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the chief transmitters of fluctuations. We also hope to show the influence of purely political events, wars, threats, etc., and the difference among countries in the absorption of their effects. The pattern that emerges is of extraordinary complexity.

The next task will be to relate this field with the others our study covers. By showing the extreme complexity of international financial relations and their continuously shifting character even in times of relative political stability, the study may contribute to a more sober interpretation of the possibilities of a stable postwar economic organization.

OSKAR MORGENSTERN

Income and Capital Formation

COMPARISON OF NATIONAL INCOME IN TWO WARS

To compare changes in national income and its composition in this country during the years immediately preceding World War I and the war years proper with the years immediately preceding the present war and the war year already passed, W. I. King's estimates of national income and of its significant components during 1909-18 were placed on a comparable basis with the Department of Commerce estimates for 1934-42. Comparisons of the industrial breakdown and of the distribution by type of income as well as of the global totals are possible.

This work has been completed and the materials are ready for analysis and interpretation. It is hoped that in carrying through this analysis, the work on over-all production and changes in the pattern of production during the same two periods prepared at the National Bureau by Isaiah Frank and Geoffrey H. Moore can also be used.

SHIFTS IN THE DISTRIBUTION OF INCOME PAYMENTS BY TYPE

Changes in the distribution of income payments by type (wages and salaries, entrepreneurial withdrawals, interest, dividends, etc.), whether cyclical or secular, are due partly to shifts in their shares within industries; partly to shifts in the relative weights of the several industries in the countrywide total of all income payments. The segregation of the changes in the shares of various types of payment in countrywide aggregates due to intra- and inter-industry shifts promises to yield results of considerable interest.

Technical devices to measure the various aspects of the inter- and intra-industry shifts have been developed and applied to the NBER income estimates for 1919-38, King's for 1909-25, and others. The calculations have been completed and the report summarizing the results begun. The results will soon be ready for circulation among the staff and Directors and may be published in a Technical Paper or brief monograph.

INCOME FROM PROFESSIONAL PRACTICE

The manuscript, by Milton Friedman and Simon Kuznets, is in press.

BASIC WORK ON COMMODITY FLOW

William H. Shaw is spending the major part of his time at the Department of Commerce in charge of work on capital formation and the final products approach to national income; consequently, progress on the basic data for estimates of capital formation and commodity flow back to 1869 has been slow. It seemed advisable to delay work on inventories, distribution and transportation costs, and other elements necessary to pass from commodity flow to capital formation, and to concentrate on the preparation of a manuscript describing the basic materials and data already assembled on the production of finished commodities destined for domestic use. It is hoped that Mr. Shaw's report will be ready for circulation among the staff and Directors by summer.

PRELIMINARY ESTIMATES OF CAPITAL FORMATION AND NATIONAL PRODUCT BACK TO 1879

On the basis of Mr. Shaw's fundamental work on commodity flow, and anticipating the more detailed study of inventories, distribution and transportation margins, the relation of the total value of construction to the flow of construction materials, and consumers' outlay on services not embodied in new commodities, it is possible to derive approximate estimates of capital formation and of consumers' outlay back to 1879. These preliminary estimates were first presented in autumn 1940 at the Bicentennial Celebration at the University of Pennsylvania; and in a revised form provided the basis for the analysis in *Occasional Paper 6, Uses of National Income in Peace and War* (March 1942).

It seemed advisable to go over the groundwork for these pre-

liminary estimates more carefully, with special emphasis on: (a) estimates of consumers' outlay on services not embodied in new commodities; (b) comparison of capital formation totals with successive estimates of reproducible wealth; (c) other ratios, such as that of final costs to producers' prices and of the total value of construction to the cost of materials. Considerable work was done in these areas, especially under (a) for which Elizabeth Jenks has studied carefully and comprehensively all data available on the distribution of consumers' expenditures between commodities and services (for 1870-1919), and under (b) for which Lillian Epstein has made a careful study of the successive wealth estimates in an attempt to derive a comparable series on reproducible wealth, distinguished by various significant categories. The work is well advanced and will probably be completed this spring. Upon its completion, it may be necessary to recheck the preliminary estimates; and it would probably be useful to summarize the results in a short monograph presenting a continuous series on national product and its components (consumers' outlay, by broad categories, and capital formation) back to 1879.

SIMON KUZNETS

Conference on Research in Income and Wealth

At the Annual Meeting of the Conference, April 25 and 26, 1942, the following papers were presented: R. W. Goldsmith, Measuring the Economic Impact of Armament Expenditures; John Lindeman, Income Measurement as Affected by Government Operations; F. L. Thomsen and P. H. Bollinger, Forecasting National Income and Related Measures; E. W. Grove, The Concept of Income Parity for Agriculture. In view of the importance of these papers and of the discussion that followed, they will be submitted to the Board with the request that they be published as Volume Six of *Studies in Income and Wealth*, to be edited by Milton Gilbert. This volume will include also: A Statistical Critique of Existing Estimates of Capital Formation and Capital Consumption, Wendell D. Hance; A Statistical Study of Income Differences Among Communities, Herbert E. Klarman; The Significance of International Transactions as a Factor in National Income, Rollin F. Bennett.