

NATIONAL BUREAU OF ECONOMIC RESEARCH, INC.

Memorandum

To: Gary Fromm, Edward K. Smith, Robert Lipsey, Geoffrey Moore, Douglas
Eldridge, Edwin Kuhl, Warren Lackstrom
From: John R. Meyer
Date: February 3, 1975
Subject: Personnel Hiring Freeze

There is an absolute freeze on hiring new personnel, including replacements, in New York, Washington, New Haven and Cambridge. Exceptions will be made only for the most pressing circumstances and will require my signature.

I regret the conditions which have prompted this memorandum, and hope that they are only temporary.

CC: S. Parker
V. Fuchs
S. Maisel
R. Michaels
C. Mortenson
J. Kaiser
T. Eaton
E. Casey
F. Selhorst
R. LaPan

John Meyer, Warren Lackstrom, Gerry Ronkin
R. Lipsey, C. Mortensen
December 24, 1974
New York Administrative Budget

With the changes to be made as of January 1 we are now down to an annual rate of expenditure of under \$125,000, the target mentioned in Ronkin's memo of 7/26/74. On the payroll account we will be operating at an annual rate of approximately \$75,000, well below the \$85,000 set at the Cambridge meeting as our target.

12/24/74

	6 Months
	<u>1/1/75—6/30/75</u>
La Pan	\$7,500
Mortensen	5,250
Cheperak	4,772
Mitchell	4,601
Mutterperl	4,628
Ying	3,798
Buschke	525
Gibbons	<u>644</u>
	\$31,718
Fringe benefits at 17%	<u>5,392</u>
Salaries & Fringe benefits	\$37,110

CONFIDENTIALMemorandum

✓
To: R. Lipsey, G. Moore, D. Eldridge, H. Lary
From: J. R. Meyer *JRM*
Date: December 9, 1974
Subject: Personnel Hiring Freeze

As you know, considerable pressure and demands are being placed on the Bureau's current unrestricted funds. A large share of these funds are used to support a number of New York research projects as well as the New York office administrative activities. We are undertaking an intensive budget review of all New York office based activities to determine where costs can be reduced. Until this review is completed and all NBER funded activities have been re-approved, no new personnel, including replacements, should be hired for the New York office. Any exceptions to this must be approved by Warren Lackstrom or myself. It would be unwise to hire new people when we need to find funds to support current employees.

JRM:am

cc: E. K. Smith
Wil Mangas
Sam Parker,

John Meyer
R. Lipsey
November 26, 1974
78000 expenditures

I think you may have been deceived by some of the quirks in our accounting system. The \$27,000 of direct expenditures listed under 78000 consist mainly of two elements: \$8,500 for the support of the Washington group, which I agreed to share with Ed, and \$9,500 for salaries of programmers who will eventually be charged out to the individual projects and will disappear completely from this account. The latter arrangement was made for the convenience of the accounting department, so that they would not have a constant flow of payroll changes but could, instead, deal only with occasional memos covering several months at a time. Therefore, except for the Washington costs, which should end by January, this account will contain only trivial expenditures.

In fiscal year 1974 my research accounts (excluding the Income and Wealth Conference and the small seminar account) was in deficit by \$32,000, not \$50,000. Furthermore, that accounting does not include the \$15,000 general fund contribution by the Investment Company Institute, which produced another \$15,000 in the matching Sloan grant. Thus a fair statement would be that I spent virtually no general funds in fiscal year 1974, even though it had been understood that I would have a \$50,000 unrestricted fund allocation.

October 30, 1974

Dr. John R. Meyer
National Bureau of Economic Research
575 Technology Square - 9th Floor
Cambridge, Massachusetts 02139

Dear John:

I am sorry to see that you feel I have done an inadequate job of reducing the New York administrative budget. At our meeting in the summer you set as a goal the reduction of salaries and fringe benefits in New York Administration from a rate of \$132,000 (and the even higher rate I inherited) to \$85,000. I said that I thought we could reach that level but that it would take some time. As of halfway through the fiscal year we will be down to an annual rate of less than \$92,000 at current salaries, which I think is a considerable accomplishment.

As for Wachtel, we discussed his status in connection with my request for a salary increase, which you denied, saying that it could be reconsidered if he received a grant. You never said I should remove him from the payroll and I have included him in all my budget submissions, assuming I would have a 78000 account to draw on. I also mentioned him as one of my commitments in my August letter to you. It would be humiliating to have to go back on my very small commitment in the middle of the year. Knowing our financial problems he was very cooperative in volunteering to reduce his Bureau salary by taking summer salary from NYU and he has put in time to revise his proposal and test the data.

Our only space problem is that we will be somewhat crowded, but we have found an office for McMains and we have told Ed Smith and Gary Fromm that offices will be available for Kisselgoff and Menshikova whenever they are ready to use them. We are also working to reduce the library by about 50 per cent to increase the efficiency of the library and provide more revenue-producing space.

Sincerely,

REL:mm

Robert E. Lipsey

NATIONAL BUREAU OF ECONOMIC RESEARCH, INC.

Memorandum

To: E. K. Smith, Geoffrey Moore, Robert Lipsey and Douglas Eldridge
From: John R. Meyer *JRM*
Date: October 15, 1974
Subject: Office Space in New York for Harvey McMains

Harvey McMains will be working very closely with Ed Smith, Nancy Steinthal and me on our Soviet programs and will need the part-time use of an office in New York for this purpose. I am sure it would be helpful if his office could be located near to Ed's and mine and/or Nancy's office as possible.

JRM:ejl

Xerox Chris Mortensen 10/24/74

John Meyer
Robert Lipsey
October 10, 1974
Space

I was taken aback on my return at the content and tone of the attached memo. In response to the discussion at the last officers' meeting we had cleared the visitors' room for Mrs. Menshikov by finding space for Gilmore (although we had originally been assured that he was leaving and needed no space). I then wrote the attached note to Gary asking when she would be coming. We are perfectly well prepared for her on the once-a-week basis discussed in Cambridge.

As to Kisselgoff, no one informed me or Chris that he needed space. All I know of him is that his name is on a Bureau proposal. We have tried to accommodate everyone we know about but we cannot respond when there is no request. I therefore do not understand why you are out of patience on this score.

Attmts. (3)

NATIONAL BUREAU OF ECONOMIC RESEARCH, INC.

Memorandum

To: E. K. Smith, Geoffrey Moore, Douglas Eldridge
From: John R. Meyer
Date: October 2, 1974 - Rec'd 10/9/74
Subject: Office Space in New York for Marina Menshikova and Avram Kisselgoff

I was somewhat distressed, and just a little out of patience, to learn this morning that there seems to be difficulty in providing office space in New York for Mme. Menshikova and Mr. Kisselgoff. I am sure that given the recent reduction in activity in New York and that with the cooperation of those concerned and some judicious re-allocation of space that locations for our visitors can be found. Please let me know what progress has been made within the next week.

JRM:ejl

JRM
Chris (youse) knew nothing about Avram.
A wk or so ago cleared the
Pietro's room for him.
10

John Meyer
Robert Lipsey
August 27, 1974
1974-75 budgets

I understand the reason for holding back on discretionary funds at this point but I do have a few small problems with expenses I had planned to meet from these funds if other financing did not come through. One item is the previously promised honorarium to Bob Eisner for completing his investment manuscript, plus some expenses he incurred on it in the last few months. The second is some small scale support for Paul Wachtel that I promised him for this year, and the third is the residual support for Peskin and Co. that Ed Smith and I have agreed to divide. Perhaps the best way to deal with these three is to set up separate numbered budgets for them.

In a way, I think a clearer picture of my position is set out in two summaries I sent to Gerry. If I do not get the Ruggles grant or any other except Peskin's EPA grant, which seems certain, my position would be about as follows (slightly revised from Gerry's version):

Total restricted earnings	\$274,000
minus direct costs	<u>356,000</u>
Operating deficit	\$-82,000
of which unrestricted public. costs	<u>13,000</u>
Operating deficit excl. public. costs	\$-69,000
of which Lewellen project	<u>8,100</u>
Operating deficit excl. public. costs and Lewellen	<u>\$-60,900</u>

That means that under the worst possible circumstances, if no support is received but I continue to carry Peskin, Gianessi, and the Ruggles at their present levels, I could run an operating deficit, other than publication costs, of about \$61,000. Even that is somewhat exaggerated because the Lewellen project actually made a "profit" for us, if we count the matching Sloan grants.

If we do get the Ruggles grant, but no others (the assumption you used for your memo of August 12), the picture would be like this:

Total restricted earnings	\$590,000
minus direct costs	<u>545,000</u>
Operating surplus	\$+45,000
of which unrestricted public. costs	<u>13,000</u>
Operating surplus excl. public. costs	\$+58,000
of which Lewellen project	<u>8,100</u>
Operating surplus excl. public. costs and Lewellen	<u><u>\$+66,100</u></u>

Thus the Ruggles grant alone would provide an operating surplus of \$66,000. In fact I do expect to obtain support from at least a few of the other outstanding proposals, and thus to run a significant operating surplus for the year.

cc: Gerry Ronkin

bcc: Chris Mortensen
Frank Patterson

NATIONAL BUREAU OF ECONOMIC RESEARCH, INC.

Memorandum

To: Robert Lipsey
From: John Meyer *JM*
Date: August 12, 1974
Subject: Research Budgets - FY 75

I have reviewed your research budgets for FY 75 and have summarized them on the attached page. If there are any discrepancies between your latest estimates and this summary, please let Gerry Ronkin know.

These budgets seem just fine, and I have no particular changes to suggest. However, due to some large grants pending at this time (any continuation of the Social Measurement Research Program is wholly dependent on receiving restricted grant funds), inflation pressures and the opening of two new offices, I prefer to wait until the end of the first quarter of this year before I allocate any unrestricted funds for your discretionary account (your project 78000).

However, if there is a particularly pressing need for some discretionary funds at this time, please let me know.

JM:am
Attachment
cc: G. Ronkin

LIPSEYRESEARCH PROGRAM SUMMARY

<u>LIPSEY</u>		<u>Restricted Income</u>	<u>Direct Costs</u>	<u>Operating Surplus (deficit)</u>
71023	PEP-C	-----	27,093	(27,093)
71024	Price B (NSF)	4,543	3,049	1,494
71081	Inter. Factor Demand	-----	7,898	(7,898)
71082	Ind. Price Behavior(NSF)	4,272	2,856	1,416
71026	PEP-F	-----	6,000	(6,000)
71099	Seminar Current Res.	-----	3,685	(3,685)
72081--87	Social Measurement (NSF)	90,732	70,977	19,755
77045	Portfolio of Indiv. Invest.	-----	8,100	(8,100)
77055	Infla. Fin. Markets (LIAA)	22,176	16,427	5,749
78067	Price Quantity Int. Trade	-----	17,671	(17,671)
78073	Impact of Multi-Natl. Firms (NSF)	78,305	88,448	(10,143)
71xxx	Financial Opera. of Multi-Natl	-----	12,925	(12,925)
72xxx	Social Measurement (pending) (NSF)	321,290	263,171	58,119
71086	R and D Inputs (NSF)	46,159	31,676	14,483
	TOTAL	<u>567,477</u>	<u>559,976</u>	<u>7,501</u>

	Salary (1)	Fringes (2)	Sub Total (3)	Other (4)	Total Direct Costs (5)	Indirect Costs (6)	Total Costs		Publica- tion Costs (10)
							R & U (7)	R (8)	
ECONOMIC GROWTH									
71023 PEP-C	15,820	2,373	18,193	4,900	23,093	9,097		32,190	3,000
71024 Industry Price Behavior-B	2,599	390	2,989	60	3,049	1,494	4,543		
71081 Interrelated Factor Demand	3,158	474	3,632	4,266	7,898	1,816		9,714	4,000
71082 Industry Price Behavior-A	2,463	369	2,832	24	2,856	1,416	4,272		
71086 R&D Inputs	25,189	3,778	28,967	2,709	31,676	14,483	46,159		
71026 PEP-F	-	-	-	6,000	6,000	-		6,000	1,000
7XXXX Wachtel	7,007	1,051	8,058	3,672	11,730	4,029	54,947	15,759	
					86,302			63,663	
FINANCE									
77045 Portfolio of Indiv. Invest.	7,000	1,050	8,050	50	8,100	4,025		12,125	4,000R
77055 Effects of Inflation	8,154	1,223	9,377	7,050	16,427	5,749 ^d	22,176		
					24,527			12,125	
INTERNATIONAL ECONOMICS									
78073 ^b Multin. Firms, Tech. & Trade	21,266	3,504	24,770	35,343	60,113	12,385	72,498	6,696	5,000
78067 Price Quantity-Int'l Trade	21,917	1,571	23,488	517	24,005	11,744		35,749	
7XXXX Rodriguez	5,960	894	6,854	4,550	11,404	3,427		14,831	
					95,522			57,276	
MEASUREMENT OF ECONOMIC & SOCIAL PERFORMANCE									
772081-7 ^a Meas. of Eco. & Soc. Perf.	76,824	11,161	87,985	36,990	124,975	43,992	168,967	72,824	
7XXXX Cost of Environ. Problems	15,227	2,284	17,511	8,700	26,211	8,756	96,143		
OTHER					151,186			72,824	
78000 (Eisner)	-	-	-	3,000	3,000	-		3,000	
79036 Seminars	856	128	984	2,701	3,685	492		4,177	
					6,685			7,177	
TOTAL					364,222			213,065	
					356,900				
78110-112 I&W & U-UNBER	9,981	1,497	11,478	60,045	71,523	5,739	58,717	545	18,000
(Moore & Lipsey)									
78001 Programmers ^c	(22,972)	(3,430)	(1,925)	(13,151)	(28,227)	(13,151)	(41,378)		

^aIf the Ruggles proposal is rejected.
^bShould be changed to 78073-U.
^cThese expenditures will be charged out to projects.
^d35% of Total Direct Costs.

Deficit

Minus	Total Earnings (R-Col. 8)	274,062
	Total Direct Costs	<u>364,222</u>
		-90,160 - 82,000
	Publication Costs (U)	<u>13,000</u>
	Sub Total	-77,160 - 69,000
	#77045 (Lewellen)	<u>8,100</u>
	Actual Deficit	-69,060 - 61,000

REF

8/20/74
C. Mortensen

FY 1975 Budgets REL Accounts

1

	Salary (1)	Fringes (2)	Sub Total (3)	Other (4)	Total Direct Costs (5)	Indirect Costs (6)	Total Costs		Public tion Co (10)
							R & U (7)	R (8)	
ECONOMIC GROWTH									
71023 PEP-C	15,820	2,373	18,193	4,900	23,093	9,097	32,190	3,000	
71024 Industry Price Behavior-B	2,599	390	2,989	60	3,049	1,494	4,543	4,000	
71081 Interrelated Factor Demand	3,158	474	3,632	4,266	7,898	1,816	9,714	4,000	
71082 Industry Price Behavior-A	2,463	369	2,832	24	2,856	1,416	4,272		
71086 R&D Inputs	25,189	3,778	28,967	2,709	31,676	14,483	46,159	1,000	
71026 PEP-F	-	-	-	6,000	6,000	-	6,000	15,759	
7XXXX Wachtel	7,007	1,051	8,058	3,672	11,730	4,029	15,759	63,663	
FINANCE									
77045 Portfolio of Indiv. Invest.	7,000	1,050	8,050	50	8,100	4,025 ^d	12,125	4,000	
77055 Effects of Inflation	8,154	1,223	9,377	7,050	16,427	5,749 ^d	22,176	12,125	
INTERNATIONAL ECONOMICS									
78073 Multin. Firms, Tech. & Trade	21,266	3,504	24,770	35,343	60,113	12,385	72,498	6,696	
78067 ^a Price Quantity-Int'l Trade	21,917	1,571	23,488	517	24,005	11,744	35,749	14,831	
7XXXX Rodriguez	5,960	894	6,854	4,550	11,404	3,427	14,831	57,276	
MEASUREMENT OF ECONOMIC & SOCIAL PERFORMANCE									
7291-7 ^b Meas. of Soc. & Eco. Perf.-I	37,476	5,321	42,797	29,190	70,977	21,308	92,375	1,643	
7XXXX Meas. of Soc. & Eco. Perf.-II	164,410	24,661	189,071	54,100	243,171	94,536	337,707	16,417	
7XXXX Cost of Environ. Problems	15,227	2,284	17,511	8,700	26,211	8,756	34,967	18,060	
OTHER					340,359		446,989		
78000 (Eisner)	-	-	-	3,000	3,000	-	3,000	3,000	
79036 Seminars	856	128	984	2,701	3,685	492	4,177	4,000	
TOTAL					553,395		589,941	158,301	12,880
78110-112 I&W & U-UNBER (Moore & Lipsey) ^c	9,981	1,497	11,478	60,045	71,523	5,739	77,262	545	17,000
78001 Programmers ^c	(22,972)	(3,430)	(1,925)	(28,227)	(13,151)	(41,378)	(41,378)	18,000	

^a Should be changed to 78073-U.
^b If the Ruggles proposal is not rejected.

^c These expenditures will be charged out to projects.
^d 35% of Total Direct Costs.

Surplus

Minus Total Earnings (R-Col. 8)
Total Direct Costs

589,941
553,395
+36,546

Publication Costs

+13,000

Sub Total

+49,546

#77045 (Lewellen)

8,100

Actual Surplus

57,646

(CONFIDENTIAL)

John Meyer
Robert Lipsey
August 16, 1974
Nadiri salary

I received the attached memo from Ned after I sent the letter informing him of his salary increase. That increase was a more or less standard one, outside of the supplement, which was not changed. It raised him from \$10,250 (including \$1,000 supplement) to \$10,950. The most closely comparable people in my list are

	<u>Salary</u>		<u>Supplement</u>		<u>Total</u>
Cagan	\$11,250	+	\$1,000	=	\$12,250
Eisner	10,780		-	=	10,780
Nadiri	9,950	+	1,000	=	10,950
Ruggles (R)	10,500	+	500	=	11,000

but I do not know about those in the other research groups. My guess is that \$10,500 plus \$1,000 would be more in line with people like Mincer, Reder, and Welch last year.

I cannot answer his point about the administrative supplement. It was always my understanding that his salary included such a supplement, but my records are incomplete because so many of his arrangements were made directly with you. In my first turn at staff salary discussions (in 1971 for FY 1972) his salary was omitted and was listed as being dealt with by you. I do have a tabulation by Gerry Ronkin for FY 1973 which lists Ned as earning \$9,000 plus a \$750 supplement (changed from an earlier proposal of \$9,000 + \$1,000). In May 1973, when we were considering salaries, you held off my recommendation regarding Ned and said you would deal with him yourself, but I have no record of how the final figure of \$10,250 was arrived at or what it was intended to include. Perhaps you have something in your files.

In any case, I would not consider \$10,500 plus \$1,000 out of line for him.

Att.

NATIONAL BUREAU OF ECONOMIC RESEARCH

Memorandum

To: Robert E. Lipsey
From: M. Ishaq Nadiri
Date: July 26, 1974
Subject: Salary Increase

Thank you for informing me about my salary for next year. I have thought a great deal about the matter and feel that I should make two comments about the raise and arrangement referred to in your letter. I must say that the salary increase was quite minimal and a disappointment.

To my knowledge I do not recall making the arrangement of \$1,000 for administration of the conference series. My understanding is that John Meyer asked me to look after the conference and workshop series which I have done. A portion of my salary has been on the conference and workshop accounts. However, there was no understanding on my part that a portion of my salary is specifically for administrative duties.

NATIONAL BUREAU OF ECONOMIC RESEARCH, INC.
COMPUTER RESEARCH CENTER FOR ECONOMICS AND MANAGEMENT SCIENCE

Memorandum

To: All Senior Staff and Research People (see below)
From: J. R. Meyer *JRM*
Date: 16 May 1974
Subject: Philip Kline Appointment

There have been several reverberations from staff people to the effect that the Philip Kline appointment to the Senior Research staff has not gone through proper Bureau procedures and review.

Upon reflection, I must say that I see some validity in these complaints. Accordingly, I am going to interpret the Board vote on May 13th to mean that Kline should be considered for any suitable appointment up to and including Senior Research staff member. However, the final determination of the proper level will be placed on the agenda and acted upon at the next quarterly meeting of the Policy Group not tentatively scheduled for September 29th in Palo Alto.

JRM:amt

Distribution: D. Eldridge
G. Fromm
V. Fuchs
E. Kuh
H. Lary
R. Lipsey ✓
S. Maisel
G. Moore
E. Smith

John Meyer
Robert Lipsey
April 30, 1974
Feldstein paper

This is an interesting paper. I checked with Lewellen to find out whether he knew about it, and he had seen it. I suppose Lintner also knows about it.

It might be worthwhile for Lewellen to estimate the relation between stock holding proportions and income from his data. Since Feldstein must lump all common stock together and therefore assume a single ratio of capital gains to total income, his estimates of income-class differences in returns are not correct if households of higher income tend to hold larger proportions of growth stock with low current income. Also, his elasticities would be correspondingly biased.

I am puzzled at the statement that tax rate differences are the sole explanation of income-class differences in portfolio composition. I suppose he is assuming that other effects of income differences, such as differences in costs of diversification, are caught by the combination of financial wealth with the ratio of human to non-human wealth. I would guess that the wealth variables are strongly correlated with income.

Attached: "Personal Taxation and Portfolio Composition: An Econometric Analysis"
(ms.)

APR 1 1974
FEDERAL RESERVE
OFFICE

ABSTRACT

Personal Taxation and Portfolio Composition:
An Econometric Analysis

Martin Feldstein

The theory of portfolio choice has been extensively developed in recent years. The purpose of the current paper is to begin the econometric study of this important subject.

The research analyzes the composition of portfolios of 1799 households in a sample in which high income individuals are greatly overrepresented. The results show that the personal income tax has a very powerful effect on individuals' demands for portfolio assets after adjusting for the effects of net worth, age, sex and the ratio of human to nonhuman capital.

The means of the pretax yields on individuals' portfolios increase with the individuals' marginal tax rates. The current system of taxation appears to induce a socially more productive allocation of portfolio wealth than would otherwise have prevailed. The pretax portfolio variance of nominal yields rises substantially with income but the pretax portfolio variance of real yields is largely unaffected.

Differences among income classes in the relative net yields for each type of asset explain the pattern of ownership of that type of asset. Differences among assets in the relative net yields explain the mix of assets held by each income class.

John Meyer
Robert Lipsey
April 27, 1974
Policy meetings

Perhaps we should start with quarterly meetings. If we have them more often, attendance may not be as good. I would be disappointed if Sherm and Victor alternated as a matter of policy, since they will supervise very different areas of research and I am not sure one is a substitute for the other.

As to the date, September would be better for me than July.

NATIONAL BUREAU OF ECONOMIC RESEARCH, INC.

Memorandum

To: All NBER Vice Presidents
From: John R. Meyer
Date: April 22, 1974
Subject: Policy Meetings

We now have responses back and everyone is in agreement that it is a good idea to have policy meetings on research planning and related matters. Sherm Maisel thought that since most of the meetings were to be held on the East Coast, that he and Victor Fuchs should alternate in attending.

I think a slightly better schedule would be one suggested by Ed Smith to alternate the meeting places. My proposal would be to meet on the average of once a quarter, and also to schedule them so that they generally come just before Executive Committee meetings, or Board meetings, at least to the extent possible.

It may prove that four meetings a year would not be enough, and we might want to go to a six-a-year schedule -- but that should be the upper limit.

As you know, the first meeting is scheduled for May 6 at 11 a.m. in Cambridge.

The next meeting might be scheduled tentatively for, say, Friday, July 19, or Monday, July 22 in Palo Alto, alternatively, it could be in September in Palo Alto, just before the Board meeting. The next meeting should be in December in New York before the Executive Committee meeting, usually held early in December

Please let me know your reactions to all this.

JRM:ejl

CC: D. Eldridge
G. Fromm
V. Fuchs
E. Kuh
H. Lary
R. Lipsey ✓
S. Maisel
G. Moore
E. Smith