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Volume Title: National Income and Capital Formation, 1919-1935

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Volume Publisher: NBER

Volume ISBN: 0-87014-031-0

Volume URL: <http://www.nber.org/books/kuzn37-1>

Publication Date: 1937

Chapter Title: Introduction to "National Income and Capital Formation, 1919-1935"

Chapter Author: Simon Kuznets

Chapter URL: <http://www.nber.org/chapters/c5444>

Chapter pages in book: (p. 1 - 2)

INTRODUCTION

THIS report seeks to answer five questions: (1) How can the product of the nation's economic activity be defined? (2) How large has the national product been since the War? (3) In what part of the nation's economic system was it produced? (4) How was its monetary equivalent distributed? (5) How was the product utilized?

Question one is answered briefly in Section I, which discusses definitions and scope. In Section II estimates of the total national product are presented and changes in it compared with changes in population. The third question is answered, in Section III, by a study of the distribution of the national product according to industrial origin. The distribution of the monetary equivalent of the national product by type of income is studied in Sections IV and V. The measurable distribution by type of utilization is first discussed in Section VI, in which the component elements of consumers' outlay and of capital formation are indicated. The apportionment of the national product between capital formation and consumers' outlay and the component elements within each are then studied in Sections VII through IX.

The measures of national income, of the related total—gross national product—and of the various distributions of these totals, lend themselves to extensive use in economic analysis. The estimates of the total national product, if properly interpreted, indicate the volume of goods yielded by economic activity and available either for immediate consumption or for additions to the stock of capital. Such measures of the current supply of goods provide totals with which one can compare various possible drafts, significantly different uses to which these goods may be put, or significantly different ways in which they have been or could have been produced. The distribution according to industrial origin is useful in suggesting changes in the industrial structure of the economy. The distribution by type of income is useful in indicating, first, how much of the total net value produced is retained by business enterprises and how much is distributed to individual income recipients, thus becoming a source of their expenditures and savings; second, how much of the latter total, aggrega-

te income payments to individuals, is paid in various forms (wages, salaries, dividends, interest) that indicate tentatively, if not definitively, the distribution of payments among income classes distinguished according to the size of their average income. The apportionment between consumers' outlay and capital formation is of obvious use in economic analysis, in view of the significant difference in the behavior of those two closely related segments of the economic system. Similarly, the distinction among the various components that make up capital formation and consumers' outlay can be used to reveal those groups in the total product whose changes over time are likely to be significantly different, and whose movements are the result of different groups of forces that must be distinguished if economic processes are to be understood.

It is as approximate indicators of the magnitudes of the significant areas in the economic system, of the relation of these magnitudes, and of the broad changes in these relations from 1919 through 1935 that the measures are primarily useful. They are subject to limitations that bar their utilization for types of analysis that demand precise data, recording changes over short periods. For example, they can be but rough guides in the analysis of business cycles, owing to the tentative character of some of the estimates that make up the national product totals, as well as their annual character. Also, a complete understanding of even the broader movements is sometimes rendered difficult by the shortness of the period studied, 1919–35; and even for this period the lack of available data makes it impossible to check certain observations by a more intensive analysis.

The possible uses and the present limitations of the measures will be revealed more clearly in the discussion, which attempts to bring out their significance as a summary statement of the end-product of the functioning economic system. We have not attempted to combine these measures, which are the result of several studies carried on at the National Bureau of Economic Research, with other data available elsewhere, in order to discuss even a

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few of the vast range of economic problems to whose solution they might contribute. In this sense, this report is merely a preliminary summary of the results of the studies of national income, of capital formation, and in less degree, of capital consumption. But the results, even in themselves, provide a

useful picture of the economic scene in this country since the World War. And so far as the scope and limitations of the measures are made clear in subsequent discussion, the way is open for their use, in combination with other data, for the analysis of specific economic problems.