

## Research Proposal

February 2016

John Moore, Northwood University

Vincent Geloso, London School of Economics

Timothy G. Nash, Northwood University

Phillip Schlosser, Northwood University

**Project Topic:** An examination of income inequality in the United States during the early twentieth century.

### **Project Scope:**

Our research project consists in creating a robust empirical measurement of key aspects of the American economy during the period from approximately 1910 until World War II, a period encompassing significant boom and bust cycles. The topic of income inequality has taken on increased significance in recent years in the wake of the recent economic downturn of 2008 both politically, demonstrated by the 2016 election cycle, as well as academically, exemplified by Thomas Piketty's controversial book in 2013 entitled *Capital in the Twenty-First Century*, which used historical analysis in the process of presenting a stinging critique of capitalism.

We believe that some of Piketty's historical representations, and those of other contemporary observers of current income distributions, are based on incomplete data. This period and topic have been considered in the past by Nobel laureate Simon Kuznets and Gene Smiley, but there surprisingly been very little attention to this topic over the past three decades. The availability of more data and technology to more deeply assess this data creates the opportunity to conduct important and relevant research into the past to better understand the relationships between income inequality and variables that include, but are not limited to, demographics, technological change and governmental economic policy. The resulting research from this project has the potential to use empirical information from the past to generate valuable insights that are relevant to contemporary American policy makers.

### **Project Process:**

We seek funding in order to create an original database that captures various income and cost of living data from throughout the United States for the study period. At present, there are some state-level estimates of certain statistics (notably sales, mortality and tax data), but the quality is problematic. This is in spite of the fact that we conclude that there is readily available data that could help us answer questions such as the following:

- A. Which regions of the country were growing between 1910 and 1940?
- B. What were the regional differences in living standards?
- C. What are the regional patterns of inequality?
- D. What were the regional price differences?
- E. How did price evolve in each individual state?
- F. Can we rely on tax data to measure inequality during the era?

G. What were the state-level differences in economic freedom?

H. What were the effects of progressive-era policies on living standards?

We have identified numerous sources, notably from the Bureau of Labor Statistics, that could be digitized for the purposes of properly price movements and levels. Among those documents, there exists data useful for the purposes of measuring incomes and living standards. We have also identified non-digitized documents from the treasury department, the census bureau, newspaper and other governmental entities that could be used for the purposes of answering the questions underlined above. Although these “low-hanging fruit” sources are not hard to reach, they will require substantial labor to render them “usable” for the purposes of our questions. Nonetheless, this data could offer important information about the state of American society in the early days of government intervention. The data we wish to use is the following:

1. Wages by state, gender, age, ethnicity and industry;
2. Tax data detailed by state with corrections for tax avoidance and other deductions (most notably linked to farming);
3. Prices, by state;
4. Census data to compare for quality;
5. Hours of work, by state, by gender, by industry, ages, ethnicity;
6. Vital statistics, by state, by gender, by ages; and
7. Expenditures, by state, by gender, by ages.

At this juncture we are unable to provide a precise estimate of the labor cost required to create the database, but we roughly estimate the range to be \$10,000 to \$15,000.

Please feel free to contact John Moore at [moorejoh@northwood.edu](mailto:moorejoh@northwood.edu) if we can provide any additional information or answer any questions regarding the above.

## April Update

1. We need to set up a collective drop box to work from. It would be great if you could kindly establish that.

2. Our starting point will be BLS Bulletin 1749 ... here is the link and kindly drop a copy of that into our drop box:

<http://digitalcommons.ilr.cornell.edu/cgi/viewcontent.cgi?article=1000&context=bls&sei-redirect=1&referer=http%3A%2F%2Fwww.bing.com%2Fsearch%3Fq%3DBLS%2BBulletin%2B1749%26qs%3Dn%26form%3DQBLH%26pg%3Dbls%2Bbulletin%2B1749%26sc%3D0-17%26sp%3D-1%26sk%3D%26cvid%3DFD54723D1FC445BFB8B8FBE9214A86D5#search=%22BLS%20Bulletin%201749%22>

3. We need to populate the drop box with the following bulletins listed in #1749 ...

1, 7, 10, 11, 14, 49, 52, 53, 54, 59, 71, 77, 79, 80, 86, 87, 88, 89, 90, 91, 93, 95, 96, 101, 109, 113, 123, 126, 128, 131, 134, 135, 137, 141, 146, 151, 151, 153, 154, 160, 161, 163, 164, 167, 176, 177, 178, 183, 187, 190, 194, 214, 215, 216, 218, 221, 225, 227, 229, 231, 232, 238, 239, 240, 245, 250, 252, 259, 260, 261, 262, 263, 265, 274, 278, 279, 280, 282, 283, 285, 286, 288, 289, 294, 297, 302, 305, 310, 313, 316, 317, 318, 324, 325, 327, 328, 329, 332, 339, 345, 348, 353, 354, 356, 357, 358, 360, 361, 362, 363, 365, 366, 369, 371, 372, 373, 374, 375, 376, 377, 380, 381, 384, 386, 387, 388, 394, 397, 404, 407, 408, 409, 412, 413, 416, 421, 422, 423, 424, 431, 435, 438, 439, 441, 442, 443, 445, 446, 449, 450, 452, 453, 454, 464, 465, 467, 468, 469, 471, 472, 474, 475, 476, 482, 483, 484, 486, 487, 488, 491, 492, 494, 495, 497, 498, 499, 502, 503, 504, 505, 513, 514, 515, 516, 522, 523, 524, 525, 526, 531, 532, 535, 537, 539, 540, 541, 542, 545, 546, 547, 550, 551, 555, 557, 560, 566, 567, 568, 570, 571, 573, 574, 575, 576, 578, 579, 580, 582, 584, 585, 586, 587, 588, 589, 590, 591, 593, 594, 599, 600, 601, 604, 605, 610, 613, 615, 616, 618, 620, 622, 623, 625, 626, 627, 628, 631, 633, 635, 636, 637, 638, 639, 640, 641, 642, 643, 644, 645, 646, 647, 648, 649, 650, 651, 652, 654, 656, 657, 662, 663, 664, 668, 669, 670, 671, 673, 674, 675, 676, 679, 680, 682, 684, 685, 689, 691, 692, 697, 699, 700, 701, 702, 704, 705, 706, 707, 708, 710, 712, 713, 714, 719, 720, 722, 723, 726, 727, 728, 729, 730, 731, 732, 733, 734, 735, 736, 737, 739, 742, 744, 746, 748, 751, 756, 762, 763, 764, 765, 766, 767, 769, 837, 738, 839, 840, 845, 846, 848, 851, 852, 853, 854, 856, 857, 860, 862, 863, 864, 866, 867, 869, 873, 874, 879, 883, 886, 887, 889, 891, 893, 899, 902, 903, 905, 906, 907, 915, 916, 917, 927, 939, 966, 969, 970, 1001, 1021, 105, 1065, 1119, 1146, 1162, 1182, 1183, 1200, 1243, 1249, 1260, 1275, 1299, 1351, 1370, 1442, 1443, 1444, 1445, 1447, 1448, 1449, 1471, 1475, 1484, 1495, 1499, 1504, 1505, 1513, 1515, 1522, 1537, 1555, 1570, 1572, 1672, 1673, 1706,

It's a long list ... there may be some detective work on the web to find some of these documents. That said, if we can gather this together we can establish a great foundation for the work ahead of us.

## May Update

The purpose of this memorandum is to establish common understandings regarding our project's initial goals and objectives.

The Robert C. and Janice S. McNair Center for Free Enterprise and Entrepreneurship are the funding source for the project. I believe that it is critical to establish clear short and intermediate term goals in order to provide objective quality results for the project benefactors.

Accordingly, our near-term focus for the project will boil down to the following four near-term objectives:

1. Establish initial library of information for the project
  - a. BLS data
  - b. Census data
  - c. 1920s Income tax data

Time frame: spring and summer 2016 (release first Popular Press Article based on early findings by late summer of 2016)

2. Seek to publish an article that follows up on 2016 Geloso/Moore EBHS conference presentation. Article is focused on articulating the current problems associated with economic data from the 1920s.

Time frame: fall 2016

3. Seek to publish an article that challenges Piketty conclusions about the implications of existing 1920s U. S. income tax data. Likely collaboration Phil Magness from IHS on this project.

Time frame: fall 2016

4. Seek to present at conferences a paper illustrating disaggregated American PPPs during the 1920s and 1930s and the related implications. Seek to follow up with a major article in a high caliber journal.

Time frame: winter and spring 2017