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C. SAVINGS, INVESTMENT AND CAPITAL FORMATION

1. BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM, DIVISION OF RESEARCH AND STATISTICS

Capital development and financial operations in relation to credit policy

This study analyzes: [1] production of durable goods, corporate financial policies, corporate earnings and borrowings for capital purposes, and, in general, the volume and nature of investment and savings; [2] the relation of security prices to general economic developments.

A continuing study, results will appear in connection with announcements of policies and in the Board's published analyses of current developments.

See also ID4; IIA13 and 16; IIB(c)2; IIC4

2. NATIONAL BUREAU OF ECONOMIC RESEARCH

Durable goods and gross capital formation in the United States, 1919–1935

The study of durable goods and capital formation in the United States over the last decade and a half has for its ultimate objective the measurement of the total volume of goods diverted from present to future use, and was undertaken to gain a fuller knowledge of the production and flow of goods out of which investment and credit operations arise. Specifically, it aims to give two measures of capital formation: [1] the volume of gross capital formation, i.e., the total of all commodities currently produced and diverted for future use, adjusted for the consumption of raw materials and other non-durable commodities, but not adjusted for the current consumption of durable commodities; [2] the volume of net capital formation, i.e., the total of all commodities currently produced and diverted for future use, adjusted for the consumption of both raw materials and other non-durable commodities and the current consumption of durable goods. The first measure may be said to reflect the diversion of present goods to future use not only to satisfy new capital demands but also to meet requirements for replacement, while the measure of net capital formation reflects merely the diversion of present goods to future use to satisfy new capital demands of the national economy.

Because of the complexity of the task of making adjustments necessary for estimating net capital formation, the present inquiry is confined in scope to the measurement of gross capital formation. Accordingly, it is concerned solely with the following elements of which gross capital formation is comprised: [1] the value of the flow of finished durable commodities, i.e., consumers' as well as producers' durable goods, to their ultimate users at cost to them; [2] the value of substantial repairs and alterations of already existing commodities at cost to their users; [3] the net change in inventories held by their producers and distributors, plus the net change in inventories of non-durable commodities held by their users; [4] net changes in claims against foreign countries. The important steps taken to arrive at global estimates of gross capital formation include: (a) the compilation of census year totals for consumers' perishable goods, consumers' semi-durable goods, consumers' durable goods and producers' durable goods; (b) the determination of annual totals, and their adjustment for imports and exports and for changes in price levels; (c) estimates of the spread in 1929 between the producers' value of finished goods and their cost to the ultimate recipient; (d) a survey of changes in transportation costs and distributive margins, 1919–34; (e) estimates of the volume of construction, 1919–34; (f) estimates of net changes in business inventories. Because of the difficulties of segregating finished goods from unfinished, finished durable from non-durable commodities, finished durable producers' commodities from those of the consumer category, complete estimates of the annual flow of all finished commodities, classified by durability at cost to ultimate recipients, are included in these sections of the study.

In preparation under the direction of Simon Kuznets, publication is expected by summer 1937.[1] The study was originally launched under the auspices of the Social Science Research Council, Committee on Banking and Credit, of which David Friday is chairman.

See also VB1 and 3

[1] Preliminary results were published in *Bulletin 52*, Gross Capital Formation, 1919–1933 (National Bureau of Economic Research, 1934).

3. NATIONAL BUREAU OF ECONOMIC RESEARCH

Capital consumption in the United States, 1919–1935

Paralleling the study of gross capital formation, this investigation is exploring and compiling available data bearing on capital consumption in order to put the measurement of capital formation on a *net* as well as a *gross* basis. It is assembling and collating data from business records and official sources on: (a) depreciation; (b) depletion; (c) retirement and abandonment; (d) destruction by accident; (e) loss on sales; (f) revaluations; (g) repairs, renewals and maintenance; (f) capital expenditure charged to current operations. While preliminary estimates of capital consumption have been derived from conventional accounting data, it has been found necessary for the proper interpretation of these figures to have recourse to supplementary information gathered more directly. This has led to several subordinate investigations of a reconnaissance character, e.g: (a) a detailed study of revaluations of fixed assets by industries on the basis of reports of listed corporations filed with the Securities and Exchange Commission; (b) an analysis of depreciation and depletion policies by industries, particularly with respect to changes in policies during the latest depression; (c) an estimate of depreciation and depletion charges by industries on the basis of 1929 prices, cost prices, and current replacement prices; (d) a study of maintenance charges by industries in relation to depreciation; (e) changes in intangible capital occasioned by the mortality rate of business concerns; (f) an examination of data reflecting the consumption of public capital.

In preparation under the direction of Solomon Fabricant. In view of the magnitude of the research task, publication is not feasible before 1938.[1]

See also VB1, 3 and 9

[1] Preliminary results were published in two *Bulletins*: Measures of Capital Consumption, 1919–1933, and Revaluations of Fixed Assets, 1925–1934 (National Bureau of Economic Research, 1936).

4. SCHUMPETER, J. A. [HARVARD UNIVERSITY]

Monetary time series in relation to the process of investment

As a part of a larger program dealing with business cycles and money, various monetary time series are analyzed in relation to the process of investment. Data subject to special statistical treatment include money in circulation; the ratio of deposits to loans in relation to the rate of interest; the interrelationships among deposits and investment holdings of banks; and other relevant financial series.

The results of this analysis are expected to be published in Professor Schumpeter's forthcoming study on time series and cyclical variations. They are also expected to be used in a projected treatise on money. Carl Thomas has assisted in the collection and analysis of the statistics.

See also ID4; IIA10, 13 and 16; IIB(c)5