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Chapter Author: David W. Lusher

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Organization and Content of the Accounts

DAVID W. LUSHER

COUNCIL OF ECONOMIC ADVISERS

MY ASSIGNMENT was to comment, as a government economist, on the appraisals of the accounts by academic and business users. Clearly, the effort has to be limited to comparatively few of the formidable list of specific points; and it has to be framed to carry a fair number of the varied, broader subjects without overloading—a methodological problem not dissimilar to that confronting the social accountant.

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We would all like to have a great deal more information about economic activity: more detail on existing materials and coverage of new subjects. But forcing much more information into the present accounts to make them meet a variety of purposes would soon overload them and nullify one of their major purposes, namely, to provide a readily comprehensible summary of economic activity.

Instead additional information should be supplied in supplementary, special accounts oriented toward, and coordinated with, a central, summary set of accounts. This procedure would permit the construction of a summary set more homogeneous in purpose and better balanced than the present one. Other purposes could be met by the supplementary accounts.

Another, more immediate advantage would be gained. The Department of Commerce and other agencies publish or have substantial amounts of materials relevant to economic analysis but not sufficiently related to the national income accounts so that they can be used together. I suspect that some of these materials are left to stand by themselves because they cannot be comfortably fitted into the present accounts. With slight or no modification such data could be placed into special accounts keyed to the general accounts, increasing their usefulness appreciably.

Once the notion of an integrated system of general and special accounts is accepted, much of the elbowing to get the "correct" concept and "most relevant" detail into the present structure can be ended. There would be more tolerance for different conceptual formulations

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which, in most instances, are meant to serve different purposes. As a government economist, I have found certain concepts, data, and account arrangements, more suited to my purposes. I shall use a brief description of my preferences as a method of implied comment on the suggestions contained in the Conference papers. Where there is an implied difference, it is not necessarily a disagreement.

VALUATION OF OUTPUT

On the question of the "appropriate" measure of total output, I am inclined to regard market-place determinations as the primary data of economic activity. Total gross expenditures are a clear statement of the economy's explicit evaluation of total output, an endorsement of production efforts. The evaluation carries weight because it reflects the whole complex of income flows, saving propensities, preferences, expectations, monetary conditions, technical changes, and the rules of the game established by government which particularly affect prices and income. Similarly, determinations in the goods, labor, finance, and other markets yield primary data on the distribution of the total proceeds by product, firm, industry, and type of receipt.

The markets-defined total output, total proceeds, and distributive shares do not inform us directly and in themselves, however, (1) just how they were determined by the complex of economic forces, (2) whether all production costs, broadly defined, have been more or less than adequately met, or (3) whether the flow of output and proceeds has been such as to increase, decrease, or leave unaltered, the economy's ability and willingness to produce and purchase. But these may be viewed as matters of separate and subsequent analytical inquiry, however related to, and dependent upon, output and proceeds already realized.

I prefer to consider the similar concepts of net output and replacement cost as more relevant to the latter analytical inquiry than to the primary measurement of output and proceeds. Net output is used in the attempt to ascertain whether the economy's productive resources have been replenished just sufficiently to reproduce the identical total gross output or altered, thus increasing or decreasing the output potential. This is usually done by comparing investment-goods output and consumption (in some respects a questionable way of getting at total net output). Replacement cost is used to gauge the adequacy of capital-finance proceeds, say undistributed profits plus depreciation funds, by re-measuring it in terms of current investment-good prices.

In distinguishing these concepts, and others, as analytical or evaluative estimates I do not mean to deny them a place in a system of

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social accounts. On the contrary, such evaluative estimates are necessary. But the distinction is intended to stress the greater importance attached to the primary information on output, proceeds, and distributive shares. Even on grounds of their usefulness in analysis such primary information as rates of change in total output, capital-finance provision, and gross investment, for example, have no mean claim on importance.

If market valuations are preferred for total output and proceeds, they are all the more desirable for the distribution of proceeds. It is a commonplace that products, firms, and industries fare differently during business fluctuations, and over longer periods. Nor are impacts and reactions identical for all specific economic changes; for example, price and income elasticities are not uniform for all products. And just how different industries have fared cannot be traced satisfactorily without the primary information of their market-price proceeds. In terms of the social accounts, it would be desirable to have depreciation funds and net indirect taxes distributed, as far as possible, to show gross national proceeds by industrial origin.

EXPENDITURES

The papers in this volume contain many proposals for changes in, and additions to, the expenditure side of the accounts. Some deal with the suitability of the present groupings of expenditures, others with the inadequacy of information contained within certain groups, particularly the net foreign investment and government components. Most of the suggestions are explicitly concerned with specific segments of the accounts. But I suspect that many of the proposals are advanced, at least in part, because of a more general, undeclared disquietude that arises in using the accounts as a whole. Perhaps this suspicion is generated by a frustration that I have felt in working with the present data.

In greatly oversimplified terms, and abstracting from shortcomings, we have information on (1) the condition of purchasers, say in the form of personal, corporate, and government income, (2) expenditures, and (3) the distribution of proceeds, by industry and type of receipt. One can trace the flows, however disconnectedly and incompletely, between the distribution of proceeds and the condition of purchasers, and between the condition of purchasers and expenditures. But somewhere between the expenditures and the distribution of proceeds the streams go underground, and cannot be traced at all. Though we do learn which reservoirs the streams end up in, we do not know which expenditure springs created them. I believe that the search for some indication of the possible course of the underground flows from expenditures to distributive reservoirs prompts many of the proposals—both

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those that are addressed to the suitability of the present expenditure groupings and those that suggest that more information be added within the existing groups.

The main difficulty in the way of getting some indications as to expenditure-receipts flows is that the expenditure groups—essentially mixed in type of purchaser and kind of purchase—bear little resemblance to the industry groups for receipts. Reasonably complete matching of the groups on the two sides of the accounts will, of course, have to wait on considerably more data, particularly commodity-flow information, than are now available. But a useful amount of comparable information could be provided with presently available materials. This is an example of the way in which pertinent information is not utilized as advantageously as it might be because it does not fit comfortably into the present account tables. However, the data could be provided in coordinated, supplementary tables without disturbing that structure.

SAVINGS

In making the statement that one can trace flows between the condition of purchasers and expenditures I carefully put in some qualifying phrases. I am sure, however, that many will think the reservations not nearly strong enough, especially in the case of personal income, expenditures, and saving. The difficulties and requirements in this area have been so thoroughly explored, and persuasively treated, particularly by Morris Cohen and Martin R. Gainsbrugh, that I need only agree and sympathize.

A great deal of industry and ingenious formulation have gone into efforts to get a satisfactory saving function. This has been prompted partly by the view that the propensity involved is rather stable, particularly in comparison with the variability in investment. Yet the basic data used are affected, I suspect to a significant degree, by the highly variable investment propensity.

This is another example of how condensation, netting, and the constraints of a rigidly formal structure of accounts omit useful data. Experimentally adjusting the Commerce Department disposable income and saving data with Securities and Exchange Commission saving information, for example, yields at least a closer, more valid approximation to "consumer" saving rates.