss to the country. The role that the National Bureau plays in objectively evaluating elements of opinion and theory as well as of fact in the field of economics is no small one. It has built up an enviable record for scientific work and one of which its Directors are justly proud. The Directors maintain their assiduous interest in the scientific work, while the varied connections and outlooks represented on the Board continue to give the National Bureau's publications a guarantee of impartiality such as no other organization can supply. The current fruitfulness of the whole organization is evidenced by the research reports which it has published recently and is publishing in the near future.

Within the past year there has been effected a reorganization in the structure of the National Bureau, necessitated by the curtailment of the funds available. In particular, its overhead has been sharply reduced and the proportion of its funds devoted directly to research has been materially increased. In addition, the larger salaries have been severely cut and a general 10 per cent reduction made in the payroll. It is the belief of our Executive Committee that since the salaries of the junior members of the staff were not high before the cut, they should be restored to their former level at the first opportunity.

Presented with this application is a series of documents relating to the financial position of the National Bureau. At the present time the National Bureau has a small surplus in its general budget account and an adequate reserve in its revolving publication fund. Interest in the work of the National Bureau is evidenced by the sales of its printed reports. Of the twenty-one reports published so far, five are now out of print. For all the others there is continuing demand. Our latest publication, Economic Tendencies in the United States, by Dr. Mills, has had a very favorable reception.

Dr. Edmund E. Day

February 17, 1933.

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While the number of contributing subscribers has decreased during the present business depression, there are indications that the rate of decline is slowing up. There has been some increase in new contributions and intensive efforts are being made to persuade more individuals as well as Foundations to help maintain the National Bureau's work.

Very sincerely yours,

Wesley C. Mitchell

Director of Research

P.S. The following documents are appended:

1. Annual report of the Directors of Research
2. Report of the 1933 audit of the National Bureau accounts
3. Proposed budget for 1933 and related documents

EXHIBIT A

NATIONAL BUREAU OF ECONOMIC RESEARCH, INC.

Consolidated General Budget, 1933

<u>Cash on hand, General Budget Account January 1, 1933</u>	\$ 2,385.10
<u>Expected Receipts</u>	
<u>general Contributions</u>	10,000.00
Rockefeller Foundation outright grant	50,000.00
Matching of other contributions	10,000.00
Social Science Research Council	
Special study - Capital Growth (including 15% of budgeted expenditures for overhead)	8,108.45
United States Department of Commerce Services of Dr. Kuznets and travelling expenses (estimated)	<u>1,700.00</u>
<u>Total funds available</u>	82,193.55
<u>Expenditures</u>	
Total, as per Exhibit B	<u>71,876.78</u>
Expected Surplus, General Budget Account December 31, 1933	\$ 10,316.77

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EXHIBIT B

NATIONAL BUREAU OF ECONOMIC RESEARCH, Inc.

Tentative Budget for 1933

	<u>For one month</u>	<u>For twelve months</u>
<u>RESEARCH</u>		
<u>General Studies</u>		
Business Cycles (Mitchell)	\$ 780.04	\$9,360.48
National Income (Kuznets)	362.50	4,350.00
The Labor Market (Wolman)	407.50	4,890.00
Study of Prices (Mills)	624.28	7,491.34
Physical Volume of Production (Mills)	591.91	7,102.94
Income by Countries (Thorpe)	165.00	1,980.00
Study of Unemployment (Givens)	--	--
	<u>\$2,931.23</u>	<u>\$35,174.76</u>
<u>Special Studies</u>		
Durable Goods and Capital Growth (Social Science Research Council - Kuznets)		
Salaries	--	7,868.45
Travel	--	240.00
		<u>\$ 8,108.45</u>
<u>Sundry Scientific</u>		
Library	16.67	200.00
Direction of Research	(520.82)	2,583.33
Research Associates	--	--
Editorial Assistant	270.00	3,240.00
Chartist & Proofreader	136.52	1,638.24
Typing and Stenography	270.00	3,240.00
	<u>\$ 908.46</u>	<u>\$10,901.57</u>
(Total Scientific		54,184.78)
<u>ADMINISTRATION</u>		
Salaries	564.00	6,768.00
Travel Expense	20.00	240.00
Special Acct. - Income Study	-	700.00
Rent & Current	435.00	5,220.00
Printing & Stationery	20.00	240.00
Telephone & Telegraph	40.00	480.00
Postage & Envelopes	25.00	300.00
Office Supplies	15.00	180.00
Mimeograph Supplies	5.00	60.00
Furniture & Equipment	-	-
Expense of Meetings	18.00	216.00
Accounting Fee	20.00	240.00
Miscellaneous	4.00	48.00
	<u>\$1,224.33</u>	<u>\$14,692.00</u>
<u>PUBLICATION EXPENSE</u>		
For printing, binding, salary of shipping clerk, etc.	250.00	3,000.00
TOTAL 1933 BUDGETED EXPENDITURE		71,876.78

EXHIBIT C

NATIONAL BUREAU OF ECONOMIC RESEARCH, INC.

Comparison of 1933 Budget with 1932 Budget and Expenditures

	Budget 1932	Actual 1932	Budget 1933
<u>Special Studies</u>			
Recent Economic Changes	7,500.00	9,786.03	-
Profits - Epstein	4,200.00	4,200.00	-
Profits - Paton	815.00	634.20	-
Medical Care	1,500.00	1,750.00	-
Durable Goods and Capital Growth	-	1637 ⁰	8,108.45
<u>General Studies</u>			
Business Cycles	13,253.00	13,299.24	9,360.48
Income by Countries	4,600.00	4,395.13	1,980.00
Seasonal Movements	1,075.00	855.00	-
Interest Rates	606.00	606.72	-
Labor Policies	5,430.00	5,345.86	4,890.00
Income Studies	6,000.00	5,687.50	4,350.00
Price Study	12,000.00	11,692.16	7,491.34
Production	4,800.00	4,416.38	7,102.94
Employment	1,500.00	1,346.49	-
Library	656.00	346.97	200.00
Research Associates	14,780.00	14,415.76	-
Director of Research	3,111.10	3,000.11	2,583.33
<u>Sundry Scientific</u> (Chartist, Editorial Assistant and 2 stenographers)	-	-	8,118.24
<u>Administration</u>			
Salaries	23,524.87	22,835.63	6,768.00
Travel	875.00	433.84	240.00
Special Income Travel	-	-	700.00
News Bulletin	565.00	255.00	-
Rent and Current	11,000.00	5,989.95	5,220.00
Printing and Stationery	765.00	548.28	240.00
Telephone and Telegraph	910.00	675.21	480.00
Postage	510.00	542.60	300.00
Office Supplies	950.00	661.90	180.00
Mimeograph Supplies	300.00	91.94	60.00
Furniture and Equipment	-	35.00	-
Expense of Meetings	250.00	153.75	216.00
Accounting Fee	300.00	267.00	240.00
Economic Foundation Fee	580.00	440.04	-
Miscellaneous	-	65.01	48.00
Transferred to Publication Dept.	5,000.00	5,000.00	3,000.00
Total	127,355.97	119,772.70	71,876.78

EXHIBIT D

NATIONAL BUREAU OF ECONOMIC RESEARCH, Inc.

Analysis of ContributionsComparison with earlier years

Year	Number of Contributions (end of year)	Amount	Contributions over \$25	
			<u>Number</u>	<u>Amount</u>
1929	485	\$22,348	--	--
1930	558	23,393	51	\$10,950
1931	408	17,384	34	7,800
1932	278	11,973	21*	3,750*

Decline in Contributions

Year	In Number	In Amount	In large Contributions	
			<u>Number</u>	<u>Amount</u>
1930	+73	+ \$1,045	--	--
1931	-150	- 6,009	- 17	- \$3,150
1932	-130	- 5,411	- 13 *	- 4,050*

Relative Decline over Previous Period

<u>Year</u>	<u>Number</u>	<u>Amount</u>
1930	+ 15%	+ 41½%
1931	- 27%	- 26%
1932 (Jan. to July)	- 30%	- 29%
1932 (Jul. to Dec.)	- 29%	- 36%**

** 1932 (July to Dec., omitting two large contributions not renewed until 1933) - 11%

Collections, 1932

<u>Month</u>	<u>Number</u>	<u>Percent collected</u>	<u>New Subscriptions</u>
January	67	65%	-
February	17	68%	1
March	32	65%	-
April	15	63%	1
May	18	51%	1
June	26	46%	-
July	18	75%	-
August	8	80%	-
September	10	66%	1
October	4	60%	-
November	26	65%	2
December	28***	62%	4

* 2 large contributions totalling \$1,500 due in 1932 not received until after January 1, 1933 (1932)

*** 5 subscriptions due in December were renewed in January 1933.

EXHIBIT B
NATIONAL BUREAU OF ECONOMIC RESEARCH, INC.

Estimated 1933 Budget - Book Department

Balance in Book Department as of February 1, 1933	\$7,651.84
Unmatched book profits as of February 1, 1933	1,110.91

Bills Payable

Printing of Economic Tendencies (balance) \$1600	
" " Seasonal Variations (estimate) 2000	-3,600.00
	<u>5,162.75</u>
Appropriated in General Budget, 1933	3,000.00
Estimated total available funds as of Feb. 1, 1933	<u><u>8,162.75</u></u>

Income from Book Sales, Remaining 11 months of 1933

Estimated sales of present Bureau books (Vol. 1-22)* 4,000	
Rockefeller matching of book profits	<u>2,000</u>
Total income, Vol. 1-22	6,000.00

Estimated Printing Costs and Sales, Forthcoming Publications

Study	Cost	Estimated price	Possible Sales in 1933**	Estimated Receipts
Clark	\$ 600	\$1.50	1500	\$2,250
Burns	1000	2.50	300	750
Wolman	600	1.00	1000	1,000
Epstein	3000	5.00	400	2,000
Thorp	1500	3.00	400	1,200
Jerome	2000	4.00	500	2,000**
Macaulay	1500	4.00	1000	4,000**

	<u>\$13,200</u>
	1,980

Less discounts (average 15%)

Bulletin	500
Annual Report	150
Circularization & Postage	3,000

\$13,850

\$11,220

Rockefeller Matching

6,000

Net gain on 1933 publications (with 1933 sales only)

3,370.00

Total 1933 income from book sales (6,000+3,370)

9,370.00

Estimated balance in Book Dept., Dec. 31, 1933
(Contingent on publications of books listed)

\$17,532.75

*Net sales for January totaled \$1,096.

**Depending upon the date of publication. The estimated cost of \$1500 is for remaining expenses only. Much of the book is already set in type.