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## CHAPTER 9

### Items Omitted from the Estimates

#### *1 General Characteristics*

THE preceding chapter discussed the contents of our estimates, noting only incidentally the items omitted. The limitations of our estimates cannot be made clear without an explicit statement concerning the items that had to be omitted but that might or should have been included if national income is conceived broadly along the lines discussed in Chapter 1. These omissions can be conveniently summarized as:

#### A Flow from Enterprises

##### I Service Income

- 1 Employees' pensions, compensation for injury, compensation in kind, expense accounts, discounts, etc.
- 2 Entrepreneurial income from
  - a Roomers and boarders
  - b Gardens and poultry and cows
- 3 Casual service income of
  - a Gainfully occupied and employed
  - b Gainfully occupied unemployed and of non-gainfully occupied

##### II Property Income

- 1 Royalties

##### III Other Income (Hidden Payments)

- 1 Bad debts
- 2 Taxes paid by business enterprises
- 3 Contributions by business enterprises

## B Incomes within the Family Economy

- 1 Imputed income from services of
  - a Housewives
  - b Other members of family
- 2 Imputed income from durable commodities other than houses

These items are not all that might be considered from one viewpoint or another parts of national income, or all that have actually been included by other estimators; for example, some estimates have included gains and losses on capital assets, whether realized or not. Claims have been made that income from certain illegal activities, such as bootlegging during Prohibition, should be included. We confine discussion to the items that should be included if the criterion of productivity is interpreted broadly rather than abandoned, for once it is abandoned, the list of possible omissions becomes impracticably long.

The nature of the items omitted is described, their probable size indicated, and the probable temporal changes in them compared with temporal changes in the totals covered in our estimates. But the very fact that the items were omitted largely because available data made satisfactory estimates impossible means that the figures cited are much more uncertain than most of our estimates; and the statements concerning changes in their size are perforce exceedingly tentative.

### 2 *Service Income (A-I)*

In the first category under this heading, A-I-1, are the shortages in our estimates of employee compensation, already indicated in Chapter 8, Section 2 B. Pensions, compensation for injuries, and direct compensation in kind are covered for only a few industries. Other forms of compensation received by employees from enterprises are not covered at all: expense accounts, stipends for additional training, lower prices on the products of the employing or related enterprises, and other

benefits derived from employers. In a sense, some of these income flows to employees are counterparts, within the business system, of benefits derived from domestic activities, and, like them, tend to elude reporting and measurement.

It is difficult even to guess the size of the items in this category. For only two, pensions and compensation for injury, can we indicate the shortage in our estimates. For 1929 the Department of Commerce estimates 'other labor income' for industrial divisions not covered by us at \$217 million.<sup>1</sup> But this figure does not show the full shortage in our estimate for this category alone, for even the Department of Commerce estimate is incomplete. The shortage for other compensation of employees may amount, in a year like 1929, to a billion dollars, and may be much larger.

For entrepreneurial incomes, A-I-2, our information is somewhat more adequate. Income from roomers and boarders is omitted from our estimates primarily because it is a return on an activity that is rather casual and unorganized, is not reported in any industrial census, and is received by people who are not likely to be classified in the *Census of Population* as gainfully employed. Hence there are no basic data for a continuous estimate that could be included in our national income total. But since lower income families frequently take roomers and boarders, income from this source has been segregated in studies of consumer expenditures and costs of living. An estimate based upon recent data on consumer expenditures evaluates net income from boarders and lodgers at \$300 million in 1935-36.<sup>2</sup> That based upon sample data for earlier years and applied to 1929 evaluated gross rent paid by lodgers at \$1,086 million. Net income from lodgers alone (excluding net income from boarders) was estimated at \$746 million (\$85 per room for 4 million rooms was deducted to cover the pro-

<sup>1</sup> From unpublished data underlying 'National Income at Nearly 70 Billion Dollars in 1939', *Survey of Current Business*, June 1940.

<sup>2</sup> National Resources Committee, *Consumer Incomes in the United States* (Washington, 1938), p. 35, note 4.

portion of house rent and other costs of residential maintenance for lodgers in private rooms).<sup>3</sup>

Of the other forms of income from entrepreneurial activity that is carried on largely within the family economy but possibly has regular connections with the outside market we have estimates for urban poultry and gardens and for cow keeping. W. I. King's preliminary estimates for 1927 are for the former item, \$136 million, and for the latter, \$109 million.<sup>4</sup> If these estimates can be accepted, the corresponding figure for the two items for 1929 would be about \$250 million, since it is probable that no major changes occurred between 1927 and 1929.

The basic reason for not covering casual service income (A-I-3), i.e., all receipts from odd jobs or activities whether performed in the capacity of employee or entrepreneur, is, of course, lack of information. This arises from two sources. First, casual and odd jobs may be performed by people who are already gainfully occupied and fully employed, and whose main income is thus presumably included in our estimates. Information concerning this kind of casual income is scarce because enterprises that pay it (whether or not incorporated) may not report it. Second, casual and odd jobs may be per-

<sup>3</sup> *Studies in Income and Wealth*, Vol. Three, 'Three Estimates of the Nation's Output of Commodities and Services—a Comparison', by Clark Warburton; Table 11.

<sup>4</sup> *National Income and Its Purchasing Power* (National Bureau of Economic Research, 1930), Table CXXXIII, p. 379. The estimate of profit from urban cow keeping is based on the number of cows not on farms (reported in the 1920 *Census of Agriculture*) and the profit per cow (changes in the latter estimated on the basis of changes in the prices of dairy products); see *Income in the Various States* (National Bureau of Economic Research, 1925), p. 245. The basic figure on profit per cow is for 1917, from a study of South Carolina mill villages by the U. S. Public Health Service. Dr. King's estimate of profit from urban poultry and gardens was based on the assumption that one-half of the families in towns of 10,000 and under, one-third in towns of 10,000–50,000, one-fourth in towns of 50,000–100,000, one-eighth in towns of 100,000–250,000, and one-sixteenth in larger cities produced enough poultry and garden crops to give an average net gain of \$25 per family in 1909. This estimate was extrapolated by changes in total city and village population and in wholesale prices.

formed by a gainfully occupied person who reports himself as unemployed or by a person who is not classified in the *Census of Population* as gainfully occupied. In the second case the income is not covered in our estimates largely because the person slips out of our controlling totals of gainfully occupied. But even in this case, the income would be included were it reported by the enterprise that paid it.

The variety of these odd jobs and income producing activities is enormous, ranging from newspaper vending and bootblacking by urchins to occasional paid lectures by professors or statesmen; from selling apples and ice cream on street corners during the depression to attending board of directors meetings (paid for by fees). To measure the income involved is all the more difficult because our aim is not the total of all secondary, auxiliary, and casual incomes but only the part that is not covered by the basic data and hence is omitted from our estimates. The only relevant estimate is that in *America's Capacity to Consume* which sets earnings from odd jobs of otherwise employed persons in 1929 at \$700 million.<sup>5</sup> The National Resources Committee publication, already referred to, accepted this estimate, and suggested a corresponding figure of \$500 million for 1935-36 (p. 35, note 4).

To sum up: total income from the items omitted under service income from enterprises, partly domestic, may, in a year like 1929, have amounted to not much less than \$3 billion, and perhaps appreciably more. The exceedingly uncertain nature of the estimates underlying this figure cannot be overemphasized. Nor can a definite statement be made concerning temporal changes in them, as compared with the changes in the service incomes included in our estimates. But two tentative suggestions can be advanced.

First, it is doubtful that the rate of long time rise in most of the omitted service incomes is as great as may be assumed to exist in those reported. The upward trend in the national

<sup>5</sup> Brookings Institution, 1934, p. 163. No explanation of how the item was derived is given.

product was accompanied by a rise in income per family and decreasing need for minor and auxiliary jobs. Moreover, all income payments, service incomes among them, are more completely reported than formerly. And the vestiges of agricultural activities in non-farm localities have become fewer.<sup>6</sup> These trends apply to items I-3, I-2-b, and in some degree even to I-2-a. Of item I-1 alone it is impossible to suggest even tentatively the relative long time movement.

Second, the omitted items probably reflect cyclical fluctuations less sensitively than total recorded service incomes. Some could be assumed to move against the cycle in general business conditions, since the need for casual and supplementary activities increases when main income sources contract. Others, such as pensions and compensation for injury, would tend to resist short term fluctuations in business conditions more than wages and salaries.<sup>7</sup>

### 3 *Property Income (A-II)*

Royalties and net rents are combined in the tabulation of federal income tax returns by individuals. Because of the incomplete coverage of these returns, other sources of information must be used. Additional data are available for net rents, although even on these a great deal of labor and statistical ingenuity must be spent in order to arrive at approximations. But these approximations could be used in conjunction with income tax data to calculate royalties only if we knew the percentage of total net rents that is reported on tax returns.

Some assistance can be found in tax data for states whose income tax laws have a wider relative coverage than the federal; for example, in Wisconsin, in recent years, royalties have been tabulated separately.

<sup>6</sup> This consideration may have little bearing upon recent decades during which there was no appreciable rise in real income per capita.

<sup>7</sup> Of course, a great deal depends upon the relative importance of the omitted items in the total for A-I. One source of the difficulty in arriving at conclusions concerning changes from one period to another arises from the lack of weights, which could be provided only by a greater knowledge of the size of the items.

Of a total income of \$809,246,000 in 1936, \$911,000 were reported in royalties—a ratio of only 0.11 per cent.<sup>8</sup> Royalties are relatively better covered than total income since most royalties are presumably received in the higher income brackets. But even if we apply this exaggerated percentage to total national income in 1929 estimated royalties would approximate only \$100 million. Another estimate, made by deriving the Wisconsin ratio of royalties to the combined total of royalties and rents reported on all Wisconsin returns with incomes of \$5,000 and over and applying it to break down the combined total reported on all federal income tax returns, gives royalties of \$282 million in 1929. Still another estimate gives \$175 million. It is derived by first approximating the amount of royalties reported on federal returns with net incomes of \$5,000 and over (by applying to the combined total of rents and royalties the breakdown ratio derived for Wisconsin returns with net incomes of \$5,000 and over); and then raising this amount by the ratio of royalties reported on all Wisconsin returns to the amount reported on Wisconsin returns with net incomes of \$5,000 and over. Finally, from Delaware state income tax data for 1936, which report rents and royalties combined but for a coverage that extends to an overwhelming majority of income recipients and a high percentage of total income received in the state, we obtain an estimate for 1929 of combined rents and royalties of some \$1,996 million and of royalties alone of some \$100 million. The latter is derived by applying to the 1936 ratio of the Delaware state total to the Delaware total reported on federal income tax returns the Wisconsin breakdown ratio, according to which in 1936 royalties constituted 5 per cent of the combined total.

Thus, the various scanty data available suggest that total royalties in a year like 1929 would range from \$100 to \$300 million. In other years they would vary with changes in business conditions, reflecting particularly the economic fortunes

<sup>8</sup> *Wisconsin Individual Income Tax Statistics*, Vol. 1, Table 2.

of the mining industries from which a large part of the countrywide total is probably derived.

#### *4 Hidden Payments (A-III)*

Most of the costs sustained by enterprises in the conduct of their business represent outflows in the form either of income payments to individuals, accounted for in our estimates, or of payments for products of other enterprises, which in turn make income payments to individuals (or other enterprises). But some costs represent transfers that may be received by individuals in a form not discussed in Chapter 8 and that may be omitted from our estimates: deductions in the income accounts of enterprises for (a) bad debts; (b) taxes; (c) contributions. Such circuitous flows from enterprises to individuals must be considered, even though they cannot be segregated and measured accurately.

At first sight they seem to be legitimate costs of carrying on business and properly deducted in the computation of the net income and savings of enterprises. Losses from bad debts are expected in the ordinary course of business and are usually provided for in the calculation of costs, prices, and plans for the future. Taxes are payments to governmental agencies for their services; and when they are notably higher than the cost of specific governmental services given in return, enterprises that produce goods like tobacco, liquor, and gasoline include them in the price of the goods, and their net income is usually not affected. Contributions to philanthropic institutions may seem to be a more discretionary type of expenditure than bad debts or taxes, as are advertising and many other undoubtedly proper expenses incurred in the conduct of business. Such contributions may be interpreted by enterprises as investment in goodwill.

Nevertheless, it can be argued that these three types of expenditure do not represent, at least to the full amount reported, materials consumed in the production process. Unlike payments for materials that are destroyed in the production

process, they are not fully offset by services rendered to an enterprise and consumed by it in turning out its product. To that extent they should be included under net income originating in the industrial branch to which the enterprise belongs. While they cannot be reincluded in net savings, since they are not amounts retained by the enterprise that makes the deduction, they should be added to other income disbursements, perhaps forming a category of their own. And yet, as will be seen, our estimates omit them. The reasons for this omission vary from one type of deduction to the next and can best be discussed separately.

#### A BAD DEBTS

The debtors whose bad debts are written off by the creditor enterprises may be either business enterprises or ultimate consumers. If a deduction for a bad debt has as a concomitant the final cancellation of the liability of the debtor to an equal amount, then obviously the latter derives an increase in his net worth not unlike that resulting from receipt of income. And yet our estimates do not record this flow, for estimates of income payments nowhere include the benefits derived by individual debtors (i.e., ultimate consumers) from the cancellation of their debts. And net savings of enterprises, the difference between gross receipts and costs, would hardly reflect any reduction in liability resulting from cancellation of their debts by creditors.

There are, however, grounds for denying that cancellation of a liability is a type of income and should be included in national income totals. First, it is doubtful that the amount written off as bad debts represents the amount of liability that is completely cancelled: a substantial part of it may hang over for years as a potential liability of a debtor against whom a judgment is taken out.<sup>9</sup> Second, the benefit to the debtor even in case of complete cancellation can hardly be compared to a receipt of income or an increase in net savings out of

<sup>9</sup> This is true, largely, for individual debtors.

current activity; for much as losses on bad debts may be treated, within limits, as ordinary business expenses, gains from the cancellation of debts are irregular and unexpected, more comparable to changes in the valuation of assets and liabilities due to striking and unforeseen changes in circumstances, i.e., a change in the balance position not resulting from the disposition of income. Consequently, we consider deductions for bad debts as *post facto* revaluations of the price at which the goods were sold, i.e., *post facto* reductions in the net income of the creditor enterprise.

For these reasons, even though *Statistics of Income* reports deductions by corporations for bad debts (by industrial divisions since 1927), we thought it best to exclude the item from our estimates.<sup>10</sup> The corporate totals ranged from about \$800 million in 1927 and 1928 to \$1.3 billion in 1932. Since they tend to decline during prosperity and rise during depression, their inclusion would reduce somewhat the cyclical variability of our national income estimates.

#### B TAXES

The problem with respect to taxes paid by enterprises is somewhat different. The transfer that may take place arises because enterprises may pay to federal, state, and local governments an amount greater than the cost and value of governmental services to them, and because part of these taxes is spent by the governments for the benefit of ultimate consumers. It may then be claimed that so far as proceeds from taxes paid by all business enterprises are spent by governmental agencies for the benefit of ultimate consumers, without a corresponding amount of the proceeds from taxes paid by ultimate consumers being spent by governmental agencies for the benefit of business enterprises, a transfer of income produced to ul-

<sup>10</sup> For those students who think otherwise, the amounts in question (for corporations only) are presented in Part Five, Table V. It would be difficult to cover losses on bad debts by unincorporated firms, unless it were assumed that the ratio of losses on bad debts to gross sales is the same for unincorporated as for incorporated enterprises.

mate consumers really occurs; and such income received by the latter should be included in national income.

The exact nature of the item presumably omitted from our estimates can now be seen. In measuring net income of enterprises we deduct all taxes paid by them.<sup>11</sup> Part of these taxes may go to finance governmental services to ultimate consumers. This part then represents a flow from enterprises, *via* government, to ultimate consumers, a flow not recorded by us anywhere. On this interpretation, it should be added to both aggregate income flows to individuals and to total national income. The amounts are fairly substantial; for example, Gerhard Colm concludes that national income produced in 1932 is really about \$5 billion larger than in our calculation. Clark Warburton calculates that in 1929 the cost of governmental services to consumers exceeded their tax payments by some \$3 billion.<sup>12</sup> Since there were positive governmental savings in 1929 this flow of \$3 billion to consumers may be assumed to have come from taxes paid by enterprises.<sup>13</sup>

The general assumption of this argument is that it is possible to distinguish between governmental services to enterprises and to ultimate consumers; but one of the most distinctive characteristics of governmental activity is that it is designed to serve society at large, not specific groups. It is true that in extreme cases, such as relief on the one hand and information service on business matters on the other, there does

<sup>11</sup> So far as data make it possible, tax payments by individual entrepreneurs considered as business enterprises (e.g., farmers) are treated similarly. Tax payments by individuals are not deducted from their incomes; they are treated either as payments for services rendered by government or as transfers to other individuals not recorded elsewhere. Series on taxes paid by agriculture and by non-agricultural corporations are given in Part Five, Table VI.

<sup>12</sup> *Studies in Income and Wealth*, Vol. One, Part Five, p. 213; Vol. Three, Part Five, p. 360.

<sup>13</sup> See the discussion of Colm's paper, *ibid.*, Vol. One, pp. 233-6. This question of the possibility of distinguishing in governmental activities between services to consumers and to enterprises should not be confused with the question whether the value of governmental services should be evaluated on a cost or market price basis.

seem to be a distinct difference in that the former benefits directly and primarily ultimate consumers, and the latter, enterprises. But in most essential governmental functions—legislation, administration, justice, police, post office, public education, military affairs—the benefits to ultimate consumers and to business enterprises are inextricably intertwined.

The position taken here is perhaps biased by a realization of the enormous statistical difficulties of classifying governmental expenditures, in their present composition and with the present data, as services to individuals or to enterprises. But if further development of governmental activity results in an increased relative importance of expenditures that can clearly be put in one category or the other and if information on government expenditures improves in quality and quantity, it may become feasible to attempt the allocation.<sup>14</sup>

#### C CONTRIBUTIONS

Contributions by enterprises either directly to individuals or to non-profit institutions, which in turn distribute them to ultimate consumers, represent a flow of funds from the business system to individuals. Our estimates do not cover this flow, for while they do include the incomes paid by non-profit institutions to their employees, these payments represent compensation for services rendered by the latter *in addition* to those net values which the contributing enterprises produced but passed on in the form of contributions. Hence, net income originating in the contributing enterprises is undervalued to the extent that contributions by them do not represent services consumed in the production process. A correct treatment would demand the inclusion of contributions as part of net income, but not of net savings, originating in

<sup>14</sup> Many of the difficulties that would be encountered and the necessarily arbitrary character of their solution are revealed in 'Allocation of Benefits from Government Expenditures', by R. W. Nelson and Donald Jackson, *ibid.*, Vol. Two, Part Six.

the industrial branches to which the contributing enterprises belong.<sup>15</sup>

Prior to 1936 the income tax law permitted deduction of contributions only if they were either for the direct benefit of employees and their dependents or were made with a reasonable expectation of commensurate financial returns to the enterprise.<sup>16</sup> Hence, all other donations were included under corporate net income and our estimates cover them. The only difficulty is that these amounts should have been classified under payments either to individuals or other organizations, and so far as such organizations may have been recorded by us elsewhere as income sources, some duplication in the estimates has taken place. However, the amounts involved are small both relatively and absolutely.<sup>17</sup>

### 5 *Imputed Income from Services*

It may be doubted that the productive activities of housewives and other members of the family, rendered within the family circle, can be characterized as economic processes whose net product should be evaluated and included in national income. The conditions under which they are carried on and the factors that affect the amount of income from them are so vastly different from those that bear upon activities whose products usually appear on the market place that it seems best to exclude them.<sup>18</sup> But it cannot be denied that they are an important complement to the market-eventuat-

<sup>15</sup> The same argument would apply to the part of taxes that does not represent payment for governmental services consumed by enterprises in the production process, could it be segregated. For reasons submitted above, the argument does not apply to deductions for bad debts.

<sup>16</sup> See Article 23 (O)-2, *Regulations 86*, Revenue Act of 1934.

<sup>17</sup> In both 1936 and 1937 those 'pure' deductions allowed by the new law were reported as about \$30 million. We reincluded these amounts in net income, to retain comparability over the period.

<sup>18</sup> This refers to activities constituting part of family life, not to participation by family members in a family enterprise. The latter (such as labor by members of the farmer's family on the farm) is included under net income originating in such family enterprises.

ing processes in supplying goods to ultimate consumers, and should be considered in any attempt to evaluate the net product of the social system in terms of satisfying wants with scarce means. Moreover, there seem to be distinct and significant shifts over time in the relative importance of activities within the domestic circle as compared with the activities that eventuate in marketable products and are included under national income. The tendency is for the business system to take over many activities formerly carried on within the domestic circle and considered part of everyday family life (e.g., canning, baking, laundering, dressmaking) rather than of a family business enterprise. As a result, the importance of domestic activities relative to those that are part of the business system declines in the long run. In the shorter term cyclical fluctuations, expansion and contraction in general business activity mean expansion and contraction in the importance of activities eventuating in a marketable product relative to those within the family. It is especially noted that during severe depressions a drastic contraction in employment and incomes is accompanied by a significant expansion of activities within the household. Therefore, we approximated the order of magnitude of these activities within the domestic circle and compared them with the activities whose end products are covered in our estimates.

This approximation had to be based on market values, and there are no market values for activities that are the exact counterpart of the productive functions of family members within the household. For non-farm housewives there may be some ground for taking the average compensation for domestic service, and for the housewife in a farm family, of farm workers. Both procedures do violence to many of the social and emotional factors involved, but they seem to be the only way of even approximating the order of magnitude involved. The average compensation in 1929 for domestic service was roughly \$900 and of farm workers, roughly \$600. According to the *Census of Population*, Vol. II, there were on

April 1, 1930, 27,547,000 families of two members or more, of which 6,261,000 were farm and 21,286,000 non-farm. If we assume that the figures for 1929 are roughly 6 and 21 million respectively, the rough dollar equivalent of housewives' services amounted to some \$23 billion, or somewhat more than one-fourth of total national income in 1929.<sup>19</sup>

For the imputed income of other members of the family from domestic activities even such an approximate figure cannot be suggested. The *Census of Population* reports for April 1930 76.2 million people between the ages of 15 and 60, of whom 44.2 million were classified as gainfully occupied. From the residual 32 million we should subtract about 27 million housewives whose domestic activities have presumably already been taken into account. This leaves about 5 million adults not reported as gainfully occupied who, in addition to housewives, may have performed services within the domestic circle. Moreover, gainfully occupied persons, even if employed and especially when unemployed (of whom there may have been another 2 million in 1929), are also in a position to contribute services in the course of family life. But it is impossible even to approximate the amount of income involved.

### 6 *Imputed Income from Property*

One's own property, used within the household for living, may be a source of net income, just as much as is the property of a business enterprise used for a similar purpose. Net income derived by an owner from occupying his own house

<sup>19</sup> An earlier estimate sets the conjectural total value of housewives' services in 1919 at \$18.45 billion (*Income in the United States*; National Bureau of Economic Research, 1921, I, 59). This would constitute somewhat less than one-third of the measurable total for that year. This higher relative estimate seems to be the result of using a per housewife compensation larger than that for domestic service or of farm workers. Some allowance should be made also for households where all domestic labor is performed by hired help. The proportion of such households to the total must, however, be low; and in a crude estimate of the type submitted an adjustment does not seem advisable.

is not essentially different from that of an owner who rents his house to a tenant. Net income derived from the possession and use of a passenger car is not much different from that of taxicab companies or companies that rent out automobiles. Most property used within the household is not, however, employed in an activity that enters directly into market transactions; and performance of activities in the household for which there is some counterpart in the market is no evidence of income production. With the exception of net income from owner-occupied houses, which is included in our estimates, imputed income from goods used by the family may properly be excluded from national income.

For the omitted item, income from durable goods, other than houses, used by the family, estimates were given by W. I. King in *National Income and Its Purchasing Power*. The preliminary figures for 1926 and 1927 were each slightly over \$3 billion.<sup>20</sup> If these estimates can be accepted, the approximate total for a year like 1929 would be well over \$3 billion. And it may be surmised that the item, whatever its long term movement as compared to that of total national income, would be less responsive to short term fluctuations in economic conditions than are the current income payments or the net savings of enterprises.

### 7 Summary

a) The total of the omitted items for a year like 1929 may be assumed to amount to more than \$33 billion, or about 40 per cent of the national income actually recorded in our estimates. Of this tentative total of omitted items, by far the largest is that for housewives' services, \$23 billion. Omitted

<sup>20</sup> P. 379. The estimates are based upon the application of an interest rate to an estimated value of all durable goods held by ultimate consumers. The basic figure for the latter value was taken from the *Census of Wealth, Public Debt, and Taxation* for 1922. It was extrapolated to other years by an index obtained by multiplying estimated population by the price indexes of furniture, clothing, and automobiles. A constant interest rate of 6 per cent was assumed.

service incomes and imputed income from durable goods other than houses are each somewhat more than \$3 billion; bad debts and hidden payments *via* taxes paid, about \$4 billion. An estimate of the net value of services of family members other than housewives is not attempted. The margin of error in the total of omitted items (again excepting services of other family members) is such that the true total may well be \$15 billion above or below the figure cited. And, of course, the total would vary with inclusion and exclusion of items.

b) It is reasonable to assume that the ratio of this total of omitted items to national income would have a declining secular trend because functions formerly performed in the home tend to be taken over by commercial enterprises; minor entrepreneurial activities have less importance than formerly; and coverage of the data is gradually improving.

c) It is probable that in short term cyclical fluctuations, the omitted total fluctuates less with changes in business conditions than national income, partly because of a complementary relation between the omitted items and those included in national income, which tends to force the former to expand when the latter contract and vice versa; partly because the omitted items are less responsive to business cycles, owing to the relatively minor role the profit motive and business calculation play in determining their course.