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Collection/Office of Origin: Science and Technology Policy, Office of (OSTP)
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Subseries: Organization Files - PCAST

OA/ID Number: 62077
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President's Council of Advisors for Science and Technology: General [2 of 7] [1992]

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TYPE: ACTION DOCUMENT NUMBER: 9202948
ORIGINATOR: 02 STATUS I DIRECTORATE STATUS

FROM: CARGILL, G. Slade III: MATERIALS RESEARCH SOCIETY

TO: DR. D.A. BROMLEY

DATE OF
CORRESPONDENCE: 09/23/92

SUBJECT: HE IS FORWARDING HIS COMMENTS FOR THE PCAST STUDY OF
RESEARCH UNIVERSITIES AND THEIR RELATIONSHIP WITH
THE FEDERAL GOVERNMENT.

DIRECTORATE STAFF
ASSIGNED: PCAST ASSIGNED:

ACTION STAFF
REQUIRED: AS NECESSARY ACTION:

SENDER'S DUE DATE:
OSTP DUE DATE: 10/15/92 STAFF DUE DATE
DATE COMPLETED: DATE COMPLETED/DEPT:

COPIES TO: D. Allan Bromley

WHITE HOUSE TRACKING #: CONTACT PERSON:
PHONE: EXT:

REMARKS: *No ~~response~~ necessary per ARD*

OSTP RECEIVED: 10/01/92 DEPT RECEIVED:
FILE: P-PCAST

CENTRAL FILES:

2948

MRS MATERIALS RESEARCH SOCIETY

G. Slade Cargill III *president*

IBM T.J. Watson Research Center
P.O. Box 218
Yorktown Heights, NY 10598
Telephone (914) 945-1958
FAX (914) 945-4407
BITNET CARGILL@YKTVMZ

September 23, 1992

The Honorable D. Allan Bromley
Director, Office of Science and Technology Policy, and
Assistant to the President for Science and Technology
Old Executive Office Building
Washington, D.C. 20506

Dear Dr. Bromley:

I appreciated the opportunity to attend your briefing on the PCAST study of U.S. research-intensive universities and their relationship with the Federal government, together with representatives of other science associations on September 15. This meeting was very interesting and valuable to me and the other two attendees from the Materials Research Society. We hope that you will continue to sponsor such gatherings.

To further enhance the benefit of these meetings, I suggest that arrangements be made for attending representatives of science associations to have lunch as a group after the meeting. During this lunch, they could become better acquainted with one another and could continue informal discussions of the topics raised during the morning briefing. Providing name tags with institutional affiliations might also help to foster interactions among the attendees.

One of the topics raised at your meeting was the importance of follow-up and tracking of results for Presidential initiatives. On behalf of the Materials Research Society, I wish to volunteer our help in any follow-up and tracking activities, particularly for AMPP, which we believe is vitally important for the materials community and its ability to contribute to the nation's welfare.

I enclose a statement presented on behalf of the Materials Research Society to the PCAST Panel on the Nation's Research Universities at its July 24 hearing. It may also be of interest to your staff.

Sincerely,



G. Slade Cargill III
1992 MRS President

Enclosure

cc: Dr. Karl A. Erb (with enclosure)

**Statement by G. Slade Cargill III,
President of Materials Research Society,
to the Panel on the Nation's Research Universities
of the President's Council of Advisors on Science and Technology
July 24, 1992 -- Washington, D. C.**

What is the MRS? -- Thank you for the opportunity to present this statement as president of the Materials Research Society, a rapidly growing organization of more than 10,000 scientists and engineers involved in research on advanced materials. With about 45% of our members being university faculty, research staff, and graduate students, we have a special interest in the nation's research universities. Further, with 30% of our members in industrial R&D and 20% in national labs, we are dedicated to maintaining a vital and productive relationship between universities, industries, and the Federal government.

Importance of and Concerns for University Research -- We see the goal of Federal support for university research in science and engineering as being to provide a fundamental knowledge base for the nation's commercial and government activities, and to provide well trained people to work in industry and government and to staff our colleges and universities. Achieving these goals is key to the economic well being and industrial competitiveness of the United States. However, our leadership and effectiveness in university research and graduate education are threatened. Universities are suffering from a depressed U.S. economy and from shortfalls and uncertainties in Federal funding. If universities are to achieve their potential as key contributors in the U.S., we need improved Federal support, and, as I will discuss, we need strategic university/industry/government partnerships and increased emphasis on interdisciplinary research.

Interdisciplinary Research -- The MRS is unique among professional societies because of its focus on interdisciplinary research. Most of today's challenges and opportunities in developing, improving and exploiting materials require knowledge, talents, and activities which are not confined to a single technical discipline, and we believe that this is also true for many other areas of science and technology. The organization of both universities and Federal funding agencies should be structured to encourage research which naturally bridges the boundaries of traditional disciplines.

University/Industry/Government Partnerships -- We in universities, industry, and government must together do a better job of determining what areas of university research are most likely to benefit technology, and we must do a better job of conveying information from university research to potential users in industry and government. A new paradigm is needed for strategic university/industry/government partnerships. Joint programs are needed in areas of national importance, with a central role for government laboratories. The MRS and other professional societies can provide forums for discussions among these groups and can act as brokers for collaborations among them.

Funding for University Researchers -- Universities in the U.S. have large numbers of talented faculty members who want to teach and carry out research, and this community can have significant, positive impacts in science and technology. However, even with good ideas, good students, good facilities, and good support, this is possible only if securing support does not become an all consuming activity. The efficiency of the funding process must be improved to reduce the burden on university researchers while maintaining good peer review participation.

Increased competition without growth in available funding has led to disappointment and disillusionment and to lost opportunities. Available resources

should be used to support adequately the best, most creative, and most productive individuals and groups, with due attention to geographic distribution. We believe that the nation can benefit from additional resources being devoted to this important task.

Funding Modes and Collaboration -- A wide spectrum of funding modes is needed. In some areas, a single investigator with one or two students can achieve fundamental breakthroughs, but this is much less likely as research becomes more sophisticated and requires access to a variety of expensive equipment. Collaboration is becoming ever more important and should be encouraged by multi-investigator grants. Funding for local, regional and national research centers is also important in order to provide central experimental facilities.

Infrastructure -- Lack of funds for capital investment is a critical problem. Most universities cannot afford to renovate existing laboratory space or to build new laboratories. Federal funding for such construction projects has been very limited in recent years and has come from case-by-case congressional actions. We believe that this should be reversed. Capital investments by the Federal government for support of university research are very important, and allocation decisions should be made competitively, with peer review and full evaluation of needs and potentials of all candidates for such support.

Summary Conclusions -- In conclusion, university research and graduate education in science and engineering are critical to our economic well being and industrial competitiveness. Increased emphasis on interdisciplinary research, establishment a system of strategic university/industry/government partnerships, and improved Federal support are all needed if universities are to achieve their potential as key contributors in the U.S.

TYPE: ACTION DOCUMENT NUMBER: 9202949
ORIGINATOR: 02 STATUS I DIRECTORATE STATUS

FROM: ANDERSON, Greg: MIT

TO: DR. D.A. BROMLEY

DATE OF
CORRESPONDENCE: 09/22/92

SUBJECT: HE IS FORWARDING HIS COMMENTS ON THE PCAST OPEN
MEETING THAT WAS HELD AT MIT ON JUNE 24, 1992.

DIRECTORATE STAFF
ASSIGNED: PCAST ASSIGNED:

ACTION STAFF
REQUIRED: AS NECESSARY ACTION:

SENDER'S DUE DATE:
OSTP DUE DATE: 10/15/92 STAFF DUE DATE
DATE COMPLETED: DATE COMPLETED/DEPT:

COPIES TO: D. Allan Bromley

WHITE HOUSE TRACKING #: CONTACT PERSON:
PHONE: EXT:

REMARKS: *NRN per AKD*

OSTP RECEIVED: 10/01/92 DEPT RECEIVED:
FILE: P-PCAST

CENTRAL FILES:



2949

The Libraries
Massachusetts Institute of Technology
Cambridge, Massachusetts, 02139

Office of the Director
Room 14S-216

22 September 1992

D. Allan Bromley
Assistant to the President for Science
and Technology
Director of the Office of Science and
Technology Policy
Executive Office of the President
Washington, D.C. 20506

Dear Dr. Bromley:

I attended the PCAST open meeting at MIT on June 24, 1992, and I would like to thank you and the members of the Council for this opportunity to comment. I join the rest of the MIT community in expressing my appreciation to PCAST for listening to all perspectives on this important topic.

Throughout its deliberations, I hope that PCAST will remember that information is a basic element of the research process. We need a discussion about research information, and the role it plays in the relationship between the Federal government and research intensive universities. Information is the enriching environment for research and the creation of new knowledge. The process of science pursues two objectives simultaneously: preserving and confirming extant, validated knowledge, and building upon that knowledge, creating new, more powerful and challenging knowledge. Information is the tool for this dynamic process. Each of the comments made at the meeting on June 24 confirmed the importance of freely available information to the research process. Information can be seen as a structural element in each of the eight topics which PCAST identified for these meetings.

There are two key information issues that are critical to research: dissemination and control. Historically, Federal information has flowed freely to citizens, primarily through the Federal Depository Library Program. This program has provided vital Federal information to fuel research activities. Similarly, the results of research at universities have been widely distributed in fulfillment of grant requirements. This flow of information is a vital component of our national research program and must be considered and nurtured. It is this exchange which supports merit and peer-review.

D. Allan Bromley
22 September 1992
Page Two

Control of information is fundamental for access to and delivery of research results. There are important questions about research information: who owns it? who is responsible for its distribution? who is responsible for its archival preservation? what are the responsibilities of the individuals and organizations in the research process? These questions begin with the first laboratory notebook. Researchers need guidance and education about their rights and responsibilities regarding research data. This understanding and acknowledgement of responsibilities is important for the relationship between research partners and for scientific integrity.

Again, I am grateful for the opportunity to contribute to the discussion.

Sincerely yours,



Greg Anderson
Associate Director for Systems and Planning

GA:jw

TYPE: ACTION DOCUMENT NUMBER: 9202919
ORIGINATOR: 02 STATUS I DIRECTORATE STATUS

FROM: DANFORTH, William H.: WASHINGTON UNIVERSITY IN ST. LOUIS

TO: DR. D.A. BROMLEY

DATE OF
CORRESPONDENCE: 09/22/92

SUBJECT: HE IS FROWARDING COMMENTS FOR THE PCAST PANEL
STUDYING THE RELATIONSHIP BETWEEN RESEARCH
UNIVERSITIES AND THE FEDERAL GOVERNMENT.

DIRECTORATE STAFF
ASSIGNED: PCAST ASSIGNED:

ACTION STAFF
REQUIRED: AS NECESSARY ACTION:

SENDER'S DUE DATE:
OSTP DUE DATE: 10/12/92 STAFF DUE DATE
DATE COMPLETED: DATE COMPLETED/DEPT:

COPIES TO: D. Allan Bromley

WHITE HOUSE TRACKING #: CONTACT PERSON:
PHONE: EXT:
REMARKS: *NRN per ARD*

OSTP RECEIVED: 09/28/92 DEPT RECEIVED:
FILE: P-PCAST
CENTRAL FILES:



Washington

WASHINGTON · UNIVERSITY · IN · ST · LOUIS

2919

Office of the Chancellor

September 22, 1992

D. Allan Bromley
The Assistant to the President
for Science and Technology
Office of Science and Technology Policy
Old Executive Office Building
Washington, D.C. 20506

Dear Allan:

Here are some ideas pulled together from some material I presented to the NIH. They are directed at improving the relationship between the federal government and research universities. Perhaps the suggestions and examples might be helpful in the deliberations of your PCAST study.

I'm sorry I didn't have this ready sooner, but I wanted to get it to you before the Northwestern PCAST meeting.

Yours sincerely,

Bill

William H. Danforth
Chancellor

**The President's Council of Advisors on Science and Technology (PCAST)
Review of the Partnership Between Research Universities and the Federal Government**

Statement of
William H. Danforth
Chancellor
Washington University

In 1945, Vannevar Bush wrote Science: The Endless Frontier, A Report to the President. His report makes the following observations regarding science and the national welfare:

Science can be effective in the national welfare only as a member of a team, whether the conditions be peace or war. But without scientific progress, no amount of achievement in other directions can insure our health, prosperity, and security as a nation in the modern world.

Basic research leads to new knowledge. It provides scientific capital. It creates the fund from which the practical applications of knowledge must be drawn. New products and new processes do not appear full-grown. They are founded on new principles and new conceptions, which in turn are painstakingly developed by research in the purest realms of science.

In his 1946 publication, Endless Horizons, Bush went on to say:

The publicly and privately supported colleges, universities, and research institutes are the center of basic research. They are the wellsprings of knowledge and understanding. As long as they are vigorous and healthy and their scientists are free to pursue the truth wherever it may lead, there will be a flow of new scientific knowledge to those who can apply it to practical problems in government, in industry, or elsewhere.

We have been hugely successful in accepting the challenges laid out by Bush and building a research infrastructure that is preeminent. It has lead to magnificent discoveries.

I believe that we in the United States have learned in the last decade some important lessons about how human efforts work and how they might be improved. Among these lessons that might be helpful to today's discussion are the following. First, setting priorities is difficult, but important. Failure to set priorities and then act on them is likely to produce disastrous results. There is no escape from setting priorities based on the quality and importance of the research and then providing enough funds to do the priority task well. High priority goals must be given adequate support, both financial and human, even at the cost of lower priority goals.

As our national research capacity has grown and become more widely distributed--in universities, institutes, and government labs across the country--our ability to adequately fund it has been greatly diminished. Pressures for spreading resources, which lead to pork barrel funding and increasing the number of new grants, can dilute the quality of our nation's basic research.

I do not believe in the omniscience of the government picking "winners and losers". I do believe the federal government should set national scientific priorities in close consultation with the larger scientific community, should maintain a competitive process of peer review, and should support quality research.

My second point is that science education is an essential key to future research, future development and future production. The federal government is deeply involved in K-12, college and graduate education. This support is essential for a successful future for American science and for the American economy. Increasing the participation of women and underrepresented minorities in science and engineering must also continue to be a major objective of the federal government's science education and training programs. Out of these underrepresented groups we will find an increasing number of future scientists, engineers, and science educators.

A third point is that there must be greater consultation and cooperation between the federal agencies that support research and the research universities. I believe that it is essential for us to develop new processes through which thoughtful representatives of our institutions can be involved regularly in the development of appropriate policy recommendations for the conduct of research in this country. And all of us must work to convey the importance of these policies to the public. I think that given time thoughtful people could help make great progress.

For example, I believe the costs of any undertaking, even basic research, can be lowered. Cost containment is extremely important so that available dollars will go as far as possible in support of research. In the last decade it has been demonstrated again and again that in almost any endeavor costs can be lowered even as quality is improved. But the two must be linked and lowering costs without undermining quality and quantity requires the involvement of people at every level. The only ones who can contain costs effectively while maintaining and improving quality are the people who do the work and know the operation thoroughly. Neither the chief executive sitting in his or her office nor the federal official in Washington has enough information or understanding to go it alone or even set up effective ground rules.

One way to address cost containment while improving quality and effectiveness, would be the creation of a Standing Commission on Quality and Cost Management of Research. This commission would be composed of scientists, administrators from research institutions, government officials and private industry representatives. Its charge would be to recommend mechanisms for containing the costs of research while maintaining and

even improving the quality of the research and of the infrastructure upon which the research depends. With a standing commission there would be regular opportunities to monitor and improve on whatever strategies are adopted.

My final point is that adequate long term investment, including capital investment, is necessary for the success of any enterprise. If American research is to remain strong, the infrastructure of our research universities and government labs requires immediate attention. I should like to illustrate this point with an example from Washington University. We require a massive upgrading of animal facilities for our medical school in order to stay in compliance with federal regulations and to prepare ourselves for new types of genetic research. There are no federal funds available for such construction, private donors do not generally support such projects, and we do not have reserves of this type or magnitude.

The only course available, other than a special funding act of Congress, is to borrow money for the facilities. If we borrow money the annual costs for amortization, interest, heat, light, power, upkeep and maintenance must be paid year in and year out for two decades or longer. If federal reimbursement stops and/or federal grants will not pay the full cost of the animals used, we could go broke. Someone might ask, "Why not just use other funds?" To put the matter in perspective, the total annual expenses for the building would be considerably more than the annual income from tuition paid by all students attached to the School of Medicine. I know of no way to make up such a large shortfall in income. What decision should our trustees make? Remember, their primary fiduciary responsibility is to maintain a strong institution for coming generations.

I can sum up the thinking thus far. We are willing to take the risk that we can train, recruit, and hold scientists who can consistently compete for available research funds, but we do not feel that we should take the risk if federal reimbursement policies are likely to shifted in an arbitrary manner so that full reasonable costs cannot be recovered. Thus, the construction and the improvement of our national research facilities depends either on direct, peer-reviewed federal funding, which now seems out of the question, or on reasonable and stable reimbursement policies on which one can count year after year.

Let me restate what is to me an important point. In my view, research universities should appropriately take the risk of maintaining quality and of being able to provide competitive scientists; if the institutions fail in that task, they should accept the trouble and grief that come with that failure. However, research universities should not be expected to take the risk inherent in unpredictable federal reimbursement policies. Taking risks over which the institution has no control is counter to the responsibilities vested in trustees for maintaining what they believe to be national treasures.

With increasing frequency, and especially in Washington policy circles, I hear people assert that perhaps universities have become unduly dependent upon government support. This view of research universities differs fundamentally from mine. Basic

research in the United States is going to be dependent on the federal government, at least if it is to continue at anywhere near the current level. There is no avoiding or getting around that fact or even of changing that situation in the foreseeable future. There are no other funding sources that today play more than a minor role or are likely to in the future. Universities that undertake basic research are, of course, dependent on federal funds to carry out that mission. However, it is worth pointing out that those heavily engaged in basic research are involved in this great endeavor because their leaders and their faculties believe in and fully support the goals of the enterprise. The enterprise is at heart a noble one because it results in the creation of a tremendous public good. And that is why the government should continue to strongly support it.

As I stated at the beginning, most of our scientific goals have not changed from the time of Vannevar Bush--even though they must now be approached from dramatically different directions. We have moved from a political-military world to a political-economic world. Where our research challenges were once tied to helping insure our security as a nation, we now focus on research to insure our health and economic prosperity as a nation. Our scientific preeminence has gone unchallenged to date. Now that we are entering a period of global economic competition, we find ourselves constrained by the current economic environment. The next choices we make will be critical for determining the future of how we do research in this country. What is clearly called for is more dialogue and greater understanding between those responsible for federal research policy and those responsible for providing the intellectual homes and workplaces for our nation's scientists.

"Document Control"

TYPE: INFORMATION

DOCUMENT NUMBER: 9202987

ORIGINATOR: 02

STATUS C

DIRECTORATE STATUS

FROM: KOHLSTEDT, Sally Gregory: HISTORY OF SCIENCE SOCIETY

TO: DR. D.A. BROMLEY

DATE OF
CORRESPONDENCE: 09/17/92

SUBJECT: SHE IS THANKING DR. BROMLEY FOR THE INVITATION TO
THE PCAST BRIEFING.

DIRECTORATE
ASSIGNED:

STAFF
ASSIGNED:

ACTION
REQUIRED:

STAFF
ACTION:

SENDER'S DUE DATE:

OSTP DUE DATE:
DATE COMPLETED:

STAFF DUE DATE
DATE COMPLETED/DEPT:

COPIES TO: D. Allan Bromley
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REMARKS:

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FILE: P-PCAST

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CENTRAL FILES:

2987

HISTORY OF SCIENCE SOCIETY

CONSTITUENT OF THE AMERICAN COUNCIL OF LEARNED SOCIETIES

Founded in 1924 Official Journal: Isis

Sally Gregory Kohlstedt, *President*
Professor of History of Science
University of Minnesota

Associate Dean
Institute of Technology
117 Pleasant Street SE, rm 107
Minneapolis, MN 55455

612-626-1802
Fax: 612-624-2841
EMail: Kohlsted@cs.umn.edu

September 17, 1992

Mr. D. Allan Bromley
Executive Office of the President
Office of Science and Technology Policy
Washington, D.C. 20506

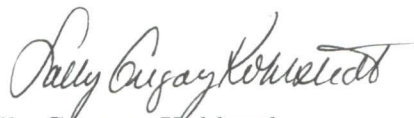
Dear Mr. Bromley:

Thank you for the invitation to attend the President's Council of Advisors on Science and Technology meeting in Washington. Unfortunately my invitation was sent to the previous President of the History of Science Society and reached me too late to make arrangements. Luckily, our Executive Secretary, Michael Sokal, will be able to attend.

Please note for your records that I am serving a current two year term as President of the History of Science Society, for 1992 and 1993. In 1994 and 1995, the President will be Professor David Lindberg of the University of Wisconsin at Madison.

I hope that the meetings went to everyone's satisfaction and that the outcome of the discussions will serve all of us well.

Sincerely yours,



Sally Gregory Kohlstedt
President, History of Science Society
Professor and Associate Dean

"Document Control"

TYPE: INFORMATION

DOCUMENT NUMBER: 9202974

ORIGINATOR: 02

STATUS C

DIRECTORATE STATUS

FROM: EAST, Maurice A.: GEORGE WASHINGTON UNIVERSITY

TO: DR. D.A. BROMLEY

DATE OF
CORRESPONDENCE: 09/23/92

SUBJECT: A THANK YOU FOR THE INVITATION TO THE SEPTEMBER 15TH
PCAST BREIFING.

DIRECTORATE STAFF
ASSIGNED: ASSIGNED:

ACTION STAFF
REQUIRED: ACTION:

SENDER'S DUE DATE:
OSTP DUE DATE: STAFF DUE DATE
DATE COMPLETED: DATE COMPLETED/DEPT:

COPIES TO: D. Allan Bromley
PCAST

WHITE HOUSE TRACKING #: CONTACT PERSON:
REMARKS: PHONE: EXT:

OSTP RECEIVED: 10/01/92
FILE: P-PCAST

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Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
01. Letter	To: Allan Bromley From: Maurice East RE: Sept 15 meeting [personal information redacted] (1 pp.)	9/23/92	(b)(6)	

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Office: Science and Technology Policy, Office of (OSTP)

Series: Bromley, D. Allan, Files

Subseries: Organization Files - PCAST

WHORM Cat.:

File Location: President's Council of Advisors for Science and Technology: General [2 of 7] [1992]

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Appeal Case #:

Re-review Case #:

Appeal Disposition:

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Disposition Date:

AR Case #:

MR Case #:

AR Disposition:

MR Disposition:

AR Disposition Date:

MR Disposition Date:

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Presidential Records Act - [44 U.S.C. 2204(a)]

Freedom of Information Act - [5 U.S.C. 552(b)]

P-1 National Security Classified Information [(a)(1) of the PRA]
P-2 Relating to the appointment to Federal office [(a)(2) of the PRA]
P-3 Release would violate a Federal statute [(a)(3) of the PRA]
P-4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
P-5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA]
P-6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

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(b)(1) National security classified information [(b)(1) of the FOIA]
(b)(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
(b)(3) Release would violate a Federal statute [(b)(3) of the FOIA]
(b)(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
(b)(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
(b)(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
(b)(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
(b)(9) Release would disclose geological or geophysical information

TYPE: ACTION DOCUMENT NUMBER: 9202914
ORIGINATOR: 02 STATUS I DIRECTORATE STATUS

FROM: BROWN,Donald: CARNEGIE INSTITUTION OF WASHINGTON

TO: DR. D.A. BROMLEY

DATE OF
CORRESPONDENCE: 09/16/92

SUBJECT: HE IS WRITING TO OFFER HIS COMMENTS AS A RESULT OF
THE SEPTEMBER 15TH MEETING ON THE TOPIC OF RESEARCH
UNIVERSITY-GOVERNMENT INTERACTIONS.

DIRECTORATE STAFF
ASSIGNED: PCAST ASSIGNED:

ACTION STAFF
REQUIRED: AS NECESSARY ACTION:

SENDER'S DUE DATE:
OSTP DUE DATE: 10/12/92 STAFF DUE DATE
DATE COMPLETED: DATE COMPLETED/DEPT:

COPIES TO: D. Allan Bromley

WHITE HOUSE TRACKING #: CONTACT PERSON:
PHONE: EXT:
REMARKS:

NRN per AKD

OSTP RECEIVED: 09/28/92 DEPT RECEIVED:
FILE: P-PCAST
CENTRAL FILES:

2914

CARNEGIE INSTITUTION OF WASHINGTON
DEPARTMENT OF EMBRYOLOGY
115 WEST UNIVERSITY PARKWAY
BALTIMORE, MARYLAND 21210
TELEPHONE: 410-554-1200
FAX: 410-243-6311

September 16, 1992

The Honorable D. Allan Bromley
Assistant to the President
for Science and Technology
Old Executive Office Building
17th Street and Pennsylvania Ave., N.W.
Suite 358
Washington, D.C. 20506

Dear Dr. Bromley:

I'm sure that I speak for the other representatives of scientific societies who attended your September 15 briefing when I thank you for including us in your search for information on the topic of research university-government interactions. I am responding to your invitation to put our thoughts in writing.

I believe that your committee could have a major input if it candidly addressed the different models by which various government agencies support research in universities. The successful agencies such as NSF and NIH have extramural grants programs with these characteristics:

- Reliance on individual investigator-initiated grants.
- Peer review of all grants.
- Support of young scientists as independent investigators at the start of their careers.
- Support of graduate and postdoctoral training in non-profit institutions.

-CONTINUED-

The Honorable D. Allan Bromley
September 16, 1992
PAGE 2

These principles, which you attributed to Vannevar Bush, have surely accounted for the remarkable success of health sciences research. Other federal agencies with research budgets should be encouraged to use these principles. If your committee could effect reform in these other agencies, substantial funds could be freed up to support cost effective high quality research in universities and non-profit institutions. These reforms are especially needed in this zero sum financial situation that we find ourselves.

Sincerely yours,



Donald D. Brown, MD.
Director, Department of
Embryology, Carnegie Institution of
Washington, and
President, American Society
for Cell Biology

DDB/pe

TYPE: ACTION

DOCUMENT NUMBER: 9202927

ORIGINATOR: 02

STATUS I

DIRECTORATE STATUS

FROM: MEARS, David F.: UNIVERSITY OF CALIFORNIA

TO: DR. D.A. BROMLEY

DATE OF
CORRESPONDENCE: 09/14/92

SUBJECT: HE IS FORWARDING HIS COMMENTS FOR THE PCAST PANEL
STUDYING THE RELATIONSHIP BETWEEN THE FEDERAL
GOVERNMENT AND RESEARCH INTENSIVE UNIVERSITIES.

DIRECTORATE

STAFF

ASSIGNED: PCAST

ASSIGNED:

ACTION

STAFF

REQUIRED: AS NECESSARY

ACTION:

SENDER'S DUE DATE:

OSTP DUE DATE: 10/12/92

STAFF DUE DATE

DATE COMPLETED:

DATE COMPLETED/DEPT:

COPIES TO: D. Allan Bromley

WHITE HOUSE TRACKING #:

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REMARKS: *NRN per AKD*

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2927

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Senior Vice President—
Administration

OFFICE OF THE PRESIDENT
300 LAKESIDE DRIVE
OAKLAND, CALIFORNIA 94612-3550

September 14, 1992

Dr. Allan Bromley, Director
President's Council of Advisors
on Science and Technology (PCAST)
Executive Office of The President
Office of Science and Technology
Washington, D.C. 20506

Dear Dr. Bromley:

Dr. Mary Good requested that the comments I made at the PCAST meeting at Berkeley be submitted in writing. The comments are enclosed per her request.

Sincerely,

David F. Mears

David F. Mears
Director
Research Administration Office

cc: University Controller
Contract and Grant Officers
Eleanor Lee
Betty Lou Bradshaw

THE PRESIDENT'S COUNCIL of ADVISORS on SCIENCE and TECHNOLOGY

**Public Meetings
University of California
Berkeley, California
July 15, 1992**

Talk by:

**David F. Mears, Director
Research Administration
Office of the President
University of California
300 Lakeside Drive
Oakland, California 94612-3550**

My name is David Mears, Director of Research Administration, Office of the President, University of California. I have University-wide responsibility for contracts and grants policy, indirect costs, and Federal audits.

The University of California receives funding from over 150 Federal agencies and other Federal entities. Last fiscal year the University received approximately \$800 million in Federal research funding.

I would like to comment on the second topic of interest to the Council, i.e., the "Nature of the current relationship between research intensive universities and the Federal government; changes occurring or in view; principal problems or areas of difficulty; suggestions for improvement."

I offer comment on two areas. First, there are several underlying unresolved Federal policy issues that fundamentally affect the relationship. Second, the current Federal system for issuing Agency regulations negatively impacts the relationship and needs improvement. My subject scope is the body of Federal Agency administrative and financial requirements applicable to research awards.

My comments accept the following notions:

1. Limited Federal funding.
2. University accountability.
3. Not all rules are bad, but there are more than a few that are costly and wasteful.

My purpose is to make recommendations about how to wring more research value from these limited funds.

A. General policy issues.

1. Primary purpose of Federally supported research.

There is need for Federal policy clarification as to the overriding purpose of Federal research funding. This is at the root of numerous research administration problems.

The Federal Grant and Cooperative Agreement Act distinguished Federal assistance to accomplish a public purpose from Federal acquisition to buy goods or services for government consumption and use.

It would help enormously if a Federal policy were issued that said: "Federal research funding is an investment in the capability of talented researchers who have demonstrated or can demonstrate the likelihood of producing new knowledge."

The current system is labelled assistance for a public purpose; however, it is operated as though discrete research projects (like widgets) are purchased for government consumption. This incongruity has created an historical strain between

the Federal project-based system of supporting research and the larger ongoing research programs as viewed by the researchers themselves. The acquisition notion encourages Agencies to impose controls over the tracking of inputs, at the expense of applying Federal resources to producing research outputs.

2. Define accountability and stewardship in empirical terms.

Currently accountability is a term used whenever something goes wrong. Yet there is no current, written, empirical Federal definition of what it really is. Without such a definition, Universities are wide open to Federal criticism and demands for more accountability without knowing how much is really enough and whether the standards have been achieved or not. This issue has been addressed by the Federal Demonstration Project in its attempts to develop an allocability and documentation standard. This effort illustrated the underlying inability of Federal agencies to come to agreement on an empirical standard.

B. Issues and recommendations for the current regulatory system.

The current relationship between research universities and the Federal government is lopsided. Federal agencies continue to increase regulations. In an environment of severely contracting resources and cuts in administrative capacity, Universities must continue to respond to continually changing regulations.

1. Empirical proof that a rule is needed.

Currently Agencies are unrestrained in their issuance of new rules. A proposed new rule can be issued for almost any reason. It is not unusual for Agencies to propose rules applicable to all grantees when there is a single event at one grantee that the Agency does not wish to see repeated ever again. The need for a rule is not infrequently the opinion of a single individual in a functional office.

An empirical standard of proof to document the need for a new regulation should be established. If there is insufficient evidence of the need for a new rule, the rule should not be issued.

2. Require a second opinion as to the need for a rule.

Rules are often initiated by individuals who perceive a need from the viewpoint of their functional office, but the need may not be justified from the Agency Head view of the Agency needs. This is particularly the case when Agencies create variations from Federal-wide rules and standards.

The need for all new rules should be approved by the Agency Head or a level well

above the level of the functional office initiating the rule. In the case where the rule creates variation from a Federal-wide standard, the Lead Agency responsible for the Federal-wide rule should approve the issuance of the Agency rule prior to publication.

There is also need for a second or perhaps an impartial third party opinion when the Agency response to public comments on proposed rules. Our voluminous, long-term experience is that the Agency author is always convinced of the need for the rule, notwithstanding public comment to the contrary.

3. Shift from a transaction to institutional relationship.

There is a real need to shift the Federal regulatory conception of the relationship from a temporary transaction-by-transaction relationship to an ongoing institution to institution relationship.

The transaction basis assumes the sum total of the relationship begins when an award begins and ends when the award ends. It assumes there is no relationship beyond a transaction.

Each transaction requires numerous compliance certifications and documentation which do not change over time when viewed from the ongoing institutional perspective.

Why do universities have to certify they are (or are not) a small/large business, or are (or are not) in compliance with Civil Rights requirements for each transaction when the basis for compliance or status is at the institutional level? These requirements are redundant and therefore wasteful.

Annual certifications of compliance would be far more cost efficient. For the University of California it could mean a savings of over 20,000 transaction certifications a year.

4. Shift from a top-down to a bottom-up regulatory perspective.

When the regulatory system is viewed from the top down, e.g. Statute or OMB Circular, the content appears fairly concise and innocuous. For example, OMB Circular A-110 is 21 pages of three-column text in the Federal Register. However, when a grantee collects copies of all Agency implementations, the 21 pages explode into 1300 pages of regulatory material. The impact of continual changes to this volume of material is enormous.

5. The relationship needs to be simplified.

Agency variation from Federal-wide standards and OMB Circulars should be actively controlled by OMB. Currently OMB does not play this role.

The requirements are continually changing. The issuance of changes should be changed from continual to periodic. Agencies can continue to issue new rules; however, to make implementation more manageable, the effective dates should be the first day of the calendar or fiscal year.

6. Agency accountability for the cost of Agency regulations.

There is a need to shift from the exclusive responsibility of Universities for bearing the cost of Federal requirements, to a mutual responsibility.

Currently Federal agencies assume no direct responsibility for the cost impact on Universities of the requirements imposed. It is not unusual for a Federal Contracting Officer to say, "Just charge the cost to your overhead."

There is no recognition of Federal Agency or OMB responsibility for the cost to Universities of the variety of Federal Agency administrative and financial requirements. The costs are not effectively recovered through Federal indirect cost negotiation practices.

Universities have been blamed as the sole cause for rising indirect costs. It is time that the Federal Agency rule-making process be required to include a cost impact assessment that the agency would have to pay directly as an incentive to restrain agency variety. Perhaps Agencies could be assessed the direct cost of their variation beyond the Federal-wide norms.

7. Forum for Inter-Agency Coordination of research-related requirements.

There is a need for a Forum for Inter-Agency Coordination of Federal requirements applicable to research universities to achieve greater consistency. Additionally Universities should be included in the process of Agency regulation development including face-to-face discussions of the need for new rules and ways to effectively accomplish the objective at minimum cost.

There is an existing forum called the Federal Demonstration Project sponsored by the National Academy of Sciences, Government-University-Industry Research Roundtable. This is the only existing group of University and Federal policy makers that focuses on how to improve the efficiency and productivity of the Federal research relationship with Universities.

This forum should be formalized as part of the Executive Branch in OMB or OSTP.

8. Federal Agency accountability to Statute and Federal-wide Regulation.

The relationship is lopsided with respect to accountability with Federal laws and regulations.

Universities are required to comply subject to Federal audit or other penalty. However, there is no recourse available to Universities when Agencies do not follow Federal laws, Federal-wide rules, or their own regulations. The only avenue available is to deal with the Agency directly. If they disagree, there is no practical avenue of appeal.

OMB offices, such as OFPP, OIRA, and Financial Management Branch, can exercise monitoring roles over Agency variation but rarely do.

There needs to be established a Federal regulatory ombudsman so that "the regulated" can take issue with the "regulator" when there is good reason.

9. Establish cost effectiveness and efficiency as a Federal priority.

The regulatory process is designed to prevent negative events from happening. There is no consideration of cost either to the University or to the Federal government. Agencies can issue rules with endless variety without any cost accountability. The values of cost effectiveness and efficiency are not an express part of the Agency's mission and are not part of the Agency's operational culture.

A joint venture of Federal Agencies, including Agency IGs and OMB policy staff together with University representatives, should review the research system to accomplish efficiencies and economies not only in Universities but also in Agencies.

If the general policy recommendations and the regulatory system recommendations are adopted, all parties to the Federal-University research relationship can look forward to improved efficiency, cost effectiveness, and research productivity.

Thank you for this opportunity to make comments.

"Document Control"

TYPE: ACTION DOCUMENT NUMBER: 9202842
ORIGINATOR: 02 STATUS I DIRECTORATE STATUS

FROM: SCHONHOFT, Brad

TO: DR. D.A. BROMLEY

DATE OF
CORRESPONDENCE: 09/10/92

SUBJECT: HE IS WRITING REQUESTING INFORMATION ABOUT THE TWO
REPORTS THAT WERE COMMISSIONED REGARDING RESEARCH
UNIVERSITY FUNDING.

DIRECTORATE STAFF
ASSIGNED: PCAST ASSIGNED:

ACTION STAFF
REQUIRED: DIRECT REPLY ACTION:

SENDER'S DUE DATE:
OSTP DUE DATE: 10/06/92 STAFF DUE DATE
DATE COMPLETED: DATE COMPLETED/DEPT:

COPIES TO: D. Allan Bromley

WHITE HOUSE TRACKING #: CONTACT PERSON:
PHONE: EXT:
REMARKS:

OSTP RECEIVED: 09/22/92 DEPT RECEIVED:
FILE: P-PCAST
CENTRAL FILES:

2842
Sept. 10, 1992

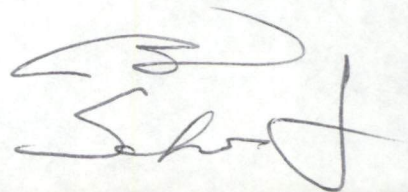
Brad Schonhoff
28 E. Vine
Oxford, Oh 45056

White House Science Policy Office
c/o Allan Bromley
Washington, D.C.

Mr. Bromley,

I have just completed reading "Cracks in the Ivory Tower" in the Aug. 14 issue of Science. Could you please reply with some information about the two reports you commissioned with regard to research university funds. Do not discard this letter - this matter affects me directly. I am currently a senior at Miami University with majors in genetics and sociology. I would appreciate any insights you could provide me with.

Thank you
and
Sincerely,



TYPE: ACTION
ORIGINATOR: 02

STATUS I

DOCUMENT NUMBER: 9202675
DIRECTORATE STATUS

FROM: ZELLNER, Arnold: UNIVERSITY OF CHICAGO

TO: DR. D.A. BROMLEY

DATE OF
CORRESPONDENCE: 09/01/92

SUBJECT: HE IS WRITING TO ACCEPT DR. BROMLEY'S INVITATION TO
ATTEND THE BRIEFING ON SEPTEMBER 15, REGARDING THE
RESEARCH INTENSIVE UNIVERSITIES. HE ALSO INCLUDES A
PROPOSAL FOR DR. BROMLEY'S CONSIDERATION.

DIRECTORATE STAFF
ASSIGNED: PCAST ASSIGNED:

*Paul Perrotte
comment
only*

ACTION
REQUIRED: REVIEW FOR DAB

STAFF
ACTION:

SENDER'S DUE DATE:
OSTP DUE DATE: 09/23/92 STAFF DUE DATE
DATE COMPLETED: DATE COMPLETED/DEPT:

COPIES TO: D. Allan Bromley

WHITE HOUSE TRACKING #: CONTACT PERSON:
REMARKS: PHONE: EXT:



OSTP RECEIVED: 09/09/92
FILE: P-PCAST

DEPT RECEIVED:

CENTRAL FILES:

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF SCIENCE AND TECHNOLOGY POLICY
WASHINGTON, D.C. 20506

September 24, 1992

Dear Dr. Zellner:

Thank you for the information you sent with regard to our September 15 meeting of scientific associations.

I gather from the materials that there is broad consensus on the need for better economic statistics to serve at least three purposes: making public policy formulation more effective, ensuring that business decisions are better informed, and advancing basic research in economics and other social sciences.

Addressing these needs are indeed extremely important. In addition, it would be desirable to strengthen cooperation between universities and government at all levels, and expand this to a three-way partnership which would include industry. Your objectives in this regard are commendable.

However, I suspect the specific institutional or programmatic arrangements that would be best able to achieve this broad goal is a matter best decided by the relevant statistical and economic communities in the three sectors. I wish you every success in your efforts.

Sincerely yours,



D. Allan Bromley
Director

Dr. Arnold Zellner
Graduate School of Business
University of Chicago
1101 E. 58th Street
Chicago, IL 60637



RECEIVED

Graduate School of Business
1101 East 58th Street, Chicago, Illinois 60637
Fax: 312/702-0458
E-Mail: FAC_AZELLNER@GSBACD.UCHICAGO.EDU

SEP 9 P 6: 09

OSTP
MAIL ROOM

Arnold Zellner
H.G.B. Alexander Distinguished Service
Professor of Economics and Statistics

September 1, 1992

H.G.B. Alexander
Research Foundation
Tel: 312/702-7145

Dr. D. Allan Bromley
Director of the Office of Science and
Technology Policy
Executive Office of the President
The White House
Washington, DC 20506

Dear Dr. Bromley:

Thanks for your letter of August 25, 1992 inviting me and other representatives of the American Statistical Association (ASA) to attend your September 15, 1992 briefing on research-intensive universities and their relationship with the Federal Government. I am happy to accept your invitation to attend. Dr. Barbara Bailer, Executive Director of ASA will send the names, birthdates and social security numbers of ASA attendees to Marion Nida as soon as possible.

With respect to the topic of the briefing, it occurred to me that the enclosed letters about a proposed NSF Science and Technology Center for Business and Economic Statistics (CBES) may interest you and your colleagues. They indicate general approval of a range of important activities involving research universities, government and business. I should appreciate learning your and your colleagues' reactions to the proposed CBES.

Best personal regards.

Cordially,

Arnold Zellner

AZ:pe
xc: Barbara A. Bailer
Enclosures

The University of Chicago

Graduate School of Business
1101 East 58th Street, Chicago, Illinois 60637
312/702-7121

John P. Gould, Dean and
Distinguished Service Professor
of Economics

January 11, 1988

Dr. Alan Leshner, Director
Office of Science and Technology
Centers Development
National Science Foundation
Washington, D.C. 20550

Dear Dr. Leshner:

I am writing to provide strong support for the proposal to establish a National Science Foundation Science and Technology Center for Business and Economic Statistics (CBES) at the University of Chicago. The intellectual and practical goals of the CBES to improve business and economic data and methods of utilizing them in modeling, forecasting and decision-making are important and their attainment will be of great value. Since these goals are important to the research and teaching programs of the Graduate School of Business, I am interested in having the School participate actively to insure the success of the CBES's research and outreach programs.

If you have any questions, I shall be happy to try to answer them.

Sincerely yours,


John P. Gould

JPG:kj



Graduate School of Business
1101 East 58th Street, Chicago, Illinois 60637
312 | 702-7306

Harry L. Davis
Deputy Dean
Professor of Marketing

January 11, 1988

Dr. Alan Leshner, Director
Office of Science and Technology
Centers Development
National Science Foundation
Washington, D.C. 20550

Dear Dr. Leshner:

I am writing to communicate my support for the proposal to create a Center for Business Economics and Statistics at The University of Chicago. Efforts to improve the quality of data and their use in decision making are critical to more effective decisions by organizations. The interdisciplinary nature of the proposed center and the range of interesting problems it intends to tackle are meaningful goals that I believe can be reached. The Graduate School of Business will be supportive of the program outlined in the proposal.

Sincerely yours,

A handwritten signature in dark ink, reading "Harry L. Davis". The signature is fluid and cursive, with the first name "Harry" and last name "Davis" clearly legible.

Harry L. Davis

HLD:elz



Graduate School of Business
1101 East 58th Street, Chicago, Illinois 60637
312|702-7122

Robert S. Hamada
Deputy Dean
Professor of Finance

January 8, 1988

Dr. Alan Leshner, Director
Office of Science and Technology
Centers Development
National Science Foundation
Washington, D.C. 20550

Dear Dr. Leshner:

I am writing to express, as strongly as possible, my personal support and that of the Graduate School of Business, The University of Chicago, for the proposed NSF Science and Technology Center for Business and Economic Statistics (CBES). The conception of the CBES is perfectly in-line with the philosophy and mission of the Graduate School of Business (GSB).

Among the many reasons why I believe the proposed CBES fits so perfectly with the GSB are, at least, the following six reasons:

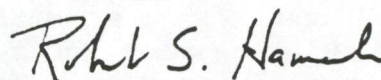
- (1) The GSB takes pride in the intellectual and academic quality of its faculty appointments. The non-GSB researchers who have already expressed an interest and commitment in participating in the CBES are of a quality which would only enlarge the attributes that we seek in our own faculty.
- (2) The interdisciplinary nature of the proposed team of researchers and the proposed research projects is a feature that we have been promoting at the GSB for many decades (and, hopefully, we are well-known for it). We purposefully do not have departments within the GSB and mix the offices of our faculty across all disciplines to promote interdisciplinary research and teaching. We have MBA and PhD courses, as well as workshops and PhD committees, that are headed by faculty in different disciplines. The CBES conception is a "natural" at this place.
- (3) The proposed interaction between theory and application, and the attendant benefits from this feedback, is something we have always believed in. In fact, because we are a business school and not merely another academic department within a major university, we have considered the applied nature of our research and teaching to be central to our mission. We have always believed that our research must not only be ultimately useful but that we can profitably learn from those who apply our findings. Both application and theory can be improved with this view.

Dr. Alan Leshner
January 8, 1988
Page Two

- (4) The proposed CBES interaction between interdisciplinary academic researchers and those from industry and government is perfectly in-tune with the goals of the GSB. Again, because we are a business school devoted to first-class research and teaching, we believe we must interact and be useful to our major constituencies - which is to provide leaders and cutting-edge ideas in business and government. We have always been urging, as an institution, our faculty to be involved on a personal level in research and consulting projects with industry and government because we are a business school and because we firmly believe that this interaction can only improve the quality of our research and the quality of the decisions being made in business and government. The particular kinds of research projects proposed by the CBES, such as improving the measurement of data, improving modelling, improving forecasting methods and improving decision-making, are taking the GSB goals one step further. These kinds of large-scale research projects, I believe, can only be accomplished through an interdisciplinary center and team approach with a clear mission and focus. It is especially fortunate that the only way these projects can be successful is to do it in a way that is so attuned to the mission and philosophy of the GSB so that both the CBES and GSB would mutually benefit, as well as the practice of business and government.
- (5) The GSB has taken pride in the intellectual innovation we have provided in such areas as finance, industrial organization, Bayesian statistics and econometrics, and decision research. We feel that the interdisciplinary nature of the research proposed by the CBES cannot help but lead to new intellectual innovations and products.
- (6) The GSB has had a tradition of quickly introducing new research findings into our instruction. Because of our research tradition and because we encourage our faculty to design their courses in any way they see fit, our MBA and PhD students have been the beneficiaries of being introduced to new ideas as soon as they are discovered. We believe the research emanating from the CBES will favorably and quickly affect our educational mission through our many courses, PhD dissertations and through the use of student research assistants. This transmission of the CBES research ought to lead to better decision-making in business and government.

I hope I have given you a flavor of the reasons why I believe the proposed CBES would make so much sense for all concerned, including the Graduate School of Business at The University of Chicago.

Sincerely,



Robert S. Hamada

RSH:kj

December 23, 1987

Dr. Alan Leshner, Director
Office of Science Technology
Centers Development
National Science Foundation
Washington, D. C. 20550

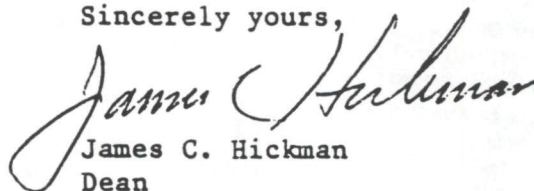
Dear Dr. Leshner:

The University of Wisconsin-Madison, School of Business, supports the proposal for a NSF Center for Business and Economic Statistics (CBES). The proposal is in complete accord with the objectives of the plan to develop Science and Technology Centers. The program of CBES will contain elements of research, teaching and technological transfer. The cooperating agencies will include research universities, government statistical agencies and leading corporations.

The University of Wisconsin-Madison, School of Business, can make major contributions to the quality and productivity improvement and the time series and forecasting projects of CBES. I have a sense of urgency regarding both of these projects. The industrial leadership of the world and the U.S. standard of living are tied to our success in developing and communicating quality and productivity improvement ideas. The changing demographic structure of the U.S., and the resulting social and business issues, demand improved methods for forecasting and conveying a sense of the reliance that may be placed on the forecasts.

I believe that CBES can contribute to the solution of these and other problems. I urge support of the CBES proposal.

Sincerely yours,


James C. Hickman
Dean

JCH:jb



AMERICAN STATISTICAL ASSOCIATION

FOUNDED 1839

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Bureau of the Census

Room 2031-3

Washington, D.C. 20233

(301) 763-2562

November 20, 1987

Professor Arnold Zellner
University of Chicago
1101 E. 58th Street
Chicago, Illinois 60637

Dear Arnold:

I'm delighted to hear that the University of Chicago is going ahead to apply for a Center for Business and Economic Statistics. You worked very hard with the Committee and Subcommittees to come up with a feasible plan. Best of luck in the endeavor! Let me know if I can help in any way.

Sincerely,

BARBARA A. BAILAR
President



Columbus Division
505 King Avenue
Columbus, Ohio 43201-2693
Telephone (614) 424-6424
Telex 24-5454

December 21, 1987

Professor Arnold Zellner
H.G.B. Alexander Distinguished Service
Professor of Economics and Statistics
Graduate School of Business
The University of Chicago
1101 East 58th Street
Chicago, Illinois 60637

Dear Professor Zellner:

Thank you for your letter and phone call concerning the proposed NSF S&T Center for Business and Economic Statistics.

We at Battelle, particularly my staff, are interested in the concept of the Center and many of the issues that it would tackle. As we have discussed over the years, there is certainly a need for better economic data. This is particularly true in areas where changes in technology over the years have made obsolete many of the standard categories within which data are being assembled.

We look forward to working with you if you are successful in your grant request.

Very truly yours,

H. Ronald Hamilton
Vice President
Engineering Systems
Battelle Columbus Division

HRH/js



AMERICAN MEDICAL ASSOCIATION

535 NORTH DEARBORN STREET • CHICAGO, ILLINOIS 60610 • PHONE (312) 645-5000 • TWX 910-221-0300

JAMES F. RODGERS, Ph.D.
Director
Center for Health
Policy Research

January 4, 1988

ROGER A. REYNOLDS, Ph.D.
Director
Department of Medical
Practice Economics
(312) 645-4343

Professor Arnold Zellner
Graduate School of Business
University of Chicago
1101 East 58th Street
Chicago, IL 60637

Dear Arnold:

I am writing to indicate my support for the proposed Center for Business and Economic Statistics. The Center has the potential of making important contributions in the health care field as well as many others.

In the health care field, the need for improved statistics is critical. Competitive pressures are causing increased concern for providers and consumers over the quality of care, yet the methods for measuring the quality of health care remain primitive. Similarly, while there remains general public concern over rising health costs, the indices available from the federal government with which to determine the sources of cost increases have fundamental defects. This has impaired the ability to evaluate possible policy responses.

I believe the proposed Center can greatly assist in overcoming such difficulties. My colleagues in the AMA Center for Health Policy Research and I will be greatly interested in participating in the Center's activities if it is funded.

Sincerely,

Roger A. Reynolds

RAR:ds
cc: James F. Rodgers
0773v



Electric Power
Research Institute

December 17, 1987

Professor Arnold Zellner
Graduate School of Business
University of Chicago
1101 East 58th Street
Chicago, IL 60637

Dear Arnold,

I am writing to offer my personal support to your proposal to establish an NSF Center for Business and Economic Statistics (CBES).

I have been associated for 10 years with the Electric Power Research Institute (EPRI) which has devoted a small part of its budget to the development of decision theoretic and forecasting models for the use of our electric utility members. These approaches have been applied both to individual utility decisions and to national policy debates on issues affecting the electric utility industry. I believe that the uses to which our members have put these models has led to an increase in the sophistication of decisions in the electric utility industry.

Based on my experience at EPRI, I feel that there is a need for an organization such as the proposed CBES, which will conduct research of a greater breadth than that usually undertaken by universities and of a greater depth than that usually undertaken by government and industry.

I think that there are two specific areas where the proposed CBES can make significant contributions. First, it may be possible to replicate the success of EPRI in industries other than electric power, thus adding to the sophistication of decisions and enhancing the competitiveness of U.S. industry. And second, I am interested in exploring opportunities for complementary activities of the CBES and EPRI whereby we can accelerate the application in the electric power industry of some of the approaches researched by the CBES.

With best regards,

Yours sincerely,

A handwritten signature in cursive script that reads "Stephen".

Stephen C. Peck
Director
Risk and Health Science Department



General Motors Corporation

December 1, 1987

Professor Arnold Zellner
H.G.B. Alexander Distinguished Service
Professor of Economics and Statistics
The University of Chicago
Graduate School of Business
1101 East 58th Street
Chicago, Illinois 60637

Dear Professor Zellner:

I have been following with great interest your plans to establish a NSF Center for Business and Economics Statistics. As you probably know from your discussions with him, the purpose of the CBES focuses on a set of problems similar to those Vince Barabba and I are trying to address at GM. As a result, as Vince has already conveyed to you, we are very interested in being a part of the development of the CBES.

To acquaint you better with what we are doing at GM, I enclose copies of two brief, closely related papers, one by Vince and one by myself. They both deal with a notion we call the Inquiry Center, which is an activity designed to directly enhance the use of knowledge in decision-making. You should find the relationship between the purposes of the CBES and our Inquiry Center obvious.

Vince also suggested that it would be useful for you and I to get together and discuss in more depth the plans for the CBES. Once you have received this letter, I will be calling your office to arrange a time for us to meet in Chicago. I anticipate the most convenient way to get together, assuming you agree, is over dinner.

I look forward to meeting you and working with you on the CBES project.

Sincerely,

Michael W. Kusnic, Director
Applied Marketing and Behavioral Sciences

SCP/coh

Enclosures

cc: G. Hidy

EPRI,
P.O. Box 10412,
Palo Alto, CA, 94303.

12/24/1987

Arnold Zellner
H.G.B. Alexander Distinguished Service
Professor of Economics and Statistics,
Graduate School of Business,
University of Chicago,
1101 East 58-th Street,
Chicago, Ill 60637.

Dear Arnold,

I received your letter requesting me to fill out the NSF form 1030, and to have it signed by an officer of EPRI. I could not do that yesterday, partly because the appropriate officer was not in the office and partly because EPRI does not operate as a university with approved overhead rates and 9 month salaries.

The initial type of relationship which I envisage between the CBES and EPRI is that the CBES and EPRI would provide a sum of money, say \$50,000 a year each, to mount a project which would advance the interests of both institutions. I, together with other CBES staff if desired, would take responsibility for choosing the appropriate contractor, managing the project, and transferring the results to our utility members. There will be opportunities to transfer other aspects of the CBES work to our members, and to make some aspects of EPRI research available to the CBES. This is the normal type of EPRI work.

Subsequently, if there were projects on which I personally wanted to work, then, with the agreement of the CBES director, I would negotiate with EPRI management to buy some of my time with the CBES money. Since this would be an unusual EPRI procedure, it would take some time to negotiate with EPRI management, and we could not resolve the issue before you are due to submit the proposal in the middle of January.

If there are problems with this arrangement that you would like to discuss before the new year please phone me at 415-493-8846, since EPRI will be closed the week of December 28-th.

It has been a pleasure working with you this year on the CBES concept and proposal. I wish you and Agnes all the best for a happy and successful new year.

Best regards

A handwritten signature in cursive script, reading "Stephen.", with a small dot at the end.

Stephen C. Peck

Director,
Risk and Health Science Department.

THE **RAND** CORPORATION



Joseph P. Newhouse

Senior Corporate Fellow

8 December 1987

**Professor Arnold Zellner
Graduate School of Business
The University of Chicago
1101 East 58th St.
Chicago IL 60637**

Dear Arnold:

**Enclosed are the materials you requested for the CBES
grant. Good luck!**

Sincerely yours,



**Joseph P. Newhouse
Senior Corporate Fellow**

**JPN:mm
Encl.**

213-393-0411

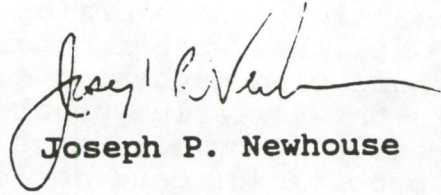
1700 Main Street, PO Box 2138
Santa Monica, CA 90406-2138

I am very enthusiastic about the proposed Center. I have long thought that the division of labor between producers of statistics, principally government agencies, and users of statistics was too complete. I thought Zvi Griliches was right on target when he said: "If economists would spend some time gathering data, they would pay more attention to the errors-in-the-variables problem." Although the trend is in the right direction, reallocating effort at the margin from problems of data analysis to problems of data collection seems very promising in terms of its expected payoff.

I give one example from the area of health industry statistics and analysis, the area of my primary interest. The Consumer Price Index is used by almost everyone as an indicator of medical price inflation. Yet a small amount of acquaintanceship with it should convince one that it does not begin to measure what most think it measures. To cite five problems:

1. The medical CPI is an aggregation of hospital, physician, dental, and drug prices, yet what we would like to price is the price of an illness episode treated at a constant quality level. Recently many surgery cases have been shifted to an outpatient basis, which is a less expensive method of treatment. Paradoxically this shows up in the CPI as a price increase, because the CPI prices a hospital day, and the price of a hospital day increases because those left in the hospital are on average sicker. There has been some limited work done to price illness episodes, which shows them increasing faster than the CPI, but that may be because of the second and third problems.
2. Quality change is a well known problem for price indices; unfortunately, the medical CPI makes almost no attempt to incorporate quality change, but even the most rudimentary acquaintanceship with medicine would indicate that quality change is pervasive (indeed, some would say it is too pervasive; new procedures are introduced before they can be evaluated).
3. There is a well known pattern of cross subsidization among various hospital prices (e.g., pharmacy and ancillary services traditionally carried high markups; the delivery room carried a low markup); because only some inputs are priced, if this pattern of cross subsidization changes, the CPI may inappropriately indicate a price change.
4. Increasingly Health Maintenance Organizations and Preferred Provider Organizations are asking for price discounts and getting them. In effect, the CPI records list price and not transaction price.
5. Currently Health Maintenance Organizations are growing rapidly (in the last few years they have increased from around 5 percent of the population to around 11 percent of the population). They are widely believed, with reasonable evidence, to be cheaper. Yet the CPI as now constructed will miss savings from greater enrollment in HMOs.

I believe work on improvement of the medical Consumer Price Index is a worthwhile issue for the proposed Center.



Joseph P. Newhouse

8 December 1987

NORC

A Social Science Research Center
University of Chicago

1155 East 60th Street, Chicago, IL 60637
312/702-1200

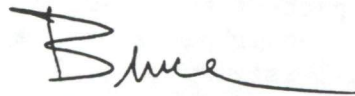
December 21, 1987

Arnold Zellner
University of Chicago
Rosenwald Hall
1101 East 58th Street
Chicago, IL 60637

Dear Arnold:

I would be delighted to participate actively in both the research and the educational programs of the proposed NSF Science and Technology Center for Business and Economic Statistics (CBES). I fully support the purposes and programs of the CBES, as described in your November 12, 1987 letter to Dr. Alan Leshner of NSF. Of particular interest to me is the improvement in the quality of business and economic data and the improvement in the uses of the data by forecasters and decisionmakers in industry and government. I look forward to working in this critically important project, and the others as well.

Cordially,



Bruce D. Spencer
Director
Methodology Research
Center

BDS:mw

The University of Chicago



Graduate School of Business
1101 East 58th Street, Chicago, Illinois 60637
312/702-7514

B. Peter Pashigian
Professor of Business Economics

December 16, 1987

Professor Arnold Zellner
Graduate School of Business
University of Chicago
FACULTY EXCHANGE

Dear Arnold:

The proposed Center for Business and Economic Statistics is a timely and well-conceived concept and will prove to be a valuable resource for a broad range of individuals in the academe, business and government. Indeed, one of the promising features of the Center is the proposed interaction between academics, users of government data in business and suppliers of the data.

I believe closer interaction among these three groups will be of even greater importance in the future than it has been in the past. There are already signs of increasing recognition by those in industry of the importance for the timely collection and the prompt dissemination of data. There is a growing recognition of the importance of better data management. In some industries, a beginning has been made to supply private data collected in one part of an industry and to make it quickly available to interested users in other parts of the industry. In the apparel industry, sales data at retail is electronically transferred to suppliers so that there can be a "quick response" to shifts in the demand for different colors or styles and in this way reduce the level of inventories and to improve time of the domestic apparel industry to changes in demand. Similar benefits will be obtained by firms in numerous industries as the quality of government data is improved and as the information is more promptly disseminated.

The Center can serve as a valuable resource to evaluate the current data collection procedures, the quality and content of the data and to identify the sources of demand for data. The Center will also be able to address several difficult and interesting questions that are often ignored for the lack of time. More attention needs to be devoted to such questions as: methods to determine what data should be collected, the relevant criteria for the comparative roles of private organizations and government agencies in data collection, the trade-off between accuracy and promptness and methods of financing of data collection and dissemination.

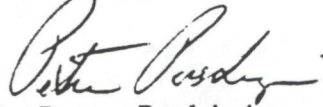
Professor Arnold Zellner

- page 2 -

December 16, 1987

Though I am not in a position to submit a proposal at this time, I expect to develop and submit a proposal in the future. I strongly support your efforts to establish a Center for Business and Economic Statistics.

Sincerely,

A handwritten signature in dark ink, appearing to read "B. Peter Pashigian", written in a cursive style.

B. Peter Pashigian

BPP:eh

THE UNIVERSITY OF CHICAGO
DEPARTMENT OF STATISTICS
5734 UNIVERSITY AVENUE
CHICAGO • ILLINOIS 60637
(312) 702-8333

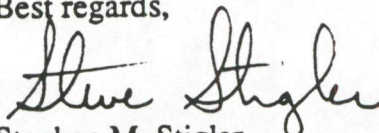
7 January 1988

Professor Arnold Zellner
Graduate School of Business
University of Chicago

Dear Arnold,

I have read the proposal for the establishment of a Center for Business and Economic Statistics at the University of Chicago, and I wish to add my voice to those supporting it. I believe the construction of better data bases and improved methods of statistical analyses is of extraordinary importance to the nation, both for its social well-being and for its economic well-being. Statistics in the broad sense should be a very high priority nationally, and this Center is an innovative approach to an extremely important portion of it. The Center should be a major intellectual resource for the University, and for our Department in particular. I hope and expect that I and my colleagues will play an active role in ensuring its success. You have our support, and you can count on our cooperation in this important endeavor.

Best regards,


Stephen M. Stigler

SMS:bb



AMERICAN STATISTICAL ASSOCIATION
JOURNAL OF BUSINESS & ECONOMIC STATISTICS

A. RONALD GALLANT — *Editor*
Department of Statistics
Box 8203
North Carolina State University
Raleigh, North Carolina 27695-8203
(919) 737-2531

January 8, 1988

Professor Arnold Zellner
Graduate School of Business
University of Chicago
1101 East 58th Street
Chicago, IL 60637

Dear Arnold:

Thank you for letting me review a copy of the proposal for the Center for Business and Economic Statistics.

I do agree that the research objectives set forth in the proposal are of the highest scientific and national importance, particularly, to my mind, the objective of improving the quality of data collection and dissemination in both businesses and government. Also, I agree that the center would be the most efficient means to assure the coordination of the cross-disciplinary effort required to achieve these objectives.

I would like to add my support for the establishment of the Center for Business and Economic Statistics. If I can help, please ask.

Sincerely,

A handwritten signature in cursive script, appearing to read "Ron".

A. Ronald Gallant

THE UNIVERSITY OF MICHIGAN
GRADUATE SCHOOL OF BUSINESS ADMINISTRATION
ANN ARBOR, MICHIGAN 48109

January 7, 1988

W. Allen Spivey
C. E. Griffin Distinguished Professor
of Business Administration
and
Professor of Statistics

Dr. Alan Leshner, Director
Office of Science and Technology
Centers Development
National Science Foundation
Washington, DC 20550

Dear Dr. Leshner:

I wish to support, very strongly, the concept of a Center for Research in Business and Economic Statistics that Professor Arnold Zellner is developing and I am pleased to state my reasons for this support.

First a few background observations. It is a commonplace that the range of applications of statistics has been broadening rapidly in the last 20 years and that the growth in diversity of its applications, particularly in management and in the social and physical sciences, has been extraordinary. Paradoxically, graduate programs in statistics have been declining somewhat, the very best departments in the country have found it difficult to recruit a suitable number of qualified doctoral students, and many students who might have entered statistics have instead entered other fields while at the same time studying a good deal of statistics. The latter has desirable features, of course, because statistics has always had a strong service function, but the point is that we have been losing students to other analytical fields that utilize much statistical analysis and their basic loyalties are naturally directed to the other disciplines and not to statistics. Implications of this important development, in my opinion, are not fully appreciated in the statistics profession.

One manifestation of this shift is that the membership of the American Statistical Association, the principal professional association of statisticians, has been growing only slowly in recent years and I understand that membership in allied groups such as the Institute of Mathematical Statistics (ISA) has been actually been declining. Some distinguished members of the profession have begun to sound alarms concerning these matters and questions are now being raised concerning them; at the coming 150th anniversary meeting of ASA scheduled for 1989 in Washington a thorough discussion of these matters will be held in plenary sessions.

The point is clear; there is a paradox: as the scope of statistics has expanded extraordinarily in the last 20 years and its applications have become more extensive than at any time in its history, what might be called the "base" of the discipline has not expanded and there is evidence that it has become attenuated.

Page 2

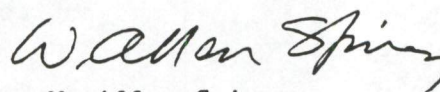
Professor Arnold Zellner

January 7, 1988

A thorough examination of this complex situation is not appropriate for this letter. But one of the main reasons why I support the concept of a Center for Research in Business and Economic Statistics is that I strongly believe it has enormous potential for effectively combating the weakening of the base of the statistics profession that we have seen in recent years. Under Professor Zellner's leadership the Center can, through its research and educational programs, demonstrate that it is not necessary to leave the profession to have a strong applied identity; that interface problems with other disciplines can be vigorously and creatively addressed by statisticians operating as statisticians; and that statistics and computing, data base management and analysis, and data quality are vital parts of statistics. Indeed, most of the research projects that have been proposed as part of the Center resonate with the goal of bringing statistics closer to important management and policy problems and executing this through a critical mass that cannot be found in any one university anywhere in the world.

I thus believe that the Center's program, if realized, would have an enormously favorable impact on the future of the entire profession at a time when such an influence is critically needed. Lastly, I believe that such a program will require a singularly gifted person to lead it. I also believe that Professor Zellner is unusually qualified to play this role. I cannot think of another person in the profession who possesses his knowledge, breadth, vigor, and personal and intellectual leadership qualities. He is prepared to make a deep personal commitment to this enterprise and I firmly believe that he would carry out this commitment effectively and imaginatively.

Sincerely yours,

A handwritten signature in cursive script that reads "W. Allen Spivey". The signature is written in dark ink and is positioned above the printed name.

W. Allen Spivey

WAS/kat

University of Chicago



Graduate School of Business
1101 East 58th Street, Chicago, Illinois 60637

January 7, 1988

Professor Arnold Zellner
Graduate School of Business
University of Chicago
1101 E. 58th Street
Chicago, Illinois 60637

Dear Arnold,

I am writing to you in support of an NSF S&T Center for Business and Economic Statistics. I believe that such a center could play a very important role in both communicating important academic work to people in business and government and in communicating important problems faced by decision makers in business and government to interested academic workers.

If the center were to achieve its goals, as you have outlined them to me, it is clear that there would be large long run gains in both business and government efficacy. There would also be gains made in the quality of academic research because the center would help focus attention on problems of practical importance.

As a young academic worker, I am truly excited at the prospect of being involved in the center because I think it would be an incomparable source of problems to work on which are both interesting and beneficial to the community.

Sincerely,

A handwritten signature in cursive script, reading "R. E. McCulloch".

Robert E. McCulloch



Cornell University

New York State School of Industrial
and Labor Relations

Ithaca, NY 14851-0952

Direct Dial (607) 255-8024

January 6, 1988

Professor Arnold Zellner
Graduate School of Business
University of Chicago
1101 E. 58th Street
Chicago, Illinois 60637

Dear Arnold:

I am delighted to write in support of your application for an NSF Science and Technology Center for Business and Economic Statistics (CBES). This is an idea that is long overdue.

In my research I have had the opportunity to work closely with professional statisticians and data analysts in the Census Bureau, the Department of Labor, several State governments, and private data collection agencies like the Bureau of National Affairs, Inc. in Washington, D.C. and the Graduate Management Admission Council in Los Angeles. I have found that academic, government, and private researchers share a common interest in the quality of data collected and distributed by each source. I have also found that the many professionals who work in government and private statistical agencies are eager to participate in research that leads to better quality data collection and use. Usually these professionals are frustrated by the difficulty of committing the funds of one agency or company to the solution of a problem that affects many users of the data but may be secondary to the main mission of the agency involved.

I can illustrate with two examples from my own research. First, in the development of improved methods for adjusting employment flow data there has been great enthusiasm within both the Census Bureau and the BLS. However, the measurement of employment flows is not the primary mission of the Current Population Survey, the instrument used to generate the basic data. Therefore, it is difficult for either the BLS or the Census to commit CPS research funds to the study of employment flows. The Census Bureau has committed some of its general research funds. Most of the major funding for this research has come from sources outside the Census Bureau and the BLS (primarily from the NSF).

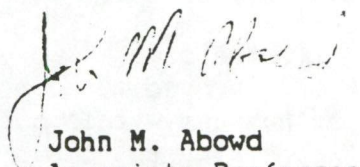
My second example concerns the development of microeconomic data for the study of collective bargaining outcomes. This is an area in which there has been decreasing governmental data collection because of a de-emphasis within the BLS and increasing private data collection through the Bureau of National Affairs, Inc. The BNA has graciously provided its computer data bases for research purposes but since the company is primarily in the information gathering business it cannot afford to support the conversion of these data for scientific research uses. Private researchers at the University of Chicago, Princeton University and Yale University used internal research funds

to create research quality data from the BNA archives and printed data supplied by the BLS. These researchers created a large scale longitudinal data base with links to national, regional and local economic data, firm level accounting and financial data, work stoppages and other information. A major barrier to the wide spread dissemination of these data is that none of the researchers can justify the time and resource commitment necessary to create a public use data file. (In Canada a large working group within Labour Canada maintains and distributes the Canadian longitudinal collective bargaining data.)

These are problems in data use and quality that I think the CBES can directly address. By affiliating a large and diverse group of academic, government, and private statisticians--all of whom share a common interest in business and economic statistics but each of whom offers a different perspective on the uses of these statistics--it should be possible to identify major areas of concern about data quality and development. Then, it should be the mission of the CBES to devote its resources to these areas. Of course, the CBES cannot internalize all of the potential externalities involved in the public collection and dissemination of economic data; however with adequate funding it should be possible to support general data quality research on a much broader scale than any government agency or private company could justify. It is particularly important, then, that the participating statisticians and data analysts represent the most knowledgeable persons in the government, private business and academia. The planning group for the CBES certainly meets this criterion.

I certainly support the efforts to bring the Center into existence.

Sincerely,



John M. Abowd
Associate Professor



UNIVERSITY OF MISSOURI-COLUMBIA

College of Arts and Science

Department of Statistics

222 Math. Sciences Bldg.
Columbia, Missouri 65211
Telephone (314) 882-6376

December 16, 1987

Professor Arnold Zellner
HCB Alexander Distinguished Service
Professor of Economics and Statistics
Graduate School of Business
University of Chicago
1101 East 58th St.
Chicago, IL 60637

Dear Arnold:

I am writing to inform you of our intent to participate in the activities of the proposed NSF center for Business and Economic Statistics (CBES) at the University of Chicago.

I believe strongly in the proposed cooperative research programs between industry, government and universities. As a member of the American Statistical Association Committee on Quality and Productivity I am already aware of the need for cooperative projects to improve competitiveness of American industries through improved Quality and Reliability of products and services. To this end we must work towards improvement of data quality and develop appropriate relevant statistical methods so as to have improved forecasting and decision making ability.

If the center is funded we shall carry out research in Bayesian statistics and Decision theory with particular emphasis in the area of research for improving Reliability, Quality and Productivity of American Products as outlined in the research proposal "A proposal for Research for improving Reliability, Quality and Productivity of American Products". I shall serve as the Principal investigator. In addition a Graduate Research Assistant and a Post Doctoral Fellow (or Visiting Scholar) will participate in the project.

I look forward to working with Chicago CBES on the important research area which will lead to (1). improved quality of data, (2). improved methods of forecasting product quality through reliability growth and accelerated lifetesting, and (3). through assessment of methods for improving quality of data.

Sincerely,

Asit
Asit P. Basu
Professor



Johnson Graduate School of Management

January 6, 1988

Professor Arnold Zellner
Graduate School of Business
University of Chicago
1101 E. 58th Street
Chicago, Illinois 60637

Subject: Center for Business and Economic Statistics

Dear Arnold,

Enclosed please find materials relating to the application for funding for the proposed Center for Business and Economic Statistics. I hope they will be of some use.

As you know, I am a strong supporter of the concept of this proposed center. There are two principal reasons. The first is that it will provide an impetus for improvements in both the quality and provision of the economic data on which so many of us rely, whether it be for business planning, policy analysis or empirical testing of economic theory. This is particularly important for researchers like myself who are interested in the production and uses of forecasts. Improved accuracy and availability of data are essential if we are ever to improve our science in meaningful ways. We all want to improve our ability to predict meaningful economic quantities, not unrelated (although similarly named) data errors. The second reason for my support of the center is that it will provide much greater focus and cooperation toward the solution of many of the methodological problems that many workers are now addressing, much in the way that the NSF-NBER Seminar on Bayesian Inference in Econometrics has done so in that area. The opportunity to interact more fully, and in a more concentrated working atmosphere, with colleagues in many areas of the country will surely help us all, speed our progress and eliminate useless duplication of effort.

Please let me know if there is anything I can do to assist this effort.

Best Regards,

A handwritten signature in cursive script, appearing to read "Rich".

Richard A. Highfield
Assistant Professor of Economics

University of Chicago
Graduate School of Business
1101 East 58th Street, Chicago, Illinois 60637
(312) 702-7312

Dr. Alan Leshner, Director
Office of Science and Technology
Centers Development
National Science Foundation
Washington, D.C. 20550

December 17, 1987

Dear Dr. Leshner:

I am writing to express my strong support for the establishment of an NSF Science & Technology Center for Business and Economic Statistics (CBES). As you know, the CBES encompasses a research program that stretches across several disciplines. Rather than discussing the entire CBES research program, let me focus my remarks on two key objectives of the CBES: (1) to work with U.S. governmental and other data-producing organizations to improve the quality of business, demographic, and economic data; and (2) to facilitate the transfer of improved data to data users in the business, academic, and government communities.

Many outstanding questions of economic policy and science that could be addressed with the appropriate data are nonetheless difficult to address with readily available data. In some cases, the appropriate data do not exist but could be produced by low-cost improvements to ongoing data-production enterprises; in other cases, the appropriate data do exist but are difficult to obtain. Let me give you two examples that reflect my own research interests, accompanied by some brief remarks on the productive role that the CBES can play along the lines of (1) and (2) above.

As a first example, I begin by noting that proposed changes in social security programs and the financing of government expenditures frequently dominate policy debates, but our ability to predict the consequences of these changes is severely hampered by the quality of existing data. Economic theory tells us that the effects of social security and

government debt on interest rates, domestic savings, physical and human capital investment, exchange rates, and international capital flows depend critically upon (a) the extent and nature of intergenerational linkages within the family and (b) the extent and nature of borrowing restrictions confronting individuals in the economy. Aggregate-level data are not well-suited to addressing these questions, and existing household-level surveys provide an inadequate picture of intergenerational linkages and capital market imperfections.

The improvement of ongoing government-conducted surveys, like the Survey of Income and Program Participation (SIPP) would greatly enhance our knowledge of intergenerational linkages and access to credit markets. In view of its focus on income sources and its large-scale, panel character, the SIPP is a logical source of information on intergenerational linkages and access to credit markets. Currently, the SIPP contains questions on private transfers, but the critical question on private transfer income received is buried in a series of questions on fifty different sources of income. As a result, the incidence of private intergenerational transfers in the SIPP is far smaller than the incidence in the President's Commission on Pension Policy (PCPP) Survey. The PCPP was a one-time survey that contained a module on private intergenerational transfers. This comparison between the SIPP and the PCPP suggests that the SIPP greatly understates the incidence of private intergenerational transfers. Low-cost improvements to the SIPP questionnaire would yield a more accurate picture of the incidence of intergenerational transfers and provide a basis for path-breaking empirical studies of intergenerational linkages.

Of course, this is only one example. But I suspect that conversations with other data users would unearth a large collection of similar examples. Clearly, it would be useful to have some systematic way of channeling suggested improvements from data users to data producers and of implementing the improvements in a timely manner. As an organization that facilitates and encourages communication between data users and data producers, the CBES would provide an institutional mechanism for continuously improving data-production enterprises. The payoffs, in terms of improved data quality, are potentially enormous.

As a second example of the productive role that the CBES can play, I begin by noting that the causes of fluctuations in the frequency and duration of unemployment spells are

key issues facing policymakers and researchers. To analyze the causes of unemployment fluctuations requires disaggregated data on both sides of the labor market. Fortunately, comprehensive and high-quality longitudinal establishment-level data bases, like the LED for manufacturing, have recently become available. By combining this type of data base with household surveys like the Current Population Survey, researchers and policymakers will be in a much better position to assess the role of sectoral and establishment-level labor demand disturbances in unemployment fluctuations. Unfortunately, the long lead-times and large financial costs associated with accessing confidential data bases like the LED deter researchers and decisionmakers. To realize the full benefits of important data bases like the LED, access costs must be reduced in ways that protect the confidentiality of individual survey respondents. Again, as an organization that facilitates communication between data users and data producers, the CBES can provide an institutional mechanism for reducing data access costs. Lower access costs are essential, if data users in the business, academic and government communities are to fully profit from existing micro-level data bases.

In conclusion, I believe these two examples suggest the productive role that the CBES can play in improving the quality of data and in facilitating the transfer of improved data to data users. I hope these remarks prove useful in your evaluation of the proposed NSF Science & Technology Center for Business and Economic Statistics.

Sincerely,

A handwritten signature in cursive script that reads "Steve J. Davis".

Steve J. Davis

University of Chicago



Graduate School of Business
1101 East 58th Street, Chicago, Illinois 60637

December 9, 1987

Professor Arnold Zellner
Graduate School of Business
University for Chicago
Faculty Exchange

Dear Arnold:

I am writing to give my strongest support for the proposed NSF Center for Business and Economic Statistics (CBES).

I am particularly excited by the prospect of having such a concentration of resources devoted to the improvement of forecasting and decision-making techniques. As you know, much of my research has focused on useful extensions of shrinkage estimation techniques, methods which are extremely well-suited for the improvement of forecasts coming from a variety of sources. The CBES would be the ideal environment for me to develop the transition of these ideas from theory to practice.

Of course, the benefits of the CBES would go far beyond me and my research. I believe there is currently vast untapped potential in the statistical community which can be of tremendous value to the national economy. By unleashing this potential, the proposed CBES would most certainly provide far-reaching benefits to the nation.

Sincerely yours,

A handwritten signature in cursive script that reads "Edward I. George".

Edward I. George
Associate Professor
of Statistics

Roosevelt University
430 South Michigan Avenue
Chicago, Illinois 60605 -1394
Telephone 312/341-3500



January 4, 1988

Department of Management
& Quantitative Methods

Dr. Alan Leshner, Director
Office of Science and Technology
Centers Development
National Science Foundation
Washington, DC 20550

Dear Dr. Leshner:

I am writing this letter in support of Professor Arnold Zellner's STC proposal to establish an NSF Center for Business and Economic Statistics. I am very excited by Professor Zellner's proposal and strongly believe the CBES will be an important, valued institute for the Chicago/Midwestern area.

I have the highest regard for Professor Zellner's work and leadership and, I have the utmost confidence in Professor Zellner to establish a CBES of the highest caliber.

Yours truly,

Joel Fingerman, Ph. D.

Associate Professor and Chair



Graduate School of Business
1101 East 58th Street, Chicago, Illinois 60637

January 7, 1988

Dr. Alan Leshner, Director
Office of Science and Technology
Centers Development
National Science Foundation
Washington, DC 20550

Dear Dr. Leshner:

In this letter I would like to explain why I believe the NSF Center for Business and Economic Statistics (CBES) to be a very valuable undertaking, and why the multiple projects will mutually benefit each other. In particular, in the marketing research area with which I am most familiar, it will provide a very important source of *useful, reliable* data and modeling approaches. This information may be critical in assisting U.S. managers efficiently compete in the world market, by demonstrating successful approaches for the design and introduction strategies of new products.

In addition to the synthesis, comparisons, and extensions of the new product methodologies contained in the proposal by Professor Narasimhan and myself, a number of the other projects will provide valuable insights. The project on Output Quality and Productivity Improvement will be important by better measuring the true impact of new technologies on firm performance - this is critical in the decision process of firms regarding the need for new products. The decision theory and behavioral results will help clarify how consumers react to products they have never seen. There should also be important results generated in the experimental work. A number of the other projects, which investigate such issues as how multiple forecasts should be combined and how data and forecasts should be disseminated, also have obvious benefits for new product success modeling.

These mutual benefits of the CBES projects reinforces the desirability of a center which can coordinate findings and connect researchers in normally quite different areas. This shared expertise would definitely increase the rate at which these modeling advances are actually put into use by firms.

Sincerely yours,

A handwritten signature in cursive script, reading "Ward Hanson".

Ward A. Hanson
Assistant Professor of Marketing and
Business Economics



DEPARTMENT OF ECONOMICS, D-008
(619) 534-3383

LA JOLLA, CALIFORNIA 92093

Center for Business and Economic Statistics

It is surely clear that important developments in statistical theory, methodology and interpretation can have profound effects on society, industrial decision-making and government policy. The type of information to be brought to decision makers, its arrangement and quantity and statement about its quality is of considerable importance. Current research by academics, consultants and government agencies approach such questions from quite different viewpoints and using different criteria to measure success. I believe that a National Center can put together these diverse viewpoints, can provide synergism and can tackle important questions in ways that can produce results of great national and international relevance. It can tackle research problems of a size and depth that are now often left undone, bringing together workers from academia, consulting companies, industry and government to ensure that the research has both quality and relevance.

If such a Center does come about, I would certainly like to be associated with it and to join in some of the research projects. I feel that the Center could be an exciting place for both Junior and Senior Statisticians and will provide a core to applicable research done in statistics.

A handwritten signature in cursive script, reading "Clive W.J. Granger".

CLIVE W.J. GRANGER



Graduate School of Business
1101 East 58th Street, Chicago, Illinois 60637

December 14, 1987

Dr. Alan Leshner, Director
Office of Science and Technology
Centers Development
National Science Foundation
Washington, DC 20550

Dear Dr. Leshner:

I am writing to express my support for Professor Arnold Zellner's STC proposal to establish an NSF Center for Business and Economic Statistics (CBES). As I understand it, the Center will support inter-disciplinary research on many areas, including the following: improving the quality of business and economic data; facilitating research in applied statistics, forecasting and decision making; and enabling their disseminating to decision makers in government and the private sector. These are very worthy and important goals. Inter-disciplinary research is required to apply existing and future statistical research to different areas. It is also extremely important to make these results available to decision makers, both in government and private industries. I strongly support the proposed S&T Center, which is the most efficient route to achieving these goals.

In terms of my own research interests, I believe I can make some contributions in the area of time series analysis. I am especially interested in modeling and forecasting U.S. and international aggregate economic variables.

In closing, I wish to express my strongest support for the establishment of the S&T Center, which promises to have a very positive and significant impact on U.S. business and government decision making.

Yours sincerely,

A handwritten signature in dark ink, appearing to read "David Hsieh", written in a cursive style.

David A. Hsieh
Associate Professor

The University of Chicago



Graduate School of Business
Center for Decision Research
1101 East 58th Street, Chicago, Illinois 60637
312|702-7271

Robin M. Hogarth
Professor of Behavioral Science

December 29, 1987

Professor Arnold Zellner
University of Chicago
Graduate School of Business
1101 East 58th Street
Chicago, Illinois 60637

Dear Arnold:

I am delighted that you have taken the initiative to apply to NSF to establish an NSF Science and Technology Center in the area of Business and Economic Statistics. I think that such a Center is an idea "whose times has come" and that, under your general guidance, it could have substantial impact. I will be pleased to participate in the activities of the Center and to help in ways that you might think suitable.

Best regards,

Rob

Binghamton

State University of New York at Binghamton
Binghamton, New York 13901

School of Management
Telephone (607) 777-2182

December 7, 1987

Dr. Alan Leshner
Director, Office of Science and
Technology Centers Development
National Science Foundation
Washington, DC 20550

Dear Dr. Leshner:

This letter is written in support of the proposed Center for Business and Economic Statistics (CBES). The CBES is a formal proposal of Professor Arnold Zellner and the University of Chicago. In truth, it is a proposal that has evolved through the efforts of many economists and statisticians over the last few years. But it has taken the energy and enthusiasm of Professor Zellner, and the foresight and resources of the University of Chicago to make the actual proposal to the NSF.

The need for such a center was alluded to by Mr. John Keane, Director of the U.S. Bureau of Census, and Mr. Vincent Barabba of General Motors Corporation in separate talks that they gave at the second Annual Research Conference of the U.S. Bureau of the Census in the Spring of 1986. Among the points they made was a call for a National Statistical Agency to improve the quality of economic and demographic statistics, and to facilitate the flow of such statistics to the nation.

In the early summer of 1986, the need for such a center or agency was informally discussed by a group of statisticians and economists who met with Dr. Fred Leone, the Executive Director of the American Statistical Association (ASA).

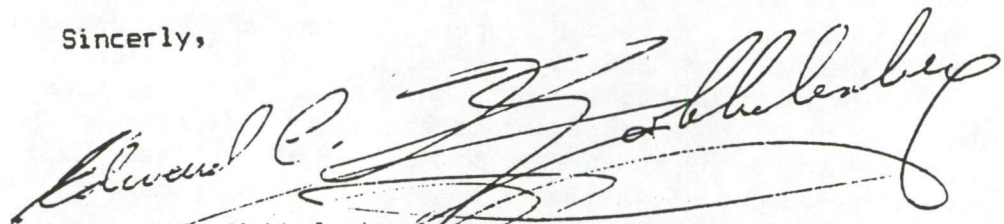
During the 1986-87 year, the need for, the functions of, and the feasibility of establishing a National Statistical Science Research Institute (as it was then called) became the concern of a large number of statisticians, economists, market researchers, and demographers. As a result of the efforts of Professor Arnold Zellner, a committee to consider the feasibility of such

an insitute was proposed. Drs. Barbara Bailer and Fred Leone then formally appointed an Ad Hoc committee to consider such an institute. The primary concerns of this committee were to develop a plan for an institute that would improve the quality of the nation's economic business statistics, conduct research into the transfer of knowledge, improve the coordination of statistical education, improve the collection, analysis, and dissemination of such statistics, develop more fruitful ways to use such data, and to provide business and industry with better data to make better forecasts and decisions.

The idea of a Science and Technology Center specifically designated to undertake such tasks grew out of this committee's work. Professor Zellner is now bringing this work to its next logical step, the proposal to NSF.

As a past industrial economist and market researcher, as a current user of the Census' Longitudinal Establishment Data File, as an econometrician, and as a ASA/Census Fellow, I have worked with much of the economic data now available. My experiences have led me to conclude that the CBES is not only desirable, it quite probably, very necessary. The rapid flow of accurate information is necessary for any complex economy to function well with respect to its goals of efficiency, social well being, growth in productivity, and stability. The CBES holds promise to help the country toward these goals. I fully support Professor Zellner's propsal.

Sincerely,



Edward C. Kokkelenberg
Assistant Professor of Economics and of Finance
and Past American Statistical Association/Census Fellow

ECK/bb

cc: Arnold Zellner
Mary Ellen Sheridan

Stony Brook

Department of Economics
State University of New York at Stony Brook
Stony Brook, New York 11794-4384
telephone: (516) 632-7550

December 28, 1987

Dr. Alan Leshner, Director
Office of Science and Technology
Centers Development
National Science Foundation
Washington, DC 20550

Dear Dr. Leshner:

I am writing to you to express my strong support for the proposed NSF Center for Business and Economic Statistics (CBES) at the University of Chicago. There are many important reasons for establishing such a center. In my view, the following reasons are of particular significance.

As it is proposed the Center will contribute to improving data gathering procedures as well as the utilization of available data by decision-makers in industry, government, and academia. The efforts of the Center will increase the efficiency of institutions in these sectors by decreasing the likelihood of making wrong decisions. Incorrect decisions do not only misallocate resources -- including research funds -- but may have long lasting and even irrevocable negative consequences. The Center's activities will also lower the costs of decision-making processes by making suitable statistical modeling and forecasting techniques more accessible to private and public decision-making units.

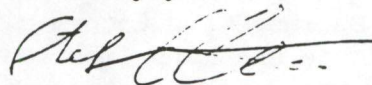
An important contribution of the Center will be the initiation of dialogs between researchers and users of statistical techniques. This will enable scientists to learn more about the needs of practitioners in industry, government, and educational institutions as well as give users a better understanding of the appropriateness and limitations of particular statistical methods.

Not only will the Center improve the communications between developers of statistical techniques and its users, it will stimulate and promote communication among researchers within and across the disciplines involved. The participation of scientists from a wide range of fields as well as researchers involved in cross-disciplinary work will accelerate scientific progress by providing up-to-date information about ongoing research in related disciplines. The NSF-NBER Seminars on Bayesian Inference and Time Series will represent excellent opportunities for such exchanges. The need for cross-disciplinary communication cannot be overemphasized, a fact that I would like to illustrate with the following example. In 1960 the Kalman filter was introduced in the engineering literature and by the mid 1960's it was widely and successfully used in modeling engineering systems. It was only in the mid 1970's that statisticians and econometricians started making use of the Kalman filtering technique. In 1965 its usefulness in maximum likelihood estimation procedures was demonstrated in the engineering literature. It took about another 15 years until time series analysts realized its potential in the same context. New applications of the Kalman filter in statistics and econometrics are still being discovered. A reduction of such time lags in the diffusion of research results requires

coordination in communication and information exchange. The research program of the Center will lead to significant progress in this direction.

In closing, I would like to point out that the University of Chicago is an excellent choice for establishing the Center. Ongoing seminar series in statistics and related subjects have demonstrated the school's commitment to interdisciplinary research. The excellence and reputation of UC's faculty members in the areas of concern as well as its administrative resources will be a major contributing factor in the success of the Center's program.

Sincerely yours,

A handwritten signature in dark ink, appearing to read 'Stefan Mitnik', with a stylized flourish at the end.

Stefan Mitnik
(Assistant Professor of Economics)

UNIVERSITY OF WISCONSIN-MADISON

COLLEGE OF LETTERS AND SCIENCE

Department of Statistics
1210 West Dayton Street
Madison, Wisconsin 53706
(608) 262-2598



December 10, 1987

Professor Arnold Zellner
Graduate School of Business
University of Chicago
1101 E. 58th Street
Chicago, IL 60637

Dear Arnold:

Further to our telephone conversation, please find enclosed my contribution to your grant proposal to NSF. I also enclose copies of my two recent papers, just submitted to JASA and JBES.

One of our graduate students, Josep Ginebra-Molins, who is attending my Statistics 775 course on Bayesian Decision Theory, seems to be particularly interested in these research areas. He, for example, made several valuable contributions to my paper on Epsilon-Adjusted Utility. Josep is currently financed by a fellowship from Spain, but this will run out in one or two years. He is one of our outstanding students, and I wonder if you might be interested in applying for support for him? He has also just completed an excellent computer program applying my recent marginalization ideas to inference for the t-distribution.

Good luck on the success of this venture. Bob Miller says that he will also incorporate my suggestions with his and Jim Hickman's.

Sincerely,

Tom

Tom Leonard

TL:wg
Enclosure
cc: Professor Bob Miller, Statistics

Proposed NSF Science and Technology Center for
Business and Economic Statistics

Tom Leonard

Department of Statistics, University of Wisconsin-Madison

I think that a National Center is an excellent idea, and that a venture like this would build upon the continuing high quality success over the last two decades of the NBER-NSF conference series in Bayesian Econometrics. I have attended a number of these conferences and believe that they are responsible for at least 50% of the best Bayesian research developments of the last fifteen years.

I would be interested in participating in this venture, in particular in the following three areas

- (a) Decision making and inference for categorical data. (See my papers in Biometrika 1972, 1973, 1976; JRSSB 1975, JASA 1977, Comm. Statist. 1977, 1978, Biometrics 1977, Journal of Educational Statistics, 1986, and Hsu, Leonard, and Tsui, 1987 attached, just submitted to JASA, and Rossi and Zellner, Journal of Econometrics, 1984).
- (b) Markov chain models for labor statistics. (See Abowd and Zellner, Journal of Business and Economic Statistics, 1986).
- (c) Generalizations of expected utility e.g. to accomodate a premium on the certain part of the reward, with applications to portfolio analysis. (See Machina, Journal of Economic Perspectives, 1987, and my attached paper on "Epsilon-Adjusted Utility", just submitted to Journal of Economic and Business Statistics).

These possibilities are discussed in more detail below. In order to participate positively in this venture, I would be interested in

- (a) Funding for one or two half time graduate students (about \$20,000 per year each inc. overhead) e.g. for our student Josep Ginebra-Molins (see attached letter).
- (b) Summer money for myself (about \$12,000 per year, inc overhead).
- (c) Computing facilities (about \$5,000 per year).
- (d) Travel money (about \$3,000 per year).

Research details

- (a) Our recent generalization of Laplace's method (Hsu, Leonard, and Tsui, 1987) permits easy marginal decisions and inferences for single parameters in non-linear models for a moderate number (2-100) of parameters. Also, following Leonard (JASA, 1982), the predictive distributions of future observations, given past observations is now technically feasible for non-linear models. We have successfully applied these ideas to categorical data (i.e. contingency tables, and, in John Hsu's thesis proposal, to the linear logistic model). Contingency tables and the linear logistic model have immense applications in Economics, and I think that our techniques are amongst the most reasonable in the Bayesian area. For example, shrinkage estimators of the Bayes-Stein type lead to superior smoothing and mean squared error properties.
- (b) Markov Chain models for labor statistics. Many Economic data can be analyzed using inhomogeneous Markov Chain models with 3×3 transition matrices. The states are employed, unemployed, and not in the labor force. The evolution of the transition matrices can be modelled in various ways. (See Abowd and Zellner, Journal of Business and Economic Statistics, 1986) e.g. by permitting them to depend upon time or explanatory variables. Again, our generalized Laplace method can be used to get good marginal decisions and inferences for the parameters of interest, and to accurately predict the proportions of individuals in the three categories at future time stages.

(c) Generalizations of Expected Utility. The Bayesian Econometrics group have been primarily responsible for encouraging me to generalize the expected utility hypothesis along the lines described in "Epsilon-Adjusted Utility" (1987, attached). John Geweke, and Arnold Zellner have advised me that this has many applications in portfolio analysis. I am interested in combining my idea with DeGroot's concept of adaptive utility (see Cyert and DeGroot, Bayesian Analysis and Uncertainty in Economic Theory, Rowman and Littlefield 1987) and investigating how my ideas are affected when the subject learns stochastically about his utility function.

University of Illinois
at Urbana-Champaign

Department of Economics

Box 111
330 Commerce Building (West)
1206 South Sixth Street
Champaign, IL 61820

217 333-0120

4585

December 23, 1987

Professor Arnold Zellner
Graduate School of Business
1101 East 58th Street
Chicago, IL 60637

Dear Arnold,

I am writing to express my strong support for the proposed Center for Business and Economic Statistics. The establishment of such a center would constitute a substantial service, not only for scholars in this field, but also for many users outside of academia.

I would certainly be very happy indeed to be associated in any way with this enterprise.

Yours sincerely,

Paul Newbold

Paul Newbold

Columbia University in the City of New York | New York, N.Y. 10027

GRADUATE SCHOOL OF BUSINESS
Center for International Business Cycle Research

URIS HALL

Director: Geoffrey H. Moore
Assoc. Director: Ronald M. Schramm

Coordinator of Economic Research
Professor Giulio Pontecorvo

December 28, 1987

Professor Arnold Zellner
The University of Chicago
Graduate School of Business
1101 East 58th Street
Chicago, IL 60637

Dear Arnold,

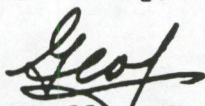
Thanks for sending me your proposal for a Center for Business and Economic Statistics. I think it would meet the very important need for a continuing program to improve economic statistics and methods of analyzing them. Our Center for International Business Cycle Research would be delighted to participate in your Center's program.

As you point out, our most appropriate role would be in Section 6, U.S. and International Aggregate Data Bases, Modeling and Forecasting. The word "aggregate" in this title is a little puzzling to me. Perhaps "macroeconomic" would be more appropriate.

We have prepared statements describing three research projects in this field, with a total cost of about \$170,000 for one year. Continuing work along these and other lines would fit well with our research objectives, if funds are available. I would hope that a continuing relationship with your Center could be contemplated.

Our research proposal, the additional information you requested, and a brochure about our Center is enclosed. I hope your proposal is successful and look forward to hearing more about it.

Sincerely,



Geoffrey H. Moore

GHM/pt
Enc.

September 23, 1987

Professor Arnold Zellner
1101 E. 58th Street
Graduate School of Business
University of Chicago
Chicago, IL 60637

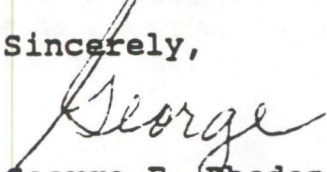
Dear Arnold:

Thank you very much for your gracious hospitality during my visit to Chicago last week. The time we spent together was very productive and rewarding to me, and I am most appreciative for your help.

The establishment of a National Statistical Institute along the lines you are pursuing is a most necessary and worthy objective. I will be happy to assist in that endeavor. As soon as possible I'll forward the proposal we discussed regarding ICC casting measures, data, and statistical methods.

Thanks again; I'll look forward to seeing you at the AEA meetings in December.

Sincerely,


George F. Rhodes, Jr.
Professor

GFR/mvo

University of Chicago



Graduate School of Business
1101 East 58th Street, Chicago, Illinois 60637

December 17, 1987

Dr. Alan Leshner, Director
Office of Science and Technology
Centers Development
National Science Foundation
Washington, DC 20550

Dear Dr. Leshner:

I am writing to convey my support for the proposed NSF Center for Business and Economic Statistics (CBES). The cross-disciplinary and user-directed orientation for the center are well-chosen goals. I believe the proposed center will generate interaction among statisticians from a variety of disciplines of expertise, and as a result, the center is likely to produce research aimed at broad groups of consumers of statistical analysis. I recommend you give it your most serious consideration for support.

Sincerely,

Dale J. Poirier

Dale J. Poirier
Visiting Scholar (University of
Chicago)
Professor of Economics (University of
Toronto)

DJP:pe

Graduate School of Business
University of Chicago
1101 E. 58th Street
Chicago, Illinois 60637

December 31, 1987

Professor Arnold Zellner
Graduate School of Business
University of Chicago
1101 E. 58th Street
Chicago, Illinois 60637

Dear Arnold:

I am writing you in support of the establishment of an NSF S&T Center for Business and Economic Statistics. I believe such a center would make a very significant contribution to the statistical and decision-making capabilities of American industry. Specifically, I see three key areas to which the CBES would contribute:

1. A CBES would promote basic research in application of statistics and economic theory to business problems, an area which has been underfunded in the past. The center structure would allow for quicker diffusion of new ideas and techniques to industry than the traditional NSF basic research grants to individual investigators.
2. A CBES would promote the collection and development of new sources of data for decision-making and economic analysis.
3. A CBES would bring together both private and public users and producers of economic data. This private/public cooperation would dramatically improve the quality of, relevance of, and access to economic data.

I plan to undertake three projects which touch on all three areas mentioned above.

Construction of Consumer Finances Panel Dataset

The Bureau of the Census conducts an annual Survey of Consumer Finances of some 10,000 households. This survey has been conducted each year from 1949 to the present under contract to Institute for Survey Research at the University of Michigan. The survey asks each household for a detailed description of household wealth, income, savings and purchases of major consumer durables including cars and housing.

The survey provides one of the few sources of information on the distribution of assets, savings behavior, and demand for durable goods on a household level. Unfortunately, little use has been made of the data since the survey results are stored on large tape volumes, one volume for each year. No merged version of the survey is available.

I propose to construct a merged file which would combine all of the annual

surveys into one dataset. Since the questions asked each household vary little from year to year, the merged annual surveys would provide a very long time series on household financial status. Although the households sampled change from year to year so that the dataset is not in panel form, it is possible to trace cohorts of households over time to produce a synthetic panel.

This merged file would provide information for a number of possible research projects including: analysis of savings and consumption decisions, allocation of wealth across different assets, consumption-based asset pricing models, and models of the purchase of durable goods. I propose to focus on the housing demand problem by analyzing the choice of housing tenure and expenditures on housing over time. The behavior of household purchases of housing over the business cycle has not been examined and is vitally important to understanding business fluctuations. The same sorts of analysis can be applied to the purchase of automobiles which has analyzed on the aggregate level but not on the household level.

In addition, I will also construct a consumption series for each household cohort and compare these series with available aggregate consumption series. Current studies of the covariation of assets returns and consumption rely on aggregate consumption data. The aggregate consumption series is far too smooth to account for the observed risk-premia. By examining the covariation of consumption with asset returns for the households who hold stock, a more powerful and accurate test of asset pricing models can be obtained.

Analysis of Supermarket Advertising and Promotion Decisions

One of the most important aspects of managing any retail store chain is to determine appropriate pricing and advertising policies. The Center for Research in Marketing has reached a unique agreement with Jewel Foods Inc. which allows access to store-level scanner data on grocery purchases. For each of over 10 stores in the Chicago area, total store purchases, pricing, display and advertising information is available. This data is collected on a weekly basis by optical scanning at the point of purchase.

The primary emphasis of our research using this store level data is to evaluate the effect of price changes on the demand for various goods. The rich variety of different goods and the problems of modelling demand for near perfect substitutes make it difficult to apply standard econometric models of demand systems. One of the disadvantages of working with store level data is that it is not possible to estimate income and demographic effects on demand. Without a model which incorporates consumer heterogeneity, the results obtained for the Jewel chain could not be extended to other market areas with different income distributions. In order to estimate income effects, data on the income distribution of store customers is required.

We propose to identify market areas for each of the Jewel stores in our

data and collect demographic data from private data bases. Several national firms merge data from a variety of sources including census and credit records to provide zip-code level data on income, household composition and other consumer characteristics. We will simply purchase data on the Jewel store zip-code areas and merge this information into the store purchase file. The merged file will become the basis for a complete analysis of price and income effects.

Household Demand for Near Perfect Substitutes

In the long empirical tradition of applied demand work, demand for goods on the household level has received very little attention. Primarily, the lack of household level data has forced economists to confine their analysis to aggregate data. Most applied demand studies are conducted on datasets in which demand is aggregated over both households and over categories of goods. In addition, it is very difficult to find data which exhibits substantial price and income variation such as that which is encountered in the analysis of a panel of households.

The analysis of household data provides many economic modelling and econometric challenges. Data on purchases of different brands of the same good show virtually all choices are made as corner solutions in which only one brand is purchased. The econometrician must build a model of both brand choice and expenditure decisions. Households purchase only small integer quantities of each brand making the traditional continuous random variable specifications less useful. In addition, purchases of brands for a particular household are irregularly spaced over time.

The goal of this research is to develop a demand system for different brands of the same product. In this application to brand selection, a utility structure that will assure that only one brand is chosen is assumed. The discreteness of brand choice produces a mixed distribution over the population of households of expenditures on any one brand. Our stochastic model of brand expenditure uses the well-known random utility concept to produce a complete econometric specification of the equilibrium distribution of brand expenditure which is consistent with utility maximization.

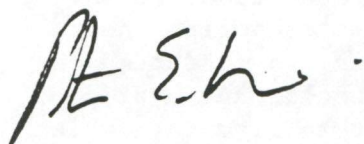
For high priced and easily storable products, it is also necessary to model the inventory behavior of households. We can no longer assume that consumption is proportional to purchases. We propose to develop an inventory model in which households determine the optimal "stocking-up" decision using predictions about the future course of brand prices. This problem has received little or no attention in the marketing literature.

The data for this project has been obtained through a unique agreement between the Center for Research in Marketing and the A. C. Nielsen company. Data on the supermarket purchases of 2,000 households in two cities is tracked by use of optical scanning methods. Household demographic information is updated annually by sample survey methods. By using

information from the store computers, it is possible piece together complete purchase histories, including the prices of brands not purchased on a given store visit.

I believe these projects coupled with many other activities of the CBES researchers will make an invaluable contribution to economic analysis and business decision-making.

Cordially,

A handwritten signature in dark ink, appearing to read "PE Rossi". The signature is fluid and cursive, with a small dot at the end.

Peter E. Rossi
Assistant Professor of Econometrics and Statistics

The University of Chicago



Graduate School of Business
1101 East 58th Street, Chicago, Illinois 60637
312|702-7970

George C. Tiao
W. Allen Wallis Professor
of Statistics

January 7, 1988

Professor Arnold Zellner
Graduate School of Business
University of Chicago
1101 East 58th Street
Chicago, IL 60637

Dear Arnold,

This is to let you know that I strongly support your effort to establish a Center for Business and Economic Statistics at the University of Chicago. The proposed center's primary goal of bringing together researchers from academia, industry and government to engage in a cross disciplinary research effort to improve the quality of our economic data base and to develop better statistical methods for planning and decision making will definitely contribute to maintaining the competitiveness of this nation's economic system.

I would be delighted to participate in various research activities at the proposed center, particularly in the areas of multiple time series forecasting, signal extraction and seasonal adjustment of economic time series. I would also continue my effort to help organize annual workshops on time series methods and annual conferences on "Making Statistics More Effective in Schools of Business".

Best regards,

G. C. Tiao

University of Chicago



Graduate School of Business
1101 East 58th Street, Chicago, Illinois 60637

December 22, 1987

Professor Arnold Zellner
Graduate School of Business
University of Chicago
1101 East 58th Street
Chicago, Illinois 60637

Dear Arnold:

Thanks for the information on the proposed NSF S&T Center for Business and Economic Statistics (CBES). Having read the statements regarding the objectives, contents, and structure of the envisaged research and educational programs, I am writing to express my strong support for the CBES grant proposal.

There is a great need to improve the statistical data base for business and economic research and to increase the level and quality of academic, industry, and government participation in this task. From my own work on business cycles, indicators, and macroeconomic forecasts for the National Bureau of Economic Research and the U.S. Department of Commerce (Bureau of Economic Analysis, Bureau of the Census), I know firsthand that good information of the right kind is critically important for progress in these areas of study and decision-making. Yet it is widely and correctly recognized that, for example, relatively few economists are directly engaged in work designed to yield the much needed improvements in economic data and related programs and techniques. The CBES would contribute to a gradual change in this situation.

Research in the CBES will address a broad array of topics of theoretical and practical interest. My current and prospective studies concern the theories and evidence relating to the predictability of recessions and recoveries ("The Regularity of Business Cycles," NBER Working Paper no. 2381, September 1987) and the continuity and change in economic history ("Facts and Factors in the Recent Evolution of Business Cycles in the United States," in progress). I continue to investigate the time-series properties and predictive value of cyclical indicators and their interactions. These research projects would appear to fit into the programs contemplated by the CBES grant proposal in the following areas: Time Series Analysis, Modeling and Forecasting (4); U.S. and International Aggregate Data Bases, Modeling and Forecasting (6); also (by planned extension) "Production of Data, Data Transfer and Computerized Communication Systems (13). In any event, I would like to explore these connections and participate in the research of the CBES.

Sincerely,

A handwritten signature in cursive script that reads "Victor".

Victor Zarnowitz
Professor of Economics and
Finance

Graduate School of Business
University of Chicago
1101 East 58th Street
Chicago, Illinois 60637

7 January 1988

Professor Arnold Zellner
Graduate School of Business
University of Chicago
FACULTY EXCHANGE

Dear Arnold:

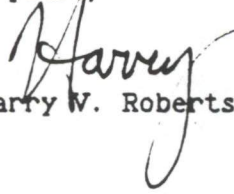
Your draft proposal for an NSF Science & Technology Center for Business and Economic Statistics is a most impressive document, and I support it wholeheartedly.

By careful preparation and development over a substantial time, starting with your ASA Program Feasibility Study Committee, you have evolved both an excellent general plan and the specifics that are needed to make the plan work, including an impressive array of statisticians with ideas and interests that will further the general objective.

Of course, we statisticians all think that statistics is a good thing, in and of itself. But for a variety of reasons, it is not easy to assure that the good ideas of statistics directly serve the nation's economic needs, especially in the key areas of productivity and quality. You have put together the right combination of research and dissemination to make possible such service. Your theme of improved data unifies the major areas of the proposal. Your designation of specific statistical areas, from time series and experimental analysis to decision theory and quality and productivity improvement, assures that the theme will be fruitfully developed.

I am excited at the prospect of doing what I can do to help you when the project becomes a reality.

Cordially yours,


Harry W. Roberts

14.C Initial NSRI Proposal and Letters

October 9, 1986
A. Zellner

A Proposal to Establish a National Statistical Research Institute

I. Introduction

The U.S. statistical data base is widely recognized to be the best in the world. This data base, the result of many years of research on measurement methodology, is invaluable in providing information for researchers, decision-makers and forecasters in the private and public sectors. To maintain and improve the U.S. data base will require much additional research in the future on measurement methodology, computerized data bases, organization and monitoring of data production and distribution procedures, survey techniques, improvement of data quality, and many other topics. To facilitate and expedite this needed research, it is proposed that a National Statistical Research Institute (NSRI) be established. The main objective of the NSRI will be to promote research designed to improve the U.S. statistical data base and to relate this research to similar research being carried forward by public and private researchers in the U.S. and other countries.

II. Organizational Structure and Operation of the NSRI

The NSRI will be an independent, non-profit research corporation governed by a Board of Directors composed of

members from industry, academia and government who have a strong interest in improving the U.S. statistical data base. Members of the Board of Directors will elect a Chairperson, a Vice-Chairperson, a Secretary, and a Financial Officer. The NSRI Board will have the responsibility for overseeing all operations of the NSRI and will appoint a Research Coordinator and Assistant Research Coordinator. The Research Coordinator and the Assistant Research Coordinator will be responsible for operation of the NSRI research program including the generation of new research projects, coordination of researchers' activities at the NSRI or other locations, administration of computing and secretarial services, organization of research seminars, and NSRI publications. All NSRI research projects, seminars, conferences, and publications must be approved by the NSRI Board.

The physical location of the NSRI will probably be at ASA headquarters in Washington, DC.

III. Sources of Funding for the NSRI

An initial grant of \$5,000 to \$10,000 will be obtained to conduct a Feasibility Study. This study will explore the extent to which short and long term funding for NSRI is available from private and public sources including foundations, corporations, unions, government agencies, trade associations, etc. Also, an effort will be made in the

Feasibility Study to identify specific research projects for which funding is available. If the Feasibility Study yields positive results, the NSRI will be established.

IV. Current Interest in Establishment of a NSRI

In a letter, dated August 28, 1986, regarding the proposal to establish a NSRI, Dr. Barbara A. Bailar, President-Elect of ASA wrote: "A lot of people think this is a very good idea Fred [Leone] and I are eager to pursue it." In personal conversations with Professor Jean A. Crockett, U. of Pennsylvania, Professor Geoffrey H. Moore, Columbia U., and Dr. Rosanne Cole, Director of Economic Research, IBM, all expressed enthusiastic support for the establishment of a NSRI. In a letter, dated September 10, 1986, Professor W. Allen Spivey of the U. of Michigan wrote about the idea to establish a NSRI:

"This is an excellent idea and I am glad that persons such as Barbara Bailar at the Census think so too. I also believe strongly that an important source of support consists of businesses that use large amounts of government data and whose fortunes depend in an important way on the quality of these data."

According to Dr. Fred C. Leone, Executive Director of ASA, the following individuals also appear to be interested in the establishment of a NSRI:

Mr. Vincent Barabba, Eastman Kodak Company, formerly
Director of Bureau of the Census

Mr. Arthur C. Nielsen, President, A.C. Nielsen Company

Professor Richard Cyert, President, Carnegie-Mellon U.

Professor Edward C. Kokkelenberg, State U. of New York

Professor James T. Bonnen, Michigan State U.



International Business Machines Corporation

Armonk, New York 10504
914/765-1900

October 7, 1986

Professor Arnold Zellner
Graduate School of Business
University of Chicago
1101 East 58th Street
Chicago, Illinois 60637

Dear Arnold:

To confirm our telephone conversation, I am pleased to accept your invitation to address the Economics and Statistics Colloquium on November 19. Enclosed are copies of the three papers that describe the price index work and development of the new deflator for computing equipment expenditures.

As we discussed, and in connection with your idea of establishing a National Statistics Research Institute, I also enclose a copy of a summary of the first meeting of the AEA's committee on economic statistics. To repeat, your timing couldn't be better and I think the Census Bureau and the BEA are likely to be very supportive of such an endeavor. In the present business climate, it may be more difficult to gain industry support in terms of dollars (good wishes are readily available).

I look forward to seeing you on November 19.

Sincerely,

Rosanne Cole
Director of Economic Research

/rdl
Enclosures



STATISTICAL CONSULTANTS, INC.

Dennis G. Haack, Ph.D., President
Richard L. Anderson, Ph.D., Vice President

Daniel L. Weiner, Ph.D., Exec. Vice President

Branch Office:
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Suite 212
Edgewood, Kentucky 41017
(606) 341-2860

Corporate Office:
Park Plaza Office Building
462 East High Street
Lexington, Kentucky 40508
(606) 252-3890

January 6, 1987

Dr. Arnold Zellner
Graduate School of Business
University of Chicago
1101 East 58th Street
Chicago, IL 60637

Dear Arnold:

I regret very much not answering your letter of November 10 until now. November was a hectic month for us. In any case, I strongly support your efforts to establish a National Statistical Research Institute (NSRI) to promote research to improve the U.S. statistical data base. As you may know, for many years I have favored the development of a Federal Statistical Agency and have deplored the decreasing influence of statisticians in the OMB. Hopefully a NSRI would accomplish much of that which I had hoped a Federal Statistical Agency would provide. I note that one of the proponents of a NSRI is Dr. James Bonnen, who has strongly disparaged the diminution of federal statistical coordination. As a supplement to the proposal for a NSRI, I suggest including Jim's article in the August 1983 issue of the American Statistician.

If I can be of further service in your efforts to establish a National Statistical Research Institute, please let me know. Best wishes.

Sincerely,

R.L. Anderson

cc: Fred Leone
Barbara Bailar

Carnegie
Mellon

Office of the President
Carnegie Mellon University
5000 Forbes Avenue
Pittsburgh, Pennsylvania 15213-3890
412-268-2200

December 8, 1986

Dear Arnold:

I have had an opportunity to read the proposal for the National Statistical Research Institute, and I am impressed with it. The idea is an important one and contributes significantly over the long haul to the improved operation of the American economy.

As an econometrician, you know both the value of good data and the paucity of them. Business, in particular, runs a good deal of the time on data that are inadequate for its purposes. Long-range and strategic planning are not done so well in the American economy as I believe they should be partially due to a lack of adequate data. The NSRI would be a significant addition to the country and to the economy.

I am confident that a number of businesses would be willing to contribute to the establishment of the institute. I would be willing to write letters on behalf of NSRI to a number of the CEOs of major companies whom I know well. I am sure that many will contribute funds.

Cordially,



Richard M. Cyert

Dr. Arnold Zellner
H.G.B. Alexander Distinguished Service
Professor of Economics and Statistics
University of Chicago
Graduate School of Business
1101 East 58th Street
Chicago, Illinois 60637



The Wharton School of the University of Pennsylvania

Finance Department
Suite 2300
Steinberg Hall-Dietrich Hall
3620 Locust Walk
Philadelphia, PA 19104-6367

(215) 898-7622
(215) 898-7623

December 15, 1986

Dr. Arnold Zellner
Graduate School of Business
1101 E. 58th Street
Chicago, IL 60637

Dear Arnold:

I like your draft proposal on a National Statistical Research Unit very much. May I circulate it, or a revision, to colleagues in Finance and Economics here. Other current or former members of the NBER Board may be helpful in generating support at other Universities.

Sincerely,

A handwritten signature in cursive script that reads 'Jean'.

Jean A. Crockett

JAC:lms

THE UNIVERSITY OF MICHIGAN

DEPARTMENT OF SOCIOLOGY

3012 LITERATURE, SCIENCE & THE ARTS BUILDING

ANN ARBOR, MICHIGAN 48109-1382

February 26, 1987

Professor Arnold Zellner
University of Chicago
Graduate School of Business
1101 East 58th Street
Chicago, IL 60637

Dear Arnold,

Thank you very much for a copy of "A Proposal to Establish a National Statistical Research Institute." This looks to be a strong proposal. If the Institute is established, it will serve a number of important functions.

I assume that you will keep me informed.

Sincerely,


Reynolds Farley
Professor and Chair

RF/hw

President-Elect
of American Economic
Association

NORTHWESTERN UNIVERSITY COLLEGE OF ARTS AND SCIENCES

Robert Eisner
William R. Kenan Professor

Department of Economics
Evanston, Illinois 60201
Telephone (312) 491-5394

November 24, 1986

Professor Arnold Zellner
Graduate School of Business
University of Chicago
1101 East 58th Street
Chicago, Illinois 60637

Dear Arnold:

An Institute to promote research to improve the U.S. statistical data base strikes me as a good idea. I have no further suggestions at this time, however.

Cordially,

Bob

RE:mj

11/24/86
11/24/86



HARVARD UNIVERSITY

ZVI GRILICHES
NATHANIEL ROPES PROFESSOR OF
POLITICAL ECONOMY

DEPARTMENT OF ECONOMICS
125 LITTAUER CENTER
CAMBRIDGE, MASSACHUSETTS 02138
(617) 495-2181

November 17, 1986

Professor Arnold Zellner
University of Chicago
Graduate School of Business
1101 East 58th Street
Chicago, Illinois 60637

Dear Arnold,

I think that the Institute is a good idea but only if it can be well funded. Otherwise, it will get dribbled away.

You should be aware of several other "activities" in this area:

1. Alice Rivlin has appointed an AEA Committee on National Statistics (or some such title) with F. Juster as Chairman (I am a member).
2. There is CONSTAT at the NAS which might be brought into this partnership.
3. I have been talking to Feldstein about the possibility that the NBER would raise some money for a more focused review of output, growth, and price measurement in the national income accounts.

With good wishes for success and best regards.

As ever,


Zvi Griliches

zg/jd

NATIONAL RESEARCH COUNCIL

COMMISSION ON BEHAVIORAL AND SOCIAL SCIENCES AND EDUCATION

2101 Constitution Avenue Washington, D. C. 20418

COMMITTEE ON NATIONAL STATISTICS

November 26, 1986

TELEPHONE (202) 334-3096

Professor Arnold Zellner
Graduate School of Business
University of Chicago
1101 East 58th Street
Chicago, Illinois 60637

Dear Professor Zellner:

I write in response to your letter of November 10 and your further note of November 19, in which you discuss your proposal to establish a National Statistical Research Institute.

The purpose of the proposed institute is commendable, and the illustrative research topics you mention are well worth providing additional support for. It may be that the establishment of such an institute under the aegis of the American Statistical Association would bring forth funding that thus far has not been tapped, particularly if the solicitation effort is concentrated on the private sector, but I am concerned that the main result may be an attenuation of support.

We are in a period of constraint in research funding, and statistically-oriented organizations along with others are experiencing difficulties. The Committee on National Statistics, which is primarily financed by federal agencies with some occasional support from foundations, has lost several sponsors within the past two years and is operating with a reduced staff. The Council of Professional Associations on Federal Statistics suffers from inadequate financing. The Social Science Research Council had to close its Washington office when NSF funding was cut back. The Bureau of Social Science Research recently went out of business. This may not be an auspicious time to consider launching a new venture; a feasibility study at this time might be worthwhile but might find it hard to reach a definite conclusion because of the murky future. Perhaps we should concentrate for the moment on trying to preserve and strengthen already existing organizations.

Thank you for sending me a copy of your provocative address, "Science, Economics and Public Policy." I read it with great interest and am circulating it to my colleagues.

Sincerely,



Edwin D. Goldfield
Director
Committee on National Statistics

The University of Iowa

Iowa City, Iowa 52242

Division of Mathematical Sciences
Department of Computer Science
Department of Mathematics
Department of Statistics and Actuarial Science
Program in Applied Mathematical Sciences



1847

18 November 1986

Arnold Zellner
Professor of Economics and Statistics
Graduate School of Business
University of Chicago
1101 East 58th Street
Chicago, Illinois 60637

Dear Arnold:

I like your preliminary draft of a proposal to establish a National Statistical Research Institute to improve the statistical data base in the United States. Some important research could be done in developing these methods, and the improved data could be used by other researchers.

You really did not mention the source of the initial 5,000 to 10,000 dollars, although I gather that the long range funding would be done through foundations, corporations, unions, government agencies, etc. Were you asking ASA to fund this initial amount?

I think that we are generating some excellent ideas among the members of ASA:

1. The Office of Scientific and Public Affairs,
 2. The Statistical Education Center,
- and now
3. The National Statistical Research Institute.

I believe that we should investigate all three, but I am concerned about the financial stress on the Association unless we find some outside funding. As a matter of fact, I can't see why there couldn't be some cooperation among the three. While item (2) is directed primarily to K-12, in the long run it could clearly include colleges and universities and associated research projects. So could the Science part of item (1), as well as your proposal.

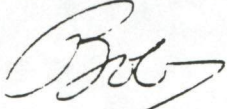
I recognize that one person, even with proper office help, can not do everything. You need a "champion" of each cause to make adequate progress, but cooperation (say in office space and secretarial help initially) could help the situation.

Professor Zellner
18 November 1986
Page Two

In summary, I definitely believe that you should continue to push. I hope ASA can help, but there is at present a strain on ASA's budget. I know, however, that ASA will help, if at all possible.

With best personal regards, I am

Sincerely yours,



Robert V. Hogg
Professor
Department of Statistics
and Actuarial Science

mle

cc: Barbara Bailar
Fred Leone



AMERICAN STATISTICAL ASSOCIATION

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January 3, 1987

Dr. Arnold Zellner
Graduate School of Business
University of Chicago
1101 E 58th Street
Chicago, IL 60637

Dear Arnold:

Thank you for your letter of November 10, 1986 enclosing your draft "proposal to establish a National Statistical Research Institute to promote research to improve the U.S. statistical data base". I believe your proposal has a lot of merit. At the same time, there are a number of key questions left unanswered in your write-up. I think you would have to deal with these questions up front in order to have a chance for the proposal to fly. For example:

1. The title "NSRI" implies a much broader scope than the text of the draft proposal covers. If you mean the broader scope, the write-up should reflect it and you will need to establish a much broader base of support. If you mean the narrower scope ("improve the U.S. statistical data base") the title should be narrowed. Otherwise you will inevitably encounter severe opposition due to lack of clarity of scope.
2. How would the proposed institute relate to ASA? What would be the direct and indirect staffing support and financial support requirements from ASA? Consider these in three phases: Initial promotion of the concept, start-up of the organization, asymptotic operation of the organization.
3. What is the relation to other existing activities in the subject areas? Would they consider the institute as complementary to their work, or would they see it as a competitor either because of its function or because it will draw from the same funding sources? Consider in this regard the advisory/evaluation panels or committees for the government agencies affected, the existing university research groups in the field, the independent consulting-firms/think-tanks who operate in the field, et al.

Donald W. Marquardt, *President*

E. I. DuPont de Nemours & Co., Inc.

Engineering Department

Wilmington, Delaware 19898

(302) 366-2677

2
January 3, 1987
Dr. Arnold Zellner

I hope these comments will be helpful. I know that you are sensitive to issues such as these and you have had to deal with them in other proposals, such as the establishment of JBES.

Best regards and wishes for the new year.

Sincerely,



Donald W. Marquardt
Past-President

DWM:lsw
14.59

Copies to: Barbara A. Bailar
Fred C. Leone

Yale University

*Institution for Social and Policy Studies
P.O. Box 16A Yale Station
New Haven, Connecticut 06520-7382*

*Campus address:
111 Prospect Street*

January 6, 1987

Professor Arnold Zellner
Graduate School of Business
University of Chicago
1101 East 58th Street
Chicago, Illinois 60637

Dear Arnold:

Thank you for sending me a copy of "A Proposal to Establish a National Research Institute." While the U.S. statistical data base may arguably be the best in the world, it still falls far short of what is needed by decision makers, forecasters, and researchers in the private and public sectors if our highly decentralized system of decision making is to flourish in what clearly is a very disorderly world.

I think the proposal is excellent and I strongly hope it will go forward. From my point of view, part of what is badly needed is rapid development of machine-readable data archives which are widely, rapidly, and cheaply accessible through the public and university-based library systems. My hope is that the proposed institute would be based on the premise that achievement of wide-scale, convenient, and inexpensive access to data is as important as improvement in the collection of accurate and potentially useful data. Clearly both are needed.

With warm personal regards.

Sincerely yours,



Guy H. Orcutt

GHO:amb

U.S. Trust

James J O'Leary
Economic Consultant

UNITED STATES
TRUST COMPANY
OF NEW YORK

45 Wall Street
New York, NY 10005
Tel (212) 806-3607

January 20, 1987

Professor Arnold Zellner
Graduate School of Business
University of Chicago
1101 East 58th Street
Chicago, IL 60637

Dear Arnold:

I apologize for being so terribly remiss in not responding earlier to your letter of November 10 regarding the proposal to establish a National Research Institute to promote research to improve the U.S. statistical data base.

I think it is a proposal which deserves broad support by economists. The need for such an institute is great and it will only come into existence if it has the support you propose.

As I think you know, one area I would put the institute to work on immediately is the national statistics on savings, a critical area of Government statistics. It is a disgrace that today we have two sets of statistics on saving, the NIPA and the Flow-of-funds versions, which produce widely diverging results. This situation has existed for many years and it appears that nothing has been done about it. This is but one glaring example of the need for the research organization you propose.

Sincerely,

James J O'Leary



BOARD OF GOVERNORS
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WASHINGTON, D.C. 20551

Division of
Research and Statistics

December 3, 1986

Professor Arnold Zellner
Graduate School of Business
University of Chicago
1101 E. 58th Street
Chicago, IL 60637

Dear Arnold:

I am writing in response to your letter of November 10 requesting comments on your proposal to establish a National Statistical Research Institute (NSRI). Establishing such an institute is an excellent idea, and I strongly support this proposal.

As you know I have worked a great deal with economic and financial series within the U.S. statistical data base, in time series and econometric modelling, in seasonal adjustment research, in conducting studies of time series methods to measure the accuracy and reliability of this data, and in extensive consultation and collaboration with other Federal Reserve staff and other government statisticians. Throughout this work I have grown increasingly convinced of two great needs, (i) to improve the data quality and (ii) to improve methods to measure the data quality, however high or low. That is, we need both to have the best data we possibly can and to know how good those data are.

Thus, I think that the establishment of an NSRI as you propose would be an excellent means to coordinate, motivate, and possibly conduct much needed research in both these areas, plus the many other areas (not the least of which is timeliness, and efficient trade-offs between timeliness and accuracy) that you mention.

In conclusion, I reiterate my support for the establishment of a National Statistical Research Institute, and I hope your proposal is successful.

Best wishes,

A handwritten signature in cursive script, appearing to read "D. A. Pierce", is written above the typed name.

David A. Pierce
Senior Statistician

JOHN E. ROLPH
Associate Head
Economics and Statistics Department

November 18, 1986

Professor Arnold Zellner
Graduate School of Business
University of Chicago
1101 East 58th Street
Chicago IL 60637

Dear Arnold:

I read the National Statistical Research Institute (NSRI) proposal draft that you sent me with interest. It is sufficiently brief that most of my comments are in the form of questions. My overall reaction is that it is an interesting enough idea to spend \$5,000 to \$10,000 to flesh it out. Here are my questions and thoughts.

1. Is the NSRI intended to be a free standing research institute with its own staff or more of an umbrella funding facilitator like the NAS or SIMS (SIAM Institute for Mathematics and Society)? If the NSRI idea turns out to be viable, I would favor it being a research institute with its own staff possibly supplemented with academic, government and other consultants. The umbrella facilitator model tends to consume a very substantial proportion of its funds in activities that are not innovative research--communications, fund raising, advisory committees, literature reviews, etc.

2. Is ASA headquarters in Washington the best physical location? It may well be, but I urge that serious thought be given to locating the NSRI as part of or adjacent to a university or other research institution. My reason for suggesting this is the critical mass issue. It can be difficult to attract top flight researchers to an environment that does not have a fair number of first rate researchers around. I would be happy to share Rand's experience with their free standing Institute for Civil Justice if you are interested.

3. Specifically, what kind of research would the NSRI do to promote its aim of "improving the U.S. statistical data base"? My suggestion is that the scope of its "charter" be narrowed as part of the feasibility study; this should be done in conjunction with looking at potential funding sources. My experience is that a well focused research agenda is preferable to a diverse set of projects, particularly in the formative stages of the research institution.

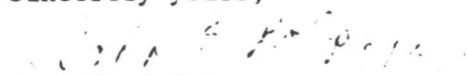
November 18, 1986

4. What are the most promising sources and forms of funding? One appealing idea is to go after consortium funding where a sizable group of research consumers each pony up a modest sum in return for getting (i) the research product and (ii) some sort of preferential access to the staff and/or advance copies of the research products. While appealing in theory, this approach has a decidedly mixed track record. I would guess that going after some combination of "core" funding, from, say, foundations and project funding from the appropriate "consumer" community for particular research studies might be a promising strategy. More generally, there are a number of research institutes of various types whose experience the NSRI could learn from.

As you can see, the idea of a NSRI intrigues me. It also conjures up a variety of problems and obstacles to deal with. I think that a well designed feasibility study that addresses both my questions listed above as well as others I did not raise would be worth carrying out.

I hope that these musings are of some help to you. With best wishes.

Sincerely yours,


John E. Rolph
Senior Statistician

YALE UNIVERSITY
DEPARTMENT OF STATISTICS
BOX 2179 · YALE STATION
NEW HAVEN · CONNECTICUT 06520-2179

February 10, 1987

Prof. Arnold Zellner
The University of Chicago
Graduate School of Business
1101 East 58th Street
Chicago, IL 60637

Dear Arnold,

Thank you for your letter and various enclosures regarding NSRC. I do not know how to respond in view of the fact that I have my own opinions as well as the ability to read what the others have said. I guess the proper thing to do is to digest what I have read and synthesize that with my own comments.

Since none of us are totally convinced that the center is a good idea, it is particularly important that the feasibility study be done well. Consequently, it is important to finance the study properly and to make sure that the important questions are studied.

It is remarkable that in your correspondence, you have a letter from Mr. Tella, but not one from Mrs. Tella. Presumably, the Major Wake Link in the Statistical System is the group that Mrs. Tella is in charge of. Your proposal is really an implicit criticism of her and the political forces that gave her such a small role.

A major issue is whether your center, no matter how successful, could do the job that is not now being done by Mrs. Tella. As far as I am aware, there are no other major weaknesses in the system. The statistical agencies, particularly the major ones, are well managed and are quite productive. The American Statistical Association is doing its share. The Universities are doing what they can with allocations from the agencies and the National Science Foundation. The lobbying groups set up by the Social Sciences and Statistics have been quite successful.

A major problem is how to finance your center or to better finance other statistical activities. In terms of direct contribution, American industry has not been very generous. Therefore, a particular question arises as to whether or not your center would be more attractive for contributions from American industries. I am quite a blank on the answer to that question. If your center could increase the total amount of productive statistical activity, that would be good. If in fact the center reduces the amount of

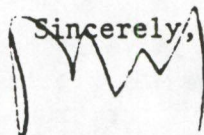
statistical activity either by increasing the overhead, or by decreasing contributions, then that is bad.

As far as productivity goes, your center would be in direct competition with such successful outfits as the National Committee on Statistics of the National Research Council and The Survey Research Institute at the University of Michigan.

I cannot speak for The American Statistical Association since I have not been on the board for a couple of years. It does seem to me that there was not a resolution of whether the Association was a professional group or was meant to serve all needs of all statisticians. There was still a very strong group that believed the Association's primary function was to publish journals and to hold scholarly meetings. That group would not in fact give very much money to support your center. The truth is that very little money was available for your Center, The Center on Education Statistics, or the Public Relations Group. The budget is really quite small.

A good test of the attractiveness of your idea is to see if non-ASA money could be obtained to run the feasibility study. In theory, the Russel Sage Foundation should support such projects. No doubt there are other related sources.

The best of luck.

Sincerely,


I. Richard Savage

Internal Revenue Service

Department of the Treasury

Washington, DC 20224

26 NOV 1986

Arnold Zellner
Professor of Economics and Statistics
Graduate School of Business
University of Chicago
1101 East 58th Street
Chicago, IL 60637

Dear Arnold:

Thank you for your letter of November 10th concerning the establishment of a center to improve the U.S. statistical data base. Unquestionably, there is a need for a major effort to improve the U.S. statistical system -- ultimately leading, among other things, to better data. Since I believe that human capital issues are at the heart of our problems, the idea of tying a National Statistical Research Institute (NSRI) in with the ASA Fellows program makes a lot of sense.

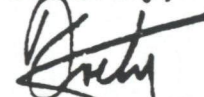
Your proposal is silent on several issues that you must have considered. Some of these are listed below because I would need clarification on them before committing myself to your approach:

- o What happens to the Committee on National Statistics (CNSTAT) of the National Academy of Sciences? There is a lot of overlap between CNSTAT and the NSRI.
- o What is the role of the existing Federal Committee on Statistical Methodology (of which Barbara Bailer, for example, is a member)?
- o What can be learned from the experiences of the Social Science Research Council? They recently closed their Washington office.
- o What will be done to keep the NSRI from being simply another lobbying group? Everybody outside government always has the strong conviction (often justified, by the way) that they can do better, but usually they lack the patience and attention to detail that really leads to improvements.
- o What about funding issues? The role of the National Science Foundation in CNSTAT and in the ASA Fellows program is a key ingredient to their success.

Some further contacts you might want to share your proposal with are Maria Elena Gonzalez, Ed Goldfield, Tom Jabine, Richard Rockwell, and Kathy Wallman.

On a personal note, let me extend, again, my admiration for your energy and contribution to the profession. I wish you all the best!

Sincerely,



Fritz Scheuren, Ph.D.
Director
Statistics of Income Division

PUTNAM, HAYES & BARTLETT, INC.

ECONOMIC AND MANAGEMENT COUNSEL

1615 L Street, N.W.
Washington, D.C. 20036
(202) 223-6665

124 Mt. Auburn Street
Cambridge, MA 02138
(617) 492-6900

3 Embarcadero Center
San Francisco, CA 94111
(415) 392-3550

December 2, 1986

Dr. Arnold Zellner
Graduate School of Business
University of Chicago
1101 East 58th Street
Chicago, Illinois 60637

Dear Arnold:

This letter is in response to your recent request for comments on your October 9, 1986 proposal to establish a National Statistical Research Institute (NSRI) as an independent, non-profit research corporation to improve the U.S. statistical data base.

I wholeheartedly endorse your efforts. Granted that the "U.S. statistical data base is widely recognized to be the best in the world," it could and should be much better and more accessible.

Speaking from a practical business perspective, reliable and timely data is becoming increasingly valuable. The dramatic growth of private data base firms attests to this fact. I believe that these private firms will eventually eclipse government sources in most newly developing areas, and hope that you will keep NSRI clearly independent of undue government influence.

My sense is that NSRI would be more likely to succeed if it combines research with specific related services. Such services might include:

- A set of simple standards which could serve as reference points for data base vendors to assess and advertise their wares (e.g. "Data base X meets NSRI standards for transaction price surveys")
- Practical training sessions of 3-5 days length for statistical data base design, maintenance and use
- Surveys of data base users to identify unmet demands for prospective vendors

Arnold Zellner
December 21, 1986
Page 2

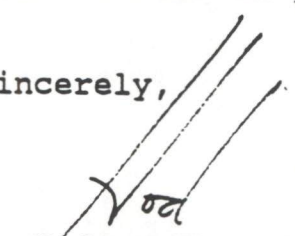
- A voluntary omnibus directory of data bases, with NSRI ratings

Each of these would be a substantial undertaking, but over a period of time one might try out these types of services and see what the market selects. Such services would stimulate financial support by generating practical research projects that would have justifiable claims on industry research dollars.

Finally, while you focus on the "U.S. data base", it may be useful to note that the U.S. data base is in fact a world data base, and to be sure that foreign users of U.S. data and domestic users of foreign data are not ignored by NSRI.

Best of luck in your efforts.

Sincerely,


E. Hodson Thornber
Managing Director

"Document Control"

TYPE: INFORMATION DOCUMENT NUMBER: 9202747
ORIGINATOR: 02 STATUS C DIRECTORATE STATUS

FROM: MURRIN, THOMAS: DUQUESNE UNIVERSITY

TO: DR. D.A. BROMLEY

DATE OF
CORRESPONDENCE: 08/27/92

SUBJECT: RESPONSE TO YOUR LETTER OF AUGUST 7 REGARDING THE
JOINT HIGH LEVEL ADVISORY PANEL; HE ACCEPTS.

DIRECTORATE STAFF
ASSIGNED: ASSIGNED:

ACTION STAFF
REQUIRED: ACTION:

SENDER'S DUE DATE:
OSTP DUE DATE: STAFF DUE DATE
DATE COMPLETED: DATE COMPLETED/DEPT:

COPIES TO: D. Allan Bromley
PCAST

WHITE HOUSE TRACKING #: CONTACT PERSON:
REMARKS: PHONE: EXT:

OSTP RECEIVED: 09/08/92 DEPT RECEIVED:
FILE: PCAST-JHLAP
CENTRAL FILES:



DUQUESNE UNIVERSITY

ROCKWELL HALL • PITTSBURGH, PA • 15282

THOMAS J. MURRIN

OFFICE OF THE DEAN

A.J. PALUMBO SCHOOL OF BUSINESS

ADMINISTRATION

TELEPHONE (412) 434-5156

FAX (412) 642-9106

August 27, 1992

Dr. Allan Bromley
Assistant to President for Science
and Technology
Executive Office of the President
The White House
Washington, DC 20506

Dear Allan,

I response to your letter of August 7 regarding the Joint High Level Advisory Panel, I respond positively --- provided you judge this to be really worthwhile and that I can contribute. And recognizing my limited availability, timewise.

Many thanks for the opportunity!

Good Luck!

God Bless!

Most sincerely,

Thomas J. Murrin
Dean

TJM/ah

"Document Control"

TYPE: ACTION
ORIGINATOR: 02

DOCUMENT NUMBER: 9202643
DIRECTORATE STATUS

STATUS I

FROM: KEY, Joe L.: UNIVERSITY OF GEORGIA

TO: DR. D.A. BROMLEY

DATE OF
CORRESPONDENCE: 08/26/92

SUBJECT: HE IS FORWARDING HIS COMMENTS FOR THE PCAST PANEL
STUDYING THE RELATIONSHIP BETWEEN THE FEDERAL
GOVERNMENT AND RESERACH INTENSIVE UNIVERSITIES.

DIRECTORATE
ASSIGNED: PCAST
STAFF
ASSIGNED:

ACTION
REQUIRED: AS NECESSARY
STAFF
ACTION:

SENDER'S DUE DATE:
OSTP DUE DATE: 09/14/92
DATE COMPLETED: STAFF DUE DATE
DATE COMPLETED/DEPT:

COPIES TO: D. Allan Bromley

WHITE HOUSE TRACKING #:

CONTACT PERSON:

REMARKS:

PHONE:

EXT:

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OSTP RECEIVED: 09/01/92
FILE: P-PCAST

DEPT RECEIVED:

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The University of Georgia

Office of the Vice President
for Research

Joe L. Key
Vice President

August 26, 1992

RECEIVED

92 SEP 1 P 6:30

Boyd Graduate Studies
Research Center
Athens, Georgia 30602-7411
(706) 542-5969

MAIL ROOM

Dr. D. Allan Bromley
The Assistant to the President
for Science and Technology
The White House
Washington, DC 20500

Dear Dr. Bromley:

President Charles B. Knapp asked me to respond to your letter of June 8, 1992 regarding the partnership between the Federal government and the Nation's research-intensive universities.

The comments below represent my views along with those of my staff, the Director of the Agricultural Experiment Stations, the Dean of the College of Arts and Sciences, and the Dean of the Graduate School. All of the issues/problems identified are important; the sequence does not reflect any inherent priorities.

1. Land-grant universities will face a major challenge to maintain an adequate research base and develop new technologies to assure an adequate food supply when the world population reaches six billion in the next ten to twenty years. The Federal government needs to understand the magnitude of the world food crisis that is racing toward us and take appropriate actions now to address the problem(s).
2. There is a major (and well-known) problem associated with the supply of future scientists and engineers from students now in the "educational pipeline." This is a national problem, and most evidence suggests that the root cause lies in the K-12 area. Universities with the expertise of faculty and available resources should be involved with the Federal government to develop a coordinated strategy to address this serious issue.
3. Several Federal agencies have small but valuable programs to encourage under-represented minorities of high school age to work in university laboratories and field research programs. These programs have proven effective in attracting minorities to science and engineering careers, but the available funding precludes a major impact. In addition to increasing the support for these programs, the Federal government should consider expanding the program to include K-12 math and

science teachers particularly those having a high percentage of under-represented minorities in their classroom in order to transfer the excitement and challenges of research to more students. A corollary of this issue is the need to provide adequate support for all students pursuing both undergraduate and graduate education, but particularly students from under-represented minorities and the under-privileged in general.

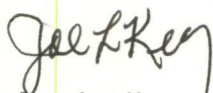
4. Universities are the most important resource of "intellectual capital" in the Nation, and all actions of the Federal government should be aimed at its appreciation, not its depreciation. The frustration that junior and senior scientists experience with respect to securing and maintaining funding for research programs transcends the so-called Lederman Survey. Research funding should be competitive, and it should not be viewed as an entitlement of the scientific community. However, if we as a Nation profess to value the results provided by science and engineering research and education, then it makes little sense for scientists and engineers to spend such an inordinate amount of time writing grant proposals and submitting reports in order to fund the research done in laboratories by technicians, graduate students, and postdoctoral fellows. Somehow, we need to simplify the funding process. The European model may be worth considering.
5. Infrastructure needs of universities are of critical importance. Most Federal and corporate laboratories are better equipped than many of their academic counterparts. There is a "Catch-22" in this system: scientists find it difficult to compete for Federal research funding without access to state-of-the-art equipment; yet it is difficult, if not impossible, to obtain major equipment items through the normal research funding pathway. This, together with the virtual absence of funds for "bricks and mortar," has made "earmarking" an attractive option for many Congressmen/institutions. From a national perspective, by-passing the merit or peer review process is not wise policy, nor does it usually represent the most cost-effective allocation of limited Federal funds. It remains an option largely because there are few alternatives. A more desirable situation would be for the Federal government to fund a process whereby the legitimate infrastructure needs of universities can be accommodated in a peer-review fashion thus minimizing (it will only be eliminated with Congressional sanctions) the need for earmarking.

Dr. D. Allan Bromley
August 26, 1992
Page Three

6. The indirect cost reimbursement issue needs to be addressed. The current public perception, for which universities must assume a share of the responsibility, is tinged with suspicion. The legitimacy of indirect cost recovery as a principle needs to be reaffirmed, and a more equitable distribution procedure should be explored. The model advanced several years ago by the American Association of Universities through a committee chaired by Dr. Cornelius Pings would be a useful starting point for such discussions.
7. Many administrators are concerned that research funding from Federal agencies increasingly requires a disproportionate match of state and/or university funds. We recognize the constraints on the Federal budget, but university resources--state and/or private--simply cannot expand to meet this expectation. As an anecdotal example, we recently were "offered" an opportunity to secure a National Science Foundation competitive equipment grant if we would agree to match the 30 percent share from NSF with a 70 percent commitment from institutional funds (a 50-50 share is generally considered to be a generous university match).
8. Much of the national activity in policy and budget development is being carried out by young, inexperienced Congressional staff. It would help to have more, and more effective, dialogue between key university administrators and our elected officials.

I trust that these comments will be useful as the President's Council of Advisors on Science and Technology begin their review of the partnership between the Federal government and the Nation's research-intensive universities. Thank you for the opportunity to provide input to the process, and please let me know if I may assist further.

Sincerely,



Joe L. Key
Vice President for Research

JLK/da

cc: Dr. Charles B. Knapp

"Document Control"

TYPE: INFORMATION DOCUMENT NUMBER: 9202725
ORIGINATOR: 02 STATUS C DIRECTORATE STATUS

FROM: NICHOLOS, RODNEY: NEW YORK ACADEMY OF SCIENCES

TO: DR. D.A. BROMLEY

DATE OF
CORRESPONDENCE: 08/21/92

SUBJECT: ACCEPTANCE OF THE INVITATION TO JOIN THE JOINT HIGH
LEVEL ADVISORY PANEL TO THE COMMITTEE ON THE
US-JAPAN SCIENCE & TECHNOLOGY AGREEMENT.

DIRECTORATE STAFF
ASSIGNED: ASSIGNED:

ACTION STAFF
REQUIRED: ACTION:

SENDER'S DUE DATE: STAFF DUE DATE
OSTP DUE DATE: DATE COMPLETED/DEPT:
DATE COMPLETED:

COPIES TO: D. Allan Bromley
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INTERNATIONAL/POLICY

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REMARKS: PHONE: EXT:

OSTP RECEIVED: 08/29/92 DEPT RECEIVED:
FILE: P-PCAST
CENTRAL FILES:



THE NEW YORK ACADEMY OF SCIENCES

RODNEY W. NICHOLS
Chief Executive Officer

August 21, 1992

*President and
Chairman of the Board*

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of Electrical Engineering &
Professor Emeritus of Architecture
Columbia University

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HELENE L. KAPLAN
Skadden, Arps, Slate, Meagher & Flom

The Honorable D. Allan Bromley
The Assistant to the President
for Science and Technology
The White House
Washington, D.C.

Dear Allan:

I'm delighted to accept your August 7 invitation to join the Joint High Level Advisory Panel to the Committee on the U.S.-Japan Science and Technology Agreement.

Having had some experience in U.S.-Japan projects and negotiations as well as in other areas of national and international R&D, I look forward to participating energetically in this key activity.

I also look forward very much to working again with you, Tom Ratchford, and John McTague.

Sincerely,

Rodney W. Nichols

RWN:cp

cc: John McTague
J. Thomas Ratchford

175th Anniversary 1817-1992

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"Document Control"

TYPE: ACTION DOCUMENT NUMBER: 9202448
ORIGINATOR: 02 STATUS I DIRECTORATE STATUS

FROM: GEORGE, Melvin D.: ST. OLAF COLLEGE

TO: DR. D.A. BROMLEY

DATE OF
CORRESPONDENCE: 08/17/92

SUBJECT: HE IS FORWARDING HIS COMMENTS FOR THE PCAST PANEL
STUDYING THE RELATIONSHIP BETWEEN THE FEDERAL
GOVERNMENT AND U.S. RESEARCH INTENSIVE UNIVERSITIES.

DIRECTORATE STAFF
ASSIGNED: PCAST ASSIGNED:

ACTION STAFF
REQUIRED: AS NECESSARY ACTION:

SENDER'S DUE DATE:
OSTP DUE DATE: 09/09/92 STAFF DUE DATE
DATE COMPLETED: DATE COMPLETED/DEPT:

COPIES TO: D. Allan Bromley

WHITE HOUSE TRACKING #: CONTACT PERSON:
REMARKS: PHONE: EXT:

NRN rev AKD

OSTP RECEIVED: 08/26/92 DEPT RECEIVED:
FILE: P-PCAST
CENTRAL FILES:



ST. OLAF COLLEGE

1520 ST. OLAF AVENUE
NORTHFIELD, MINNESOTA 55057-1098

RECEIVED

OFFICE OF THE PRESIDENT
(507) 646-3000

92 AUG 26 4:09

August 17, 1992

OSTP
MAIL ROOM

Dr. D. Allan Bromley
Assistant to the President for Science and Technology
Director, Office of Science and Technology
The White House
Washington, D.C. 20506

Dear Dr. Bromley:

I appreciated the invitation, conveyed in your letter of June 8, to comment on the review of the partnership between the nation's research-intensive universities and the federal government, under the sponsorship of PCAST. Since I myself spent twenty-five years of my professional life in large public universities (the universities of Nebraska and Missouri), I understand the environment of those institutions and appreciate the important role they have played in this nation's well-being.

As important as the relationship has been between these institutions and the federal government, however, it is now very appropriate indeed to reexamine the situation. The national environment in which these institutions function, and the world environment in which the United States exists, are both very different from the halcyon days of the 1950's and 1960's, for several reasons. For example, this nation is no longer obviously the world's greatest economic power. The kind of external threat to security we face is vastly different from that arising from a monolithic communist state. The social and economic conditions within the United States have led to disastrous educational environments for our young people, particularly in science and mathematics, as you know only too well. How research institutions can now serve the nation, in a vastly different situation, in a time of economic stress and great uncertainty in the world order, is not clear. Consequently, I am very pleased that you and your PCAST colleagues are undertaking this study, and I appreciate being able to participate.

I should like to make three points:

1. This study is, by design, narrowly focused on one aspect of higher education in America. Such a study must be considered in the wider context of this nation and its educational system if it is to have any impact and long-term validity. What are the most critical problems of the nation—economic, social, educational? What are the broad federal goals for the next few years? What are the federal goals within higher education (I would expect that they are certainly not limited to support

for basic research)? How is basic research related to economic development; do we need to consider issues of technology transfer, product development, etc., in addition to basic research?

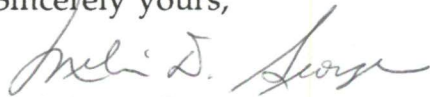
May I give an example of the importance of looking at the larger context, as a member of the Education and Human Resources Advisory Committee of the National Science Foundation, that the virtually exclusive focus of the federal government on basic research a few years ago led to the demise of programs in that agency to support undergraduate science and mathematics education, including the training of teachers. The disastrous predicament that we now have in our elementary and secondary schools derives at least in part from this action. I think it extremely important that the federal government avoid such pitfalls in thinking about the future, and I know many of those who will follow the PCAST study share that concern.

2. It is important to shape the dialog by considering the kinds of questions and issues (and related definitions of terms!) to be discussed. For example, research goes on in institutions other than research-intensive ones; indeed, in the liberal arts colleges, research is a vital part of the education of undergraduate students in science and mathematics, reflecting the now well-established principle that the learning of science occurs best in hands-on environments. Even in research-intensive institutions, faculty members are teacher/scholars, members of a campus community and of larger disciplinary communities. We should be asking questions about how these various roles of faculty members are related and why they conflict in so many cases? The linkage which undergraduate programs in institutions have, both with the preparation of potential graduate student/researchers and with the training and retraining of teachers for the elementary and secondary schools, needs to be well-understood.
3. There are several specific recommendations which I hope can be considered as PCAST study is brought to a conclusion. These include:
 - a. The select liberal arts colleges demonstrably know how to build and sustain strong undergraduate programs in science and mathematics. Can those models and that knowledge be useful as the federal government seeks to redefine the contract with the research-intensive universities in the national interest.
 - b. We should develop and protect a structure to insure that the funding of "little" science (including education) will not be lost in the funding of "big" science projects.

- c. The federal government in its student financial aid policies puts the focus on helping students, who then make choices about colleges to attend. Might a similar model be useful in funding research at the major universities? For example, if much more federal weight were put on grants to graduate assistants, with institutional allowances, rather than on project funding of research, would we not reduce the overhead involved in federal funding by a great deal while providing incentives for programs to be attractive to students?
- d. Institutions which recognize and reward good teaching, which reinforce the teacher/scholar role of the faculties, should be rewarded, even in the research relationship with the federal government. The federal government should minimize the sense that institutions have to focus on research for economic reasons.
- e. Criteria can and should be developed at the federal level, for the awarding of federal grants of all kinds, which recognize and reward teaching excellence.

In times of limited resources, funds should be focused where there is quality and productivity. But we have to be clear about our larger goals in order to determine where the quality and productivity we really seek can be found. In studying the research enterprise in universities in America, I hope very much that the PCAST work will not forget three goals which I consider especially important—the preparation and retraining of science and mathematics teachers for the elementary and secondary schools; insuring adequate numbers of professionals in science and technology fields; educating the general public for science literacy. To ignore those goals will be to repeat mistakes which this nation has already made and cannot afford to make again.

Sincerely yours,


Melvin D. George
President

MDG/cjl