

FEDERAL RESERVE BANK OF DALLAS
REPRINT FROM 1992 ANNUAL REPORT



The Churn

*The
Paradox
of Progress*



Joseph A. Schumpeter

Capitalism . . . is by nature a form or method of economic change and not only never is but never can be stationary.

—*Capitalism, Socialism, and Democracy*

In the 1930s, Joseph A. Schumpeter advanced the idea that an economy doesn't grow but evolves, continuously re-creating itself as people seek to improve their standard of living. Schumpeter called this process "creative destruction." Today, "the churn" is sometimes used to describe the same principle. Implicit in either term is the paradox that Schumpeter uncovered: innovation—the manifestation of the individual's quest for gain—is central to economic progress but, at the same time, is the cause of most economic difficulties.

The essay section of this Annual Report explores Schumpeter's concept of creative destruction in a modern context. A look at how the U.S. economy gained and lost jobs in the past provides insight into what today's job losses mean for the future.

Schumpeter, 1883–1950, born in Triesch, Czechoslovakia, was a noted economist and the author of numerous works, including *The Theory of Economic Development*, *Business Cycles*, and *Capitalism, Socialism, and Democracy*. He is quoted frequently in this report.



President's Message

The year 1992 was one of the busiest and most productive in the history of the Federal Reserve Bank of Dallas. For the first time in 71 years, the Dallas Fed moved into a new headquarters building—a milestone event culminating almost a decade of careful planning and hard work. We are very pleased with our new home and look forward to serving our constituencies more efficiently and effectively than ever.

The health of the Eleventh District economy and banking system continued to improve in 1992. As in the previous two years, our District economy fared somewhat better than the nation as a whole, possibly because the District was still on the rebound from the sharp contraction of the late 1980s. In terms of employment, we managed to avoid the recession but not the sluggish recovery. Our employment growth slowed below trend, but our unemployment rates increased to national levels, especially in areas vulnerable to defense cuts.

The financial condition of our banks has improved in the past two years, with bank lending stabilizing in 1992 for the first time since 1985. The credit crunch, however, is still very much a reality

in the Southwest. While it eased somewhat in 1992, the credit crunch continues to impede job growth in small- and medium-size businesses that rely on banks for credit.

Despite these tight credit conditions—an issue of concern during monetary policy deliberations—small- to medium-size businesses have continued to lead the economy in the creation of new jobs in the 1990s. This phenomenon of job creation during a period of slow employment growth has led us to explore some of the issues highlighted in our Annual Report essay, “The Churn: The Paradox of Progress.”

For some time now, I have been struck by how the usual statistics on labor markets can be misleading. Month after month, small changes in total employment and unemployment give the impression that not much is happening when, in fact, those small net changes mask huge gross changes that are revolutionizing our economy. A small net increase of 100,000 in total employment may mean job losses that month of several hundred thousand and an even greater number of new jobs. We should not let the small net gains obscure the un-

derlying dynamics of a growing, constantly changing economy.

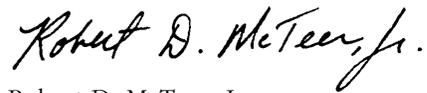
One of my college professors, David McCord Wright, used to say “Growth comes through change and causes change” so often that I quickly learned to tune him out. Only recently have I come to appreciate the wisdom of his mantra. Joseph Schumpeter also captured the essence of this message long ago in his classic description of “creative destruction.” It is natural during recession and sluggish recovery to worry about job losses. We read almost daily of layoffs and downsizings at familiar *Fortune* 500 companies. We rarely read of sizable numbers of new jobs being created. Yet, in recent months, we’ve had net job growth. While the net growth may be small, the underlying restructuring and revitalization are anything but. The churn is revitalizing our economy.

That’s not a picture of my grandfather on the cover of this report. But it could have been. My grandfather was a blacksmith, as was his father. My dad, however, was part of the evolutionary process of the churn. After quitting school in the seventh grade to work for the sawmill, he got the entrepreneurial itch. He rented a shed and opened a filling station to service the cars that had put his dad out of business. My father was successful, so he bought some land on the top of a hill and built a “truck stop.” (The quotation marks are to distinguish his modest version from the interstate behemoths we see today.) Our truck stop was extremely successful until a new interstate went through 20 miles to the west. The churn replaced U.S. 411 with Interstate 75, and my visions of the good life faded.

My relatively benign experience with the churn has been multiplied millions of times, in much harsher terms, as illustrated in the accompanying essay. As my old college professor often said, “Growth comes through change and causes change.” Unfortunately, more often than not, this change involves pain. Occupations come and go. When they go, we aren’t inclined to see the good side of the churn. In today’s world, defense cutbacks, military base closings, new technology, foreign competition and the need to cut government spending to balance the budget all have the poten-

tial to raise our standard of living significantly. Yet, they are all job killers. It is fairly easy to identify potential victims. But that is only half the story. The people freed up will be available to produce new things in new occupations. History is reassuring, as it shows us that new jobs will always be there.

I hope the accompanying essay will also be reassuring. It shows in historical context how detrimental it would be to try to stop the steady progress of the churn.



Robert D. McTeer, Jr.
President and Chief Executive Officer

The Churn

The Paradox of Progress

The “invisible hand” of free enterprise—recognized since the time of Adam Smith as capitalism’s vital force—seemed to slap the U.S. economy as the nation entered the 1990s. A defense build-down, a glut of commercial real estate, and overdue corporate restructurings ushered in a persistent jobs recession that brought announcements of layoffs in stunning numbers: 74,000 at General Motors, first 33,000 then another 50,000 at Sears, 25,000 at IBM and 27,000 at Boeing.

More than a dozen of America’s best-known companies each cut back 1,000 jobs or more, while across the country, smaller, local layoffs made news. American workers worried that they would be next to join the unemployment lines, and pundits predicted that many lost jobs would never return.

In hard times, layoffs are big news and understandably frightening to many. Seeing families with uncertain futures, the public can easily overlook the other work of the invisible hand—the jobs it creates to provide new opportunities for employment.

New jobs seldom make the nightly news because they don’t come in sudden bursts. New jobs come without fanfare, in trickles that are overshadowed by the torrents of layoffs. Yet, during economic downturns as well as upturns, job creation continues.

As Sears struggled, for example, Wal-Mart added 260,000 jobs from 1985 to 1991. Home Shopping Network, offering consumers an alternative to Sears’ catalog, created 6,000 jobs over the past decade. While IBM trimmed its work force, aggressive and innovative young computer companies expanded theirs. Microsoft climbed from 19,200 workers to 26,000 workers in five years. Dell Computer, a start-up firm in 1984, employed 4,800 by late 1992. General Motors downsized, but American autoworkers found more than 29,000 new jobs as Honda, Toyota, Nissan and other Japanese companies opened U.S. plants.



Old jobs did disappear, but new jobs replaced them. Capitalism wasn’t failing. It was working. But most Americans look at jobs intuitively: anything that creates them is good; whatever destroys them is bad. From this vantage, existing jobs are a national treasure to be hoarded, protected, saved.

Nothing could be more wrong.

Looking Beneath the Surface

Day in, day out, jobs are created and destroyed through businesses’ openings, closings, expansions, contractions and relocations. Entrepreneurs start companies, some of which will meet the test of the marketplace and flourish. Eventually, many of these enterprises will be eclipsed by other companies that offer consumers newer and better products. In this way, an economy continuously re-creates itself through a process of “creative destruction.” As competition grinds onward, it sets in motion both layoff activity and new hiring.

A very descriptive, shorthand term for this turbulence in the labor market is “the churn.” This natural process of replacement of business enterprises by new or reformulated companies redefines existing jobs and creates new industries. Eventually—and continually—this process reconstitutes and restructures a nation’s economy. It is this churning of business enterprises and their work forces in a free enterprise economy that spurs income growth and creates wealth.

Job turnover in the churn is uneven and unpredictable; otherwise, it wouldn’t be a subject of controversy. During recessions, the loss of jobs is more apparent. Employment is hard to find, and there are mismatches between workers’ skills and available jobs’ requirements. As people shift from one job to another, transitional unemployment occurs. Unfortunately, there’s no guarantee that everyone who loses a job will find a new job quickly or end up with a better one.

The churn is not tidy. The new jobs are far from exact replacements for the old ones. The new companies and new industries—and the work forces they require—differ in unpredictable ways from their predecessors. The outcomes of the churn cannot be neatly engineered. Nonetheless, history tells us

that the profit motive embedded in a free enterprise system will provide employment opportunities for workers who possess the education and skills that are in demand. This process accelerates early in the expansion phase of the business cycle as the churn creates scores of jobs in growing companies that didn't exist a few years earlier.

The churn isn't new; throughout history, one job has always given way to another. In prehistoric times, there was one job—survival. People spent most of their time foraging for food. Over the millennia, the work required just to get by lessened, even as the number of mouths to feed increased. Life became more than a daily struggle for sustenance, and people kept finding new tasks for their hands and minds. Jobs multiplied and evolved, becoming more specialized and defined. Now, as America prepares to enter the 21st century, the roster of new occupations continues to swell.

Economists, questioning why America's job creation in the recovery of the early 1990s fell short of expected levels, have reconsidered the ideas of Joseph Schumpeter, who offered the first scholarly explanation of the churn in the 1930s. Schumpeter advanced the paradox that economic progress destabilizes the world. Progress and job destruction go hand in hand in a dynamic process he called creative destruction. Today, as in the 1930s, Schumpeter's insights help explain how jobs emerge and disappear through the innovation and entrepreneurship of free enterprise.

From the Horse and Buggy to the Space Shuttle

Innovation and competition fuel the churn. New ideas, new products, new technologies, new forms of industrial organizations and new markets upset the status quo, rerouting demand from existing companies and industries. On the upside of the churn, winners increase sales, and they add jobs. On the downside of the churn, losers find their customers aren't buying as much, and they lay off workers.

The churn operates all the time. It continues during an expansion, although its most visible effect—job layoffs—is far more common during recessions, when industries come under stress. On an

individual level, the effects of lost employment can be agonizing to displaced workers and their families. Unemployment, though typically only temporary, is seen as a negative result of the churn. The long-term effect of the churn in the overall economy, however, is positive. The process frees labor in declining industries to produce more and better goods in new industries. This facet of the churn goes on almost invisibly as new jobs are added, a few at a time, in thousands of new enterprises in areas that are geographically dispersed.

In 1900, for example, it took nearly 40 of every 100 Americans to feed the country. Today, it requires just three. But the decline in farm jobs hasn't left the country hungry. Quite the contrary, the United States has enjoyed agricultural plenty and the creation of millions of industry and service jobs. The 37 of every 100 workers no longer needed on the farm moved on to provide new homes, computers, pharmaceuticals, appliances, movies, stock trades, video games, gourmet meals and an array of other goods and services. The result is a material abundance that wouldn't have been possible without labor released from farming.

Transportation in the 20th century provides a dramatic, ongoing example of the churn at work. The introduction of the automobile sparked an upheaval in jobs, creating a multitude of new occupations: car designer, mechanic, and truck, bus and taxi driver, to name just a few. The automobile's impact spilled over into dozens of other sectors of the economy. The oil industry, for example, produced other new occupations: roughneck, refinery and pipeline worker, and gas station attendant among them. Nonexistent in 1870, the automobile industry, directly and indirectly, created millions of jobs in the U.S. economy. And soon after the automobile came the airplane, triggering yet another reshuffling of jobs.

The automobile and the airplane, however, weren't unalloyed benefits. They created unwelcome competition for established transportation industries—everything from

(Continued on page 5)



America's Top 30 Jobs Since 1900

The changing composition of America's top 30 jobs over the past century affirms that jobs lost in one field are replaced by jobs in emerging occupations. Between 1900 and 1991, for example, sawyers, masons and miners disappeared from the top 30 list. In their places came pro-

fessors, engineers, mathematical and computer scientists, and others—highlighted here in color to illustrate the increasing importance of education in today's workplace.

1900		1960		1991	
Job	Workers	Job	Workers	Job	Workers
Farmers	5,674,875	Retail salespersons and managers	4,351,867	Retail salespersons	6,200,000
Agricultural laborers	4,410,877	Farmers and farm managers	2,525,907	Teachers	4,029,000
General laborers	2,577,951	Teachers	1,683,667	Secretaries	3,791,000
Servants	1,453,677	Truck and tractor drivers	1,662,723	Truck drivers	2,666,000
Merchants	790,886	Secretaries	1,492,964	Farmers and farm managers	2,368,000
Clerks	630,127	Private household workers	1,281,740	Janitors and cleaners	2,126,000
Salespeople	611,139	Farm laborers	1,244,276	Bookkeepers	1,912,000
Carpenters	600,252	Manufacturing laborers	960,998	Engineers	1,846,000
Railroad workers	582,150	Bookkeepers	936,270	Cooks	1,779,000
Miners	563,406	Carpenters	923,837	Vehicle mechanics and repairers	1,778,000
Teamsters/coachmen	538,933	Waiters and waitresses	896,273	Nurses	1,712,000
Teachers	438,861	Engineers	871,582	Freight and stock handlers	1,688,000
Launderers	385,965	Vehicle mechanics and repairers	862,363	Police and guards	1,669,000
Dressmakers	346,884	Apparel and textile workers	808,378	Financial salespersons	1,612,000
Iron and steel workers	290,538	Construction workers	751,085	Wholesale commodities brokers	1,601,000
Machinists	283,145	Assemblers	686,754	Nursing aides, orderlies, attendants	1,506,000
Painters	277,541	Janitors and sextons	621,027	Accountants and auditors	1,446,000
Bookkeepers	254,880	Sewers and stitchers	617,029	Health technologists and technicians	1,379,000
Cotton mill workers	246,391	Cooks	597,056	Waiters and waitresses	1,355,000
Tailors	229,649	Typists	543,801	Computer programmers and operators	1,287,000
Blacksmiths	226,477	Machinists	515,532	Carpenters	1,277,000
Firefighters	223,495	Mfg. checkers, examiners, inspectors	514,135	Precision production supervisors	1,227,000
Shoemakers	208,903	Policemen and guards	513,200	Assemblers	1,119,000
Sawyers	161,624	Cashiers	491,906	Heavy equipment operators	1,022,000
Masons	160,805	Packers and wrappers	491,695	Child care workers	972,000
Housekeepers	155,153	Accountants and auditors	476,826	Engineering technologists and technicians	947,000
Printers	155,147	Deliverymen and routemen	438,002	Mathematical and computer scientists	923,000
Seamstresses	150,942	Painters	416,040	Postal clerks, mail carriers, messengers	923,000
Physicians	132,002	Launderers and dry cleaners	412,042	Groundskeepers and gardeners	890,000
Tobacco factory workers	131,452	Attendants (hospital, nursing home)	408,587	Professors	773,000
Total of top 30 jobs (78.7 percent of employment)	22,894,100	Total of top 30 jobs (42.6 percent of employment)	28,998,562	Total of top 30 jobs (46.1 percent of employment)	53,823,000
Total employment	29,073,233	Total employment	67,990,073	Total employment	116,877,000

DATA SOURCE: U.S. Bureau of the Census



the horse-and-buggy trade to railroads and water transport. Jobs disappeared by the millions. In 1920, 2.1 million Americans earned their living by working for railroads, compared with just 231,000 today. The country employed 109,000 carriage and harness makers in 1900 and 238,000 blacksmiths in 1910. Only a few thousand Americans make a living in these occupations today.

The experience of the transportation industry has been paralleled thousands of times with thousands of innovations—farm machinery, telephones, television, computers, lasers, fax machines. The list could go on for pages, but it would show a common theme: innovation has always had the direct effect of creating new businesses and industries and the indirect effect of destroying many of the jobs in the existing industries that they eclipsed. As a result, the mix of American jobs changed dramatically from 1900 to 1960, then changed just as much from 1960 to 1991. Despite a constant turnover in employment, the total job market expanded.

As the U.S. economy evolved, this churning process tended to benefit workers overall, even though it cost many individuals their jobs. On balance, paychecks grew fatter. Workweeks shortened. The backbreaking toil of farms and sweatshops gave way to the comfort of air-conditioned offices for many.

The process that recycles labor into new jobs is—more than ever—at work today. Nowhere is this more apparent than in the electronics industry. Among the fastest growing U.S. occupations in the 1980s were those of computer operator and programmer, software designer, fax machine repairer and cellular telephone technician.

Not all technological progress creates the same size waves in the job pool because some innovations are more significant than others. The invention of the airplane, for example, created more havoc than the invention of the elevator.

Competition with existing products also determines the impact of new technology. The telephone proved much better at sending messages than the telegraph, much to the dismay of displaced telegraph operators. But a product that's a distant substitute for existing goods doesn't affect

Creative Destruction over the Past Century

Millions of American workers today earn their living in occupations that did not exist at the beginning of the 20th century.

Destruction	People Employed		
	Today	Yesterday	
Railroad employees	231,000	2,076,000	1920
Carriage and harness makers	*	109,000	1900
Telegraph operators	8,000	75,000	1920
Boilermakers	*	74,000	1920
Milliners	*	100,000	1910
Cobblers	25,000	102,000	1900
Blacksmiths	*	238,000	1910
Watchmakers	*	101,000	1920
Switchboard operators	213,000	421,000	1970
Farm workers	851,000	11,533,000	1910

Creation	People Employed		
	Today	Yesterday	
Airline pilots and mechanics	232,000	0	1900
Medical technicians	1,379,000	0	1910
Engineers	1,846,000	38,000	1900
Computer programmers/operators	1,287,000	*	1960
Fax machine workers	699,000	0	1980
Auto mechanics	864,000	0	1900
Truck, bus and taxi drivers	3,328,000	0	1900
Professional athletes	77,000	*	1920
TV and radio announcers	60,000	*	1930
Electricians/electronic repairers	711,000	51,000	1900
Optometrists	62,000	*	1910

* Less than 5,000

DATA SOURCE: U.S. Bureau of the Census

many workers. The parachute, the camera and most wonder drugs, for instance, brought about little job destruction.

Another factor that influences the impact of new technology is the ease with which labor released from the declining industry can enter the emerging one. Many of America's first autoworkers previously made horse-drawn carriages. Some actors and reporters shifted to television after it began to compete with movies and radio. On the other hand, while the fax machine opened job opportunities for programmers and software designers, it's unlikely that the mail sorters and truck drivers ultimately displaced in the overnight mail



industry can easily switch to the new jobs.

Employment cycles become especially frustrating when the old jobs and new ones aren't in the same location. A laid-off Fort Worth defense plant worker with strong ties to the community and the state might be reluctant to take advantage of job openings in, say, New Mexico.

This situation is exacerbated when U.S. jobs go to other countries. Many conclude that the so-called export of jobs represents a failure of the U.S. economy, and they call for restrictive trade policies to save American jobs. There's no denying the churn can cross borders, but the United States doesn't really lose when a job migrates to another country. The national resource isn't the job; it's the workers and their talents. Workers remain available as resources to produce goods of higher value in new industries. In recent years, for example, textile jobs moved to low-wage foreign countries, allowing North Carolina, Georgia and Florida—the Southeastern states with the best-educated work forces—to lead the region into a transition to more advanced industries with better jobs.

Entering the 21st Century “Headfirst”

Throughout the 20th century, the demise of old industries and the creation of new ones coincided with rising incomes and huge net gains in employment in the United States. The transition, however, has been bumpy and uneven. Job losses can be traumatic for workers and their families. Yet, seen as a whole, the American experience certainly confirms Schumpeter's thesis that an economy can't progress without the revitalization that brings job destruction. Intervention to save jobs almost always fails. Policies designed to protect jobs retard economic progress and, ultimately, destroy jobs by short-circuiting the vital process of innovation. It is for this reason that we must stop focusing only on the number of jobs; we must also concentrate on the composition of jobs. Added emphasis should be placed on high pay, high productivity and high educational embodiment.

History demonstrates the futility of saving employment. For instance, it's

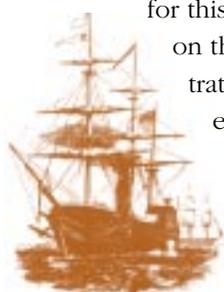
Technological Unemployment

Unemployment is a common, though typically only temporary, result of technological progress. As entrepreneurs invent new products, old jobs often give way to new ones.

New Product	<i>Labor Needed</i>	Old Product	<i>Labor Released</i>
Automobile	Assemblers Designers Road builders Petrochemists Mechanics Truck drivers	Horse/carriage Train Boats	Blacksmiths Wainwrights Drivers Teamsters RR workers Canalmen
Airplane	Pilots Mechanics Flight attendants Travel agents	Train Ocean liner	RR workers Sawyers Mechanics Ship hands Boilermakers
Plastics	Petrochemists	Steel Aluminum Barrels/tubs Pottery/glass	Miners Founders Metalworkers Coopers Potters Colliers
Television	Electronic engineer Actors Reporters Electricians	Newspaper Theater Movies Radio	Reporters Actors
Computer	Programmers Computer engineers Electrical engineers Software designers	Adding machine Slide rule Filing cabinets Paper	Assemblers Millwrights Clerks Tinsmiths Lumberjacks
Fax machine	Programmers Electricians Software designers	Express mail Teletype	Mail sorters Truck drivers Typists
Telephone	Electronic engineers Operators Optical engineers Cellular technicians	Mail Telegraph Overnight coach	Postal workers Telegraph operators Coach drivers
Polio vaccine	Chemists Lab technicians Pharmacists	Iron lung	Manufacturers Attendants

DATA SOURCE: U.S. Bureau of the Census

hard to miss the absurdity of a well-intentioned program that 100 years ago might have aimed to keep blacksmiths and harness makers employed. As recently as 70 years ago, the United States had 10 million registered passenger cars but 20.5 million horses. Had our ancestors been able to freeze jobs, the United States would be stuck in the horse-and-buggy era. Few Americans would willingly return to life as it was before the automobile because the jobs of the



past would imply the products and productivity of the past, depriving consumers of the benefit of generations of new technology.

If a society doesn't allow the replacement of outmoded enterprises and their concomitant jobs, it won't be able to advance. The former Soviet Union guarded its citizens' jobs; its fate shows what happens to a nation that tries to repeal the economic forces at work in the labor market. Instead of spiraling upward with innovations, the Soviet Union stagnated and finally collapsed.

The process of creative destruction worked in the past, taking a country built by muscle power through the industrial revolution and into the information age. Yet, today's skeptics wonder whether the U.S. job machine still works. As layoffs dominate the news, people worry about whether there will be good jobs to replace those being lost. As a society, we are uneasy about what many analysts regard as declining living standards. Many parents fear that their children may be among the first Americans to be less well-off than the previous generation.

These questions and anxieties aren't new. Time and again, people caught in the churn have been fearful of the future. In truth, there are few guarantees that an economy will always move forward. At the moment of job losses in one industry, it's often difficult to see the new opportunities already opening in emerging businesses. Figuring out which industries will employ the next generation becomes an even more troublesome task. The best a society can do is prepare itself to adapt to change.

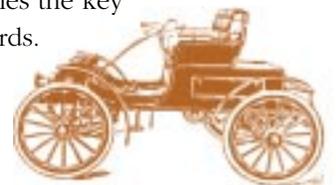
A well-educated, well-trained labor force more readily shifts from the jobs of declining industries to those of emerging ones. Nowhere is this more true than in contemporary America, where the bulk of lost jobs are in heavy industry and most of the new jobs are in the so-called knowledge industries. The skills needed in the past aren't likely to be the same as those valued in the future. Only education followed by constant reeducation and training can help bridge the gap. In an era of international competition, a society that doesn't adequately educate its work force may have to settle for the less desirable jobs.

Education and skills loom so large because technology plays a leading role in forging new industries in the United States and other advanced economies. The world today possesses a large inventory of inventions to help plant the seeds of tomorrow's industries. Already, jobs are emerging from such discoveries as DNA, lasers, fiber optics, high-tech ceramics, hard plastics, holography, photonics and micromachines. As the pace of technological innovation quickens, the churn of jobs is likely to become even faster. The challenge for the United States lies in training its workers for the jobs that will be created as these industries grow.

With that in mind, one of today's most pressing jobs question might be better turned on its head. Instead of asking whether the U.S. economy will create enough good jobs, we ought to be asking whether our educational system will produce enough qualified workers. If its people are educated, trained and willing to work, a society with a properly functioning market economy will be able to provide an abundance of opportunities.

As long as people will pay for more and better products, entrepreneurs will figure out what consumers want and will try to find new ways to produce it. Thus, a free enterprise system provides its own fuel for the churn. In this way, the economy will move forward—as long as labor and other resources are able to move from old industries to new ones.

Job creation and job destruction are intertwined. They are both key elements in the process through which a society raises its living standards. This shouldn't be all that surprising to most Americans. It's so familiar, in fact, that the concept is captured in a single word—progress. Societies that deny the churn by trying to freeze employment actually retard the formation of new jobs and new sources of income. Societies that allow the churn to work reap the rewards of more employment and better living standards. In these fundamental concepts, ironic as they may seem, lies the key to achieving higher living standards.



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The Federal Reserve Bank of Dallas is one of 12 regional Federal Reserve Banks in the United States. Together with the Board of Governors in Washington, D.C., these organizations form the Federal Reserve System and function as the nation's central bank. The System's basic purpose is to provide a flow of money and credit that will foster orderly economic growth and a stable dollar. In addition, Federal Reserve Banks supervise banks and bank holding companies and provide certain financial services to the banking industry, the federal government and the public.

Since 1914, the Federal Reserve Bank of Dallas has served the financial institutions in the Eleventh District. The Eleventh District encompasses 350,000 square miles and comprises the state of Texas, northern Louisiana and southern New Mexico. The three branch offices of the Federal Reserve Bank of Dallas are in El Paso, Houston and San Antonio.

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