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**STUDIES IN THE NATIONAL BALANCE
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Volume I

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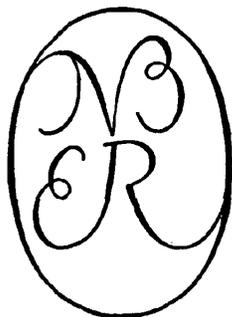
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Studies in the
National Balance Sheet
of the United States

VOLUME I

BY
RAYMOND W. GOLDSMITH
AND
ROBERT E. LIPSEY



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NATIONAL BUREAU OF ECONOMIC RESEARCH

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This report is one of a series emerging from an investigation of postwar capital market developments in the United States. The costs of the study were financed in large part by a grant to the National Bureau from the Life Insurance Association of America supplemented by funds from the Research and Educational Trust Fund of the Mortgage Bankers Association of America. Neither of these organizations, however, is responsible for any of the statements made or views expressed in the report.

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P R E F A C E

The development of combined balance sheets for the United States economy and for its main sectors, which are summarized in this volume and presented in detail in Volume II, was an important part of the Postwar Capital Market Study.¹ These balance sheets were intended for use in the analysis of capital market structure and developments, and also as background for the study of specific problems of the capital market. Extensive use is made of this material in the forthcoming report, "The Flow of Capital Funds in the Postwar Economy," in several other monographs of the Postwar Capital Market Study,² as well as in other NBER monographs.³ Tangible assets—structures, equipment, and inventories—which constitute one part of the assets in the national and sectoral balance sheets, were the subject of a separate monograph,⁴ which explains the derivation of the estimates and brings out the main trends in the structure of national wealth.

The present volume provides, in Part One, a summary discussion of some of the statistical problems encountered in drawing up national and sectoral balance sheets. (A considerably more detailed description

¹ Reports already published or in preparation include: Raymond W. Goldsmith, *The National Wealth of the United States in the Postwar Period* (Princeton for NBER, 1962), and "The Flow of Capital Funds in the Postwar Economy" (in preparation); George Hanc, *The United States Savings Bond Program in the Postwar Period* (New York, NBER Occasional Paper 81, 1962); Saul B. Klamman, *The Volume of Mortgage Debt in the Postwar Decade* (New York, NBER Technical Paper 13, 1958), *The Postwar Rise of Mortgage Companies* (New York, NBER Occasional Paper 60, 1959), and *The Postwar Residential Mortgage Market* (Princeton for NBER, 1961); Morris Mendelson, *The Flow-of-Funds Through the Financial Markets, 1953-1955* (New York, NBER, 1959), and "The Postwar Market for Treasury Securities" (in preparation); Roland I. Robinson, *Postwar Market for State and Local Government Securities* (Princeton for NBER, 1960); Eli Shapiro, "The Postwar Market for Corporate Securities and Loans" (in preparation); David Meiselman and Eli Shapiro, "Corporate Sources and Uses of Funds" (in preparation).

² Robinson, *Postwar Market*, and Klamman, *Postwar Residential Mortgage Market*.

³ For instance, Robert J. Lampman's *The Share of Top Wealth-Holders in National Wealth, 1922-56* (Princeton for NBER, 1962).

⁴ Goldsmith, *National Wealth*.

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of the financial asset and liability data used in the balance sheets, similar to that furnished for tangible assets in Appendixes A and B of *National Wealth*, appears in Volume II.) Part One also gives an interpretation of the structure and trends in national and sectoral balance sheets parallel to that in *National Wealth*, although on a more condensed scale. Parts Two and Three are two special studies which illustrate the use that can be made of national balance sheets.

The first of these special studies (Part Two) illustrates the application of the national balance sheet approach to a specific problem that was of interest to the Joint Economic Committee when it was engaged in its investigation of employment, growth, and price levels.⁵ The combination of aggregative data, from national and sectoral balance sheets, with sample data from several independent sources, such as surveys of consumer finances and estate tax returns, is an important characteristic of this study; for it is only through this type of combination that fullest advantage can be taken of both the more detailed information on narrower groups available in the sample studies and the integration into a rational accounting framework provided by national and sectoral balance sheets.

The second special study, presented in Part Three, deals with the largest single component of the national balance sheet, residential housing, and provides an analysis of both tangible assets (the stock of residential housing) and the associated financial assets and liabilities (mortgages and owners' equity). It is one of the purposes of Part Three to show how in many sectors one can proceed beyond the summary treatment given in *National Wealth* and in Part One of this volume. This study again exemplifies the combination of aggregative and sample data.

The text of Part One is primarily the responsibility of Raymond W. Goldsmith; Part Two is the joint product of Goldsmith and Robert E. Lipsey; and Lipsey is responsible for Part Three. Goldsmith, Lipsey, and Morris Mendelson collaborated on the basic balance sheets reproduced in Volume II; most of the early work on these balance sheets was done under Mendelson's direction. The flow-of-funds tables were prepared under the direction of Rachel Floersheim.

Among the many assistants who participated in the investigations embodied in this volume, we wish to express our appreciation par-

⁵ When the Joint Economic Committee requested the National Bureau of Economic Research in the summer of 1959 to make a study of the relationship between price changes and net worth changes, the study was intended to be one of the Committee's papers on employment, growth, and price levels; but it proved impossible to complete the report until after the Committee's study had been terminated. Later, moreover, additional relevant data became available and were used in revising the original draft.

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ticularly to Eleanor Silverman, who prepared most of the notes to the basic tables in Volume II and was responsible for the statistical work in Part Two of Volume I; to Justine Rodriguez and Christine Nagorski Mortensen, for much of the original data collection on the balance sheets; and to Sally Altman, Bridget L. Cooke, Amy Ferrara Hoagland, Arlene Holen, Susan Horowitz, Beverly Ratner, and Carol Schwartz, for statistical work and the checking of the balance sheets. Marie-Christine Culbert edited Volume I and Joan Tron Volume II; H. Irving Forman drew the charts.

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