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THE NATIONAL WEALTH OF THE  
UNITED STATES  
IN THE POSTWAR PERIOD



## CHAPTER 1

### Summary of Findings

1. Stocks and flows are two basic categories in all economic analysis. The figures on national product, on output in different sectors of the economy, and on the production of different types of commodities, which have come to be used increasingly not only by economists but also by policy makers and in business, must therefore be supplemented by estimates of the stock of tangible assets of different types in the main sectors of the economy. To be comparable among themselves and with flow estimates, these figures must be expressed in the common denominator of market value, for some purposes current value and for others constant value in prices of a given base period.

In the absence of a continuous set of official estimates by the federal government of the value of the stock of tangible assets—excluding only agriculture—the National Bureau has prepared such figures because they were needed as one of the statistical bases of the Bureau's study of the postwar capital market. These estimates are herein made generally available, as they may serve as one of the building bricks of economic analysis of the postwar period.

2. The estimates for reproducible tangible assets follow the "perpetual inventory method," by which the stock of a given category of assets is derived as the cumulation by past expenditures on that category in current or constant prices depreciated in accordance with the average length of life of the asset. The value of nonreproducible assets is estimated independently either on the basis of data of the census type, as for agricultural and public land; or by the application of a typical ratio of land-to-structure value, as in the case of land underlying residential and commercial structures.

Throughout the report estimates are provided on a net (depreciated) and a gross (undepreciated) basis, and on two valuation bases—constant (1947-49) prices and current (replacement) value—and occasionally also on the third basis of original cost. In this summary whichever of these concepts appears to be most relevant in a particular case is used. Neither the gross nor the net stock as here calculated is a direct measure of the productive capacity of the stock of tangible assets. Such a measure will generally lie somewhere between the estimates of the gross and the net stock.

3. The national wealth of the United States (i.e., the aggregate value

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of all tangible nonmilitary assets located in the United States plus net foreign balance), measured so far as possible by the market value of the assets or the nearest approximation to it, has increased in the postwar period from about \$575 billion at the end of 1945 to just over \$1,700 billion at the end of 1958, or at an annual rate of fully 8½ per cent. Wealth per inhabitant thus has more than doubled from \$4,100 to \$9,800, a rise by almost 7 per cent per year.

4. More than one-half of the expansion in the market value of aggregate national wealth and about three-fourths of the increase in wealth per head is a reflection of the rise in the price level during the postwar period. In constant prices of 1947-49, aggregate national wealth has increased from almost \$790 billion to nearly \$1,250 billion, while wealth per head has risen by one-fourth from about \$5,600 to \$7,100. The average annual rate of growth thus amounts to about 3½ per cent for aggregate wealth and to 1¾ per cent for wealth per head.

5. As a measure of economic growth, reproducible tangible wealth, which excludes land and subsoil assets, is more appropriate than total wealth. For the entire postwar period the average annual rate of growth of reproducible tangible wealth in constant prices is approximately 4 per cent, and of wealth per capita is 2¼ per cent. These rates are slightly higher than those for total national wealth, because once price fluctuations are eliminated the value of nonreproducible wealth changes but very slowly.

6. The rate of growth of gross reproducible tangible wealth is slightly lower than that for net wealth (which has been used heretofore): 3.5 per cent per year in constant prices for total wealth and 1.7 per cent for wealth per head. As a result, the ratio of the net to the gross value of structures and equipment increased from 0.53 at the end of World War II to 0.57 in 1958, much of the increase occurring during the first part of the period. This increase in the ratio is an indication of a decline in the average age of the stock of reproducible wealth during the postwar period, a decline which in turn reflects a relatively high rate of new investment.

7. Fluctuations in the annual rate of growth of the capital stock—net or gross—clearly reflect the business cycle. Thus, the highest rates of growth were registered in 1948, 1950, and 1955, and the lowest ones in 1949, 1954, and 1958. Average rates of growth over full cycles do not show a definite trend. In each of the three trough-to-trough cycles within the period (on an annual basis 1946-49, 1949-54, and 1954-58), the average aggregate rate of growth of net reproducible wealth in

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constant prices was just under 4 per cent per year, and the rate per head slightly in excess of 2 per cent. The rate of growth in the gross stock of reproducible wealth was at a lower level (about  $3\frac{1}{2}$  per cent per year for aggregate wealth and  $1\frac{3}{4}$  for wealth per head), but again no considerable difference can be observed among the three full-cycle averages.

8. Although the postwar period is limited to not much more than one decade, considerable changes occurred in the structure of national wealth. These changes reflect differences in the rate of growth of the volume of the different components of national wealth and also changes in the relationship among prices of different types of tangible assets. Most marked and significant among these changes are the decline in the share of nonreproducible wealth and the increase within reproducible wealth of equipment, both producer and consumer durables. These two movements continue trends observable over most of the past century.

9. No sharp change occurred during the postwar period in the share of government in civilian wealth. Business and households each owned, on the basis of current market valuations, slightly more than two-fifths of reproducible tangible wealth, leaving about one-sixth for the government. If military assets are included, the level of the share of government increases, but its relation to total national wealth more broadly defined shows a sharp decline from 30 per cent in 1945 to one-fifth in 1958.

10. Throughout the postwar period, and particularly during the first half of it, the share of owner-operated properties appears to have increased slightly at the expense of rented wealth. Tangible assets rented accounted for only about one-seventh of total national wealth and for about one-sixth of privately owned wealth and were generally limited to three fields: residential real estate, commercial structures, and agricultural land. The share of rented properties shows a marked decline in the case of residential real estate, but no definite trend for agricultural land.

11. The ratio of reproducible tangible assets that are used in the production of commodities for sale to those that are destined for direct nonbusiness use by consumers and public authorities has not changed substantially during the postwar period, if we assume that the second category includes residential structures, structures of nonprofit organizations, consumer durables (except one-half of passenger cars), and one-half of government structures. In that case, about one-half of

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reproducible wealth has been used in production while the other half has served consumers and public authorities directly.

12. The outstanding change in the structure of reproducible wealth used in business (production) is the rise in the share of equipment (including livestock) from 27 to 37 per cent, mainly reflecting making up for deficiencies in expenditures on equipment during the period from 1930 to 1945. The share of structures declined only slightly during the postwar period, but that of inventories fell from 23 to 19 per cent. Substantial changes also occurred in the structure of reproducible wealth used directly by consumers. The share of consumer durables rose from 19 per cent in 1945 to 22 per cent in 1958, even though that movement failed to bring the share back to the level of 1929. On the other hand, the share of residential structures in reproducible wealth used directly by consumers declined from 66 to 62 per cent while that of government structures remained at the level of one-eighth.

13. The share of foreigners in assets situated in the United States remained insignificant throughout the postwar period. Additions to national wealth represented by net foreign assets (excluding monetary gold) were likewise very small:  $1\frac{1}{2}$  per cent of national wealth in 1958 against  $\frac{1}{2}$  per cent in 1946, and foreign assets were responsible for only  $2\frac{1}{2}$  per cent of the increase in domestic national wealth during the postwar period.

14. Military assets—excluded from previous figures—have acquired considerable importance since World War II if valued like civilian reproducible wealth on the basis of replacement cost. So valued, they have represented on the average about 8 per cent of civilian reproducible wealth. Since military assets consist largely of equipment, they are much more important if compared only with their civilian counterparts. The average value of military equipment for 1946-58 was equal to one-fifth of total civilian equipment and to as much as two-fifths of civilian producer durables.

15. The structure of the national wealth of the United States and its development during the postwar decade show in general the same characteristics and tendencies that can be observed in the few developed foreign countries for which comparable data are available. Abroad, as in the United States, the share of land in national wealth has tended to decline, and the share of equipment to rise, over the postwar period. The ratio of net to gross national wealth has been similar abroad to the level observed in the United States—around 60 per cent for reproducible tangible assets. A point of difference, not yet satisfactorily ex-

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plained, is the higher level of the equipment-structure ratio in foreign countries. Another difference, explainable by the large size and the relative economic self-sufficiency of the United States, is the lower ratio of foreign assets and liabilities to national wealth.

16. The rate of growth of national wealth among developed foreign countries during the postwar years, and even after the period of reconstruction, appears to have been at least as rapid as in this country.