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Volume Title: Studies in the National Balance Sheet of the United States, Vol. 1

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Volume Publisher: Princeton University Press

Volume ISBN: 0-691-04179-2

Volume URL: <http://www.nber.org/books/gold63-1>

Publication Date: 1963

Chapter Title: The National Balance Sheet of the United States During the Postwar Period

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Chapter URL: <http://www.nber.org/chapters/c3926>

Chapter pages in book: (p. 41 - 106)

## CHAPTER 3

# The National Balance Sheet of the United States During the Postwar Period

### *A Bird's-Eye View*

THE purpose of this chapter is to present the essential features of the postwar balance sheets of the United States and the seven main sectors, and the main developments in them. No attempt is made here at analysis in terms of changes in income, prices, interest rates, and other causal factors, and only the most important out of many possible comparisons with earlier years are made.

The discussion starts in the second section with the postwar growth in total assets of the nation and the main sectors, and deals in the third section with the main changes in national balance sheet structure since 1945. These are discussed in the fourth section in terms of five basic ratios: that of financial to tangible assets, and those of tangible, liquid, and price-sensitive assets and total liabilities to total assets. Consideration is given to trends over the entire postwar period as well as to the effects of the three business cycles during these thirteen years. The fifth section discusses the distribution of national assets and national wealth among the main sectors. The final section comments on the main changes in the structure of the balance sheet of each of the seven sectors that have occurred during the postwar period.

Before entering upon this more detailed description of developments during the postwar period, it may be helpful to look at four tables which contain much that is essential to the discussion in this chapter. Table 1 is intended to provide historical background; it shows for each of the seven sectors the value of five main aggregates—total assets, tangible assets, financial assets, debt, and net worth—for 1900, 1912, 1922, 1929, 1939, 1945, and 1958. To bring out the main movements, only the initial and closing positions for the postwar period are shown. Tables 2, 3, and 4 permit closer examination of developments during the postwar period. They show for the same seven sectors figures for about a dozen main assets and liabilities for 1945, 1951, and 1958, in addition to the five basic aggregates.

It was considered necessary to divide the thirteen years covered here into two halves because of the great difference between the first part of the period, from the end of World War II to the end of the Korean War, which shows many characteristics of a transition period, and the second part, beginning with 1952, which is reasonably typical of the present American economy. Among these differences that are impor-

tant for the use of national balance sheets, it may suffice to point to the following. First, the average annual rise in the general price level (as measured by the national product deflator) was more rapid during the first half of the period (above 5 per cent) than from 1952 on (2 per cent). Secondly, the rise in tangible asset prices was concentrated in the first half of the period, while the second half saw a sharp rise in the price level of common stock and only a moderate further advance in the price of tangible assets. Thirdly, the overhang of liquidity, accumulated mostly during World War II, had been fairly well absorbed by 1952, and hence ceased to be an important factor in the second half of the period. Fourthly, interest rates were decisively affected during the first half of the period by the pegging of yields on Treasury securities, another factor that was not effective during the second half. The two halves were, however, similar in one important respect: the total growth in national assets between the end of 1945 and the end of 1951 of almost 8 per cent a year was not much higher than the growth during the following seven years when it slightly exceeded 6 per cent. While no bisection of the thirteen-year period can produce two phases of equal length or exactly similar cyclical character, the test is almost met by the two subperiods of 1946-51 and 1952-58. Each includes two cyclical trough years, according to the National Bureau's classification by calendar years, and three years of upward swing from trough to peak. The only difference is that the first subperiod includes only one cyclical peak year (1948), while the second has two (1953 and 1957).

The absolute figures for given balance sheet items and sectors are shown in Table 2, while the balance sheet structure of each sector can be followed in Table 3, in which each item is expressed as a percentage of the sector's total assets. The distribution of each of the main assets and liabilities among the seven sectors is set forth in Table 4. A few salient developments during the postwar period are listed here without citing the specific statistical evidence:

1. The total value of national assets, in current prices, more than doubled in the thirteen years after the end of World War II. The rate of growth of about 7 per cent a year did not differ much from the average for the three decades before 1929.

2. There is a pronounced difference between the first and second halves of the postwar period in the source of growth in assets. Tangible assets grew more rapidly in the first half, in step with the rise in the general price level. In the second half, financial assets accounted for most of the upward impetus. Common stocks were the largest contributors, but the acceleration could be noted in bonds, loans, and deposits as well.

NATIONAL BALANCE SHEET IN POSTWAR PERIOD

TABLE 1  
MAIN BALANCE SHEET COMPONENTS, BY SECTORS, 1900-58

	Amounts (billion dollars)										Shares (per cent)			
	1900 (1)	1912 (2)	1922 (3)	1929 (4)	1939 (5)	1945 (6)	1958 (7)	1900 (8)	1912 (9)	1922 (10)	1929 (11)	1939 (12)	1945 (13)	1958 (14)
I. TOTAL ASSETS														
1. Nonfarm households	62	121	267	448	371	623	1,602	39	40	41	46	43	41	43
2. Nonfarm unincorp. bus.	11	16	32	44	37	53	138	7	5	5	5	4	3	4
3. Agriculture	26	52	75	71	53	105	208	17	17	12	7	6	7	6
4. Nonfinancial corp.	35	66	152	228	153	251	766	22	22	24	23	18	16	21
5. State and local govt.	5	13	29	42	51	70	203	3	4	4	4	6	5	5
6. Federal government	2	2	7	8	26	79	116	1	1	1	1	3	5	3
7. Finance	17	36	82	133	172	352	704	11	12	13	14	20	23	19
8. All sectors	157	306	645	973	863	1,533	3,735	100	100	100	100	100	100	100
II. TANGIBLE ASSETS														
1. Nonfarm households	29	49	105	158	145	200	632	33	30	33	37	39	36	38
2. Nonfarm unincorp. bus.	7	11	25	36	24	39	108	8	7	8	9	6	7	7
3. Agriculture	24	50	69	64	46	87	182	27	30	21	15	12	16	11
4. Nonfinancial corp.	21	41	92	121	102	143	490	24	25	29	29	27	26	30
5. State and local govt.	5	11	25	35	44	57	173	6	7	8	8	12	10	10
6. Federal government	1	2	4	5	11	26	57	1	1	1	1	3	5	3
7. Finance	1	1	2	3	6	2	10	1	1	1	1	2	0	1
8. All sectors	88	165	322	423	376	555	1,653	100	100	100	100	100	100	100

(continued)

NATIONAL BALANCE SHEET OF UNITED STATES

TABLE 1 (continued)

	Amounts (billion dollars)							Shares (per cent)						
	1900 (1)	1912 (2)	1922 (3)	1929 (4)	1939 (5)	1945 (6)	1958 (7)	1900 (8)	1912 (9)	1922 (10)	1929 (11)	1939 (12)	1945 (13)	1958 (14)
III. FINANCIAL ASSETS														
1. Nonfarm households	32	72	162	291	232	423	970	47	51	50	53	48	43	47
2. Nonfarm unincorp. bus.	4	5	7	8	7	14	30	6	4	2	1	1	1	1
3. Agriculture	1	2	6	6	7	18	25	1	1	2	1	1	2	1
4. Nonfinancial corp.	14	25	60	107	52	108	276	21	18	19	19	11	11	13
5. State and local govt.	1	2	4	7	7	13	30	1	1	1	1	1	1	1
6. Federal government	0	0	3	3	15	53	58	0	0	1	1	3	5	3
7. Finance	16	35	80	130	167	350	693	24	25	25	24	94	36	33
8. All sectors	68	141	323	551	487	978	2,082	100	100	100	100	100	100	100
IV. DEBT														
1. Nonfarm households	5	8	18	42	30	31	176	11	9	8	13	9	4	12
2. Nonfarm unincorp. bus.	4	7	11	17	10	12	41	9	8	5	5	3	2	3
3. Agriculture	3	7	17	15	10	8	21	7	8	8	5	3	1	1
4. Nonfinancial corp.	15	33	64	96	66	88	257	33	36	29	30	19	11	17
5. State and local govt.	2	4	10	17	20	22	63	4	4	5	5	6	3	4
6. Federal government	1	1	24	18	58	288	298	2	1	11	6	17	37	20
7. Finance	14	30	71	111	153	331	632	31	33	33	35	44	43	42
8. All sectors	45	91	217	316	345	778	1,488	100	100	100	100	100	100	100

(continued)



NATIONAL BALANCE SHEET OF UNITED STATES

TABLE 2

SUMMARY OF NATIONAL BALANCE SHEET OF THE UNITED STATES IN THE POSTWAR PERIOD  
(billion dollars)

	Total Assets (1)	Tangible Assets				
		Total (2)	Resid. Real Estate (3)	Other Real Estate (4)	Prod. Dur. and Invent. (5)	Consumer Durables (6)
<b>I. Nonfarm households</b>						
1. 1945	623	200	142	17	—	41
2. 1951	993	413	271	32	1	109
3. 1958	1,602	632	399	67	2	165
<b>II. Nonfarm unincorp. business</b>						
1. 1945	53	39	11	14	13	—
2. 1951	101	79	18	29	32	—
3. 1958	138	108	20	44	44	—
<b>III. Agriculture</b>						
1. 1945	105	87	9	51	21	5
2. 1951	174	153	16	79	44	14
3. 1958	208	182	19	104	45	14
<b>IV. Nonfinancial corp.</b>						
1. 1945	251	143	10	73	60	—
2. 1951	483	323	18	153	152	—
3. 1958	766	490	26	240	224	—
<b>V. Finance</b>						
1. 1945	352	2	0	2	0	—
2. 1951	464	5	1	4	0	—
3. 1958	704	10	1	9	1	—
<b>VI. State and local govt.</b>						
1. 1945	70	57	1	56	1	—
2. 1951	126	107	3	101	2	—
3. 1958	203	173	6	161	5	—
<b>VII. Federal government</b>						
1. 1945	79	26	1	20	5	—
2. 1951	99	43	1	39	3	—
3. 1958	116	57	1	48	8	—
<b>VIII. All sectors</b>						
1. 1945	1,533	555	175	232	101	46
2. 1951	2,439	1,123	328	439	234	122
3. 1958	3,735	1,653	472	672	330	179

SOURCE: Vol. II, Table I.

NATIONAL BALANCE SHEET IN POSTWAR PERIOD

<i>Financial Assets</i>								<i>Debt</i>			
Total (7)	Cash (8)	De- posits (9)	Loans (10)	Bonds (11)	Stocks (12)	Insur. (13)	Other (14)	Total (15)	Short- Term (16)	Long- Term (17)	Net Worth (18)
423	50	53	13	81	112	69	46	31	12	18	592
579	54	74	19	81	152	115	84	80	29	51	913
970	61	141	30	94	343	193	107	176	59	117	1,425
14	9	—	6	0	—	—	—	12	7	4	41
22	11	—	11	—	—	—	—	22	14	8	78
30	13	—	16	0	—	—	—	41	27	14	97
18	7	2	—	4	—	4	1	8	3	5	97
21	6	2	—	5	—	5	2	14	7	7	160
25	6	3	—	5	—	7	4	21	10	11	187
108	20	1	24	21	28	—	14	88	57	31	163
160	27	1	53	22	37	—	19	159	103	56	323
276	33	2	92	22	79	—	48	257	158	99	508
350	77	0	49	206	7	—	10	331	257	74	22
459	92	0	121	213	14	—	18	428	304	125	36
693	93	1	245	282	43	—	30	632	421	212	71
13	5	1	0	7	—	—	—	22	1	21	48
19	8	2	0	9	—	—	—	34	1	33	92
30	11	4	2	14	—	—	—	63	2	61	140
53	27	0	7	5	—	—	13	288	9	279	—208
56	4	0	20	6	—	—	25	270	9	261	—171
58	4	0	28	7	—	—	19	298	9	288	—182
978	194	56	99	324	147	73	85	778	345	433	755
1,315	204	79	224	335	203	121	149	1,008	468	540	1,431
2,082	222	150	413	424	465	200	207	1,488	686	803	2,247

NATIONAL BALANCE SHEET OF UNITED STATES

TABLE 3

SUMMARY OF NATIONAL BALANCE SHEET STRUCTURE OF THE UNITED STATES IN THE POSTWAR PERIOD  
(total assets = 100)

	<i>Tangible Assets</i>				
	Total	Resid. Real Estate	Other Real Estate	Prod. Dur. and Invent.	Consumer Durables
	(1)	(2)	(3)	(4)	(5)
<b>I. Nonfarm households</b>					
1. 1945	32.1	22.8	2.7	—	6.6
2. 1951	41.6	27.3	3.3	0.1	11.0
3. 1958	39.5	24.9	4.2	0.1	10.3
<b>II. Nonfarm unincorp. business</b>					
1. 1945	72.8	21.5	26.4	24.9	—
2. 1951	78.5	17.9	29.1	31.5	—
3. 1958	78.4	14.7	32.1	31.7	—
<b>III. Agriculture</b>					
1. 1945	82.8	8.8	48.4	20.5	5.0
2. 1951	87.9	9.2	45.7	25.2	7.8
3. 1958	87.8	9.3	50.2	21.5	6.7
<b>IV. Nonfinancial corp.</b>					
1. 1945	56.9	3.9	29.0	24.0	—
2. 1951	66.9	3.8	31.7	31.4	—
3. 1958	64.0	3.4	31.3	29.3	—
<b>V. Finance</b>					
1. 1945	0.7	0.05	0.6	0.05	—
2. 1951	1.1	0.1	0.9	0.1	—
3. 1958	1.5	0.1	1.2	0.1	—
<b>VI. State and local govt.</b>					
1. 1945	82.1	1.2	79.8	1.0	—
2. 1951	84.9	2.3	80.7	1.9	—
3. 1958	85.1	3.0	79.5	2.7	—
<b>VII. Federal government</b>					
1. 1945	33.4	1.5	25.3	6.6	—
2. 1951	43.8	0.8	39.7	3.3	—
3. 1958	49.6	0.9	41.3	7.4	—
<b>VIII. All sectors</b>					
1. 1945	36.2	11.4	15.1	6.6	3.0
2. 1951	46.1	13.5	18.0	9.6	5.0
3. 1958	44.3	12.6	18.0	8.8	4.8

SOURCE: Derived from Vol. II, Tables I, IV-a-3a, IV-a-3b.

NATIONAL BALANCE SHEET IN POSTWAR PERIOD

<i>Financial Assets</i>								<i>Debt</i>			
Total (6)	Cash (7)	De- posits (8)	Loans (9)	Bonds (10)	Stocks (11)	Insur. (12)	Other (13)	Total (14)	Short- Term (15)	Long- Term (16)	Net Worth (17)
67.9	8.0	8.5	2.0	13.0	17.9	11.1	7.3	4.9	1.9	3.0	95.1
58.4	5.5	7.4	1.9	8.1	15.3	11.6	8.5	8.1	2.9	5.1	91.9
60.5	3.8	8.8	1.9	5.9	21.4	12.1	6.7	11.0	3.7	7.3	89.0
27.2	16.7	—	10.4	—	—	—	—	22.3	14.0	8.3	77.7
21.5	10.7	—	10.8	—	—	—	—	22.1	14.2	7.9	77.9
21.6	9.7	—	11.8	—	—	—	—	29.5	19.5	10.1	70.5
17.2	6.3	1.9	—	4.0	—	3.7	1.3	7.3	2.8	4.6	92.7
12.1	3.7	1.2	—	2.7	—	3.0	1.4	8.0	4.2	3.8	92.0
12.2	3.0	1.5	—	2.5	—	3.4	1.8	10.1	4.6	5.4	89.9
43.1	7.8	0.4	9.7	8.5	11.0	—	5.7	35.2	22.6	12.5	64.8
33.1	5.7	0.2	11.0	4.5	7.7	—	4.0	33.0	21.4	11.6	67.0
36.0	4.4	0.2	12.0	2.9	10.3	—	6.3	33.6	20.6	13.0	66.4
99.3	22.0	—	13.9	58.6	2.1	—	2.7	93.9	72.9	21.0	6.1
98.9	19.9	0.1	26.0	46.0	3.0	—	3.9	92.3	65.5	26.9	7.7
98.5	13.2	0.2	34.8	40.0	6.2	—	4.2	89.9	59.8	30.1	10.1
17.9	7.5	0.8	0.1	9.6	—	—	—	31.2	0.8	30.5	68.8
15.1	6.7	1.2	0.2	6.9	—	—	—	26.9	1.0	25.9	73.1
14.9	5.3	1.8	0.8	7.0	—	—	—	31.1	1.0	30.2	68.9
66.6	33.8	0.2	9.3	6.3	—	—	17.0	362.7	10.8	351.9	—262.7
56.2	4.4	0.3	19.9	5.8	—	—	25.7	272.9	8.9	264.0	—172.9
50.4	3.6	0.3	24.5	5.9	—	—	16.2	257.5	8.0	249.5	—157.5
63.8	12.7	3.7	6.4	21.1	9.6	4.8	5.5	50.8	22.5	28.3	49.2
53.9	8.4	3.2	9.2	13.8	8.3	4.9	6.1	41.3	19.2	22.1	58.7
55.7	5.9	4.0	11.1	11.4	12.5	5.4	5.6	39.8	18.4	21.5	60.2

NATIONAL BALANCE SHEET OF UNITED STATES

TABLE 4

DISTRIBUTION OF MAIN ITEMS IN NATIONAL BALANCE SHEET AMONG SECTORS, 1945, 1951, AND 1958  
(per cent)

	<i>Tangible Assets</i>					
	Total		Resid.	Other	Prod. Dur.	Consumer
	Assets	Total	Real	Real	and	Consumer
	(1)	(2)	Estate	Estate	Invent.	Durables
	(1)	(2)	(3)	(4)	(5)	(6)
<b>1945</b>						
I. Nonfarm households	40.6	36.0	81.1	7.3	—	—
II. Nonfarm unincorp. bus.	3.5	7.0	6.3	6.0	12.9	89.1
III. Agriculture	6.8	15.7	5.1	22.0	20.8	—
IV. Nonfinancial corp.	16.4	25.8	5.7	31.5	59.4	10.9
V. Finance	23.0	0.4	—	0.9	—	—
VI. State and local govt.	4.6	10.3	0.6	24.1	1.0	—
VII. Federal government	5.2	4.7	0.6	8.6	5.0	—
VIII. All sectors	100.0	100.0	100.0	100.0	100.0	100.0
<b>1951</b>						
I. Nonfarm households	40.7	36.8	82.6	7.3	0.4	89.3
II. Nonfarm unincorp. bus.	4.1	7.0	5.5	6.6	13.7	—
III. Agriculture	7.1	13.6	4.9	18.0	18.8	11.5
IV. Nonfinancial corp.	19.8	28.8	5.5	34.9	65.0	—
V. Finance	19.0	0.4	0.3	0.9	—	—
VI. State and local govt.	5.2	9.5	0.9	23.0	0.9	—
VII. Federal government	4.1	3.8	0.3	8.9	1.3	—
VIII. All sectors	100.0	100.0	100.0	100.0	100.0	100.0
<b>1958</b>						
I. Nonfarm households	42.9	38.2	84.5	10.0	0.6	92.2
II. Nonfarm unincorp. bus.	3.7	6.5	4.2	6.5	13.3	—
III. Agriculture	5.6	11.0	4.0	15.5	13.6	7.8
IV. Nonfinancial corp.	20.5	29.6	5.5	35.7	67.9	—
V. Finance	18.8	0.6	0.2	1.3	0.3	—
VI. State and local govt.	5.4	10.5	1.3	24.0	1.5	—
VII. Federal government	3.1	3.4	0.2	7.1	2.4	—
VIII. All sectors	100.0	100.0	100.0	100.0	100.0	100.0

SOURCE: Derived from Table 2. Percentages do not always add to 100, because they are derived from rounded figures.

NATIONAL BALANCE SHEET IN POSTWAR PERIOD

<i>Financial Assets</i>								<i>Debt</i>			
Total (7)	Cash (8)	De- posits (9)	Loans (10)	Bonds (11)	Stocks (12)	Insur. (13)	Other (14)	Total (15)	Short- Term (16)	Long- Term (17)	Net Worth (18)
43.3	25.8	94.6	13.1	25.0	76.2	94.5	54.1	4.0	3.5	4.2	78.4
1.4	4.6	—	6.1	—	—	—	—	1.5	2.0	0.9	5.4
1.8	3.6	3.6	—	1.2	—	5.5	1.2	1.0	0.9	1.2	12.8
11.0	10.3	1.8	24.2	6.5	19.0	—	16.5	11.3	16.5	7.2	21.6
35.8	39.7	—	49.5	63.6	4.8	—	11.8	42.5	74.5	17.1	2.9
1.3	2.6	1.8	—	2.2	—	—	—	2.8	0.3	4.8	6.4
5.4	13.9	—	7.1	1.5	—	—	15.3	37.0	2.6	64.4	-27.5
100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
44.0	26.5	93.7	8.5	24.2	74.9	95.0	56.4	7.9	6.2	9.4	63.8
1.6	5.4	—	4.9	—	—	—	—	2.2	3.0	1.5	5.5
1.6	2.9	2.5	—	1.5	—	4.1	1.3	1.4	1.5	1.3	11.2
12.2	13.2	1.3	23.7	6.6	18.2	—	12.8	15.8	22.0	10.4	22.6
34.9	45.1	—	54.0	63.6	6.9	—	12.1	42.5	65.0	23.1	2.5
1.4	3.9	2.5	—	2.7	—	—	—	3.4	0.2	6.1	6.4
4.3	2.0	—	8.9	1.8	—	—	16.8	26.8	1.9	48.3	-11.9
100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
46.6	27.5	94.0	7.3	22.2	73.8	96.5	51.7	11.8	8.6	14.6	63.4
1.4	5.9	—	3.9	—	—	—	—	2.8	3.9	1.7	4.3
1.2	2.7	2.0	—	1.2	—	3.5	1.9	1.4	1.5	1.4	8.3
13.3	14.9	1.3	22.3	5.2	17.0	—	23.2	17.3	23.0	12.3	22.6
33.3	41.9	0.7	59.3	66.5	9.2	—	14.5	42.5	61.4	26.4	3.2
1.4	5.0	2.7	0.5	3.3	—	—	—	4.2	0.3	7.6	6.2
2.8	1.8	—	6.8	1.7	—	—	9.2	20.0	1.3	35.9	-8.1
100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

## NATIONAL BALANCE SHEET OF UNITED STATES

3. The national aggregate of debt increased more slowly than the value of assets.

4. Tangible assets, which tripled in value during the postwar period, outran financial assets, which only doubled. This difference reflects, to some extent, the repressed inflation which was manifested at the end of World War II in excess liquid assets, on the one hand, and artificially low tangible asset prices, on the other. By 1958, most of the excess liquidity had been absorbed in the rise in the general price level.

5. The most important developments in tangible assets were the increasing share of producer and consumer durables and the decline in the share of land; both movements continued trends observed since at least the turn of the century.

6. The most important of the many changes in the structure of financial assets was the decline in the proportion of liquid assets and the increase in the share of mortgages and corporate stock—the latter almost exclusively a reflection of the rise in stock prices.

7. The distribution of national assets among the main sectors did not change appreciably. However, the shares of nonfinancial corporations and of nonfarm households increased. Agriculture and the federal government, on the other hand, showed a decline in their share of national assets.

8. Because of the differences in the rate of expansion of assets and debt, substantial changes occurred in the distribution of national net worth among sectors. The federal government's net overindebtedness decreased slightly in absolute terms, but diminished very sharply relative to total national net worth. As a result the share of all other sectors except nonfinancial corporations and finance declined.

### *Growth of Aggregate National and Sectoral Assets*

#### NATIONAL ASSETS IN CURRENT PRICES

From the end of 1945 to the end of 1958, the current value of national assets, which in accounting terms corresponds to the footings in the combined national balance sheet, increased from about \$1530 billion to \$3730 billion. This rise of 140 per cent in thirteen years is equivalent to an annual rate of growth of 7 per cent. The increase was fairly steady if fluctuations within a business cycle are ignored. During the first cycle which comprises 1946-48, national assets increased by 28 per cent, or at the rate of 8.5 per cent a year.<sup>1</sup> National assets increased by

<sup>1</sup> In the National Bureau's dating of business cycles, the initial peak occurred in February 1945, so that it might have been advisable to include in this cycle the four calendar years 1945 through 1948 instead of the three years 1946-48. This, however,

## NATIONAL BALANCE SHEET IN POSTWAR PERIOD

35 per cent or  $6\frac{1}{4}$  per cent a year during the second cycle of 1949-53, and by 30 per cent or 6.5 per cent a year during the third cycle of 1954-57. On an annual basis, which still does not exactly coincide with business cycle phases, the variations are considerably larger. The sharpest increases occurred in 1947 and 1950 (12 per cent). Since then the rise has never been much more than 7 or 8 per cent, a level which was reached in 1951, 1954, 1955, and 1958. There is no year in which the current value of national assets decreased and only three years in which the increase remained below 5 per cent: 1949 (2 per cent), 1953 (4 per cent), and 1957 (4 per cent). Annual fluctuations in the rate of growth of national assets thus seem to have been related to changes in the price level of tangible assets and corporate stock more than to oscillations in the physical volume of capital formation or to the exact phase of the business cycle.

The average rate of growth of 7 per cent in national assets during the postwar period is fairly well in line with historical experience (see Chart 1). For the entire period from 1900 to the end of World War II, the rate averaged 5.2 per cent. This average, however, was the result of a rate of growth of 6.5 per cent in the three decades preceding the Great Depression and one of only 2.9 per cent in the sixteen years 1929-45. For the three approximately decadal periods before 1929, which in length are most nearly comparable with the postwar period studied here, the annual rates of growth were 5.7, 7.8, and 6.0 per cent, respectively, all quite close to the 1945-58 average.<sup>2</sup> Back in the nineteenth century, for which the estimates naturally are more uncertain, the rates of growth in national assets are comparable: 5 per cent for 1880-1900, and slightly more than 6 per cent for 1850-80.<sup>3</sup>

A law of the long-term growth rate of U.S. national assets of between 5 and 7 per cent must not be deduced from these figures, for they are the combined result of, among other things, the rate of growth of population, the physical stock of tangible assets, the financial interrelations ratio, and the price level of assets. As Table 5 shows, the rates of growth of these components have varied considerably in the ten- to thirty-year periods since the middle of the nineteenth century that can

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has been regarded as inappropriate since 1945 was still dominated by the war. Moreover, comparable figures for the end of 1944 are not available. Thus the 1945-48 period is not a full cycle.

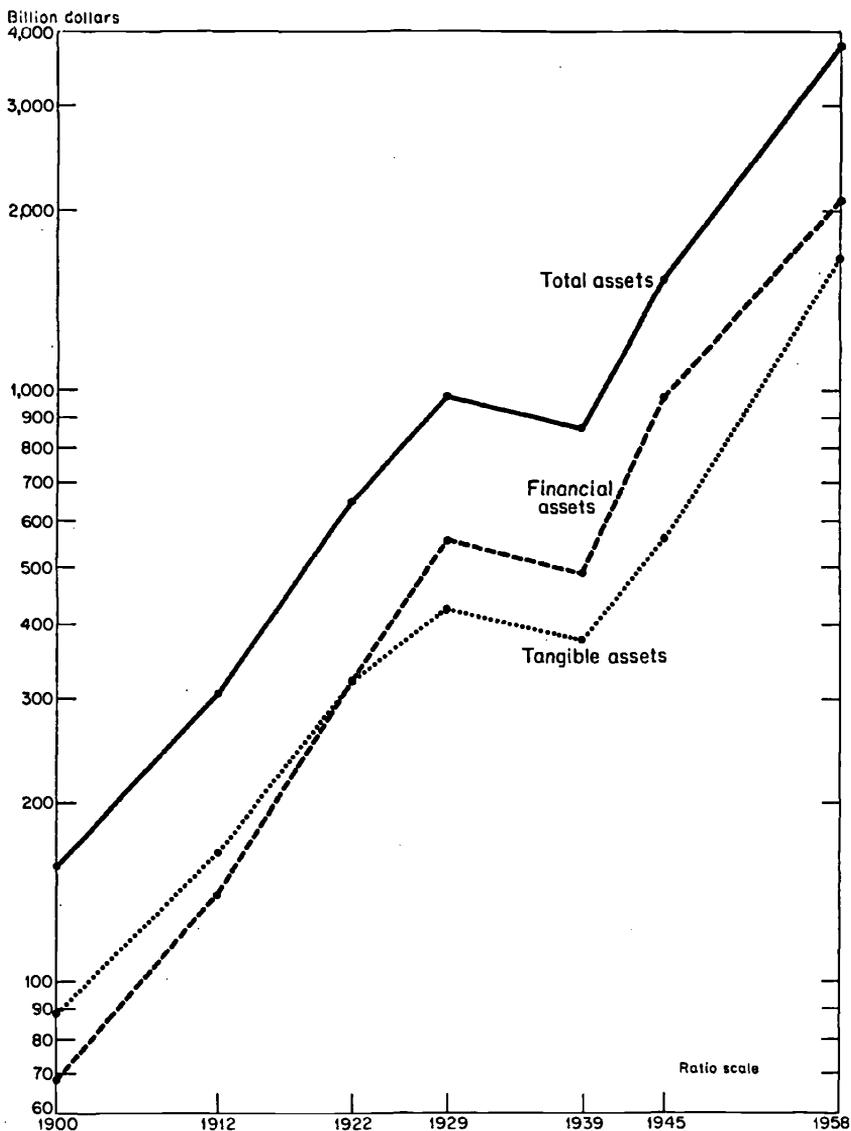
<sup>2</sup> Inclusion of military assets affects the average rate of growth of the earlier postwar period, as well as the level of the three cycles and annual movements. Including military assets, the average rate of growth for 1945-58 is 6.7 per cent, instead of 6.9 per cent excluding them. The average rates for the three cycles would be even more similar, because the inclusion of military assets reduces the average for the first cycle more than those for the second and third cycles. (The annual rates of growth including military assets are 6.8 and 6.6 per cent.)

<sup>3</sup> *Income and Wealth Series IV*, London, 1955, p. 36.

NATIONAL BALANCE SHEET OF UNITED STATES

CHART 1

National Balance Sheet Aggregates, 1900-58



Source: Table 1.

be distinguished from the available statistics. That they have moved in a way to produce jointly a rate of growth of national assets in the long run of around 6 per cent a year may well be a coincidence, although this relative stability is worth noting.

## NATIONAL BALANCE SHEET IN POSTWAR PERIOD

### PRICE-ADJUSTED NATIONAL ASSETS

The adjustment for price changes presents particular difficulties in the case of the national balance sheets for reasons already explained in Chapter 2. The basic difficulty is the lack of an appropriate deflator for intangible assets. Of the two possible solutions, the first and simpler one is to adjust total assets for changes in the current purchasing power of money in which all estimates are expressed. This approach uses the gross national product deflator, i.e., the ratio between gross national product in current prices and in constant prices. In this case relationships among assets and liabilities or among the assets of sectors remain unchanged, since the deflator is not specific and is applied to all assets and liabilities and to all sectors.

The second possibility is to apply specific deflators for each group of assets. This may be done for tangible assets by using separate price indexes for each type of reproducible and nonreproducible tangibles. This technique has been applied in *The National Wealth of the United States in the Postwar Period*<sup>4</sup> and leads to a measure of national wealth, defined as the stock of tangible assets, in the prices of a base period, in this case 1947-49. Changes in the value of tangible wealth thus deflated are then assumed to reflect only changes in the quantity of the stock of national wealth. Deflation by a specific price index may also be applied to the current value of corporate stock, but the results have no clear meaning, as was mentioned in Chapter 2. For other financial assets, the meaning of specific deflation is even hazier, and hence only general deflation of national assets has been used in most of the following remarks.

National assets in constant prices rose between 1945 and 1958 at an average annual rate of 3.6 per cent, compared to 7.1 per cent in current prices. Deflation also alters the relationship among the rates of growth in the three postwar cycles. The rate was smallest in the first cycle of 1946-48, when it averaged only 1 per cent. It was higher in the two following cycles, 3.8 per cent for 1949-53 and 4.5 per cent for 1954-58. These rates of increase reflect not only growth in the quantity of assets held but also the change in asset prices relative to the general price level. In the first cycle, the general price level, freed from its wartime fetters, advanced about as much as asset prices which were held back by the failure of common stock prices to rise. In the second and particularly the third cycle, asset prices advanced considerably more than the gross national product deflator, this time reflecting primarily a sharp rise in stock prices. These relationships can be followed in Table 6.

<sup>4</sup> By Raymond W. Goldsmith, Princeton for NBER, 1962.

NATIONAL BALANCE SHEET OF UNITED STATES

TABLE 5  
COMPONENTS OF GROWTH OF NATIONAL ASSETS, 1850-1958  
(per cent)

National Assets							Annual Movement of	
Current Values (1)	Deflated Values (2)	Price Level (3)	Population (4)	FIR (5)	Residual (6)	National Wealth Deflated (7)	Col. 1 Minus Col. 7 (8)	Ratio of Asset Prices to GNP Deflator (percentage points) (9)
A. ANNUAL RATE OF GROWTH								
1850-1880	6.2	4.8	2.6	0.2	2.0	4.9	1.3	—
1880-1900	5.0	5.8	2.1	2.9	0.8	4.4	0.6	—
1900-1929	6.5	4.1	1.6	1.8	0.7	3.2	3.3	0.3
1929-1945	2.9	1.4	0.9	1.9	-1.4	-0.1	3.0	0.1
1945-1958	7.1	3.6	1.7	-2.5	4.4	3.6	3.5	2.2
1900-1958	5.6	3.2	1.4	0.8	1.0	2.4	3.2	0.7
1850-1958	5.6	4.1	1.9	1.0	1.2	3.5	2.1	—
B. SHARE IN GROWTH OF CURRENT VALUE OF ASSETS								
1850-1880	100	77	23	3	32	79	21	—
1880-1900	100	116	-16	58	16	88	12	—
1900-1929	100	63	37	28	11	49	51	—
1929-1945	100	48	52	66	-48	-3	103	—
1945-1958	100	49	51	-35	61	51	49	—
1900-1958	100	57	43	14	18	43	57	—
1850-1958	100	73	27	18	21	62	38	—

NATIONAL BALANCE SHEET IN POSTWAR PERIOD

SOURCE TO TABLE 5

Section A:

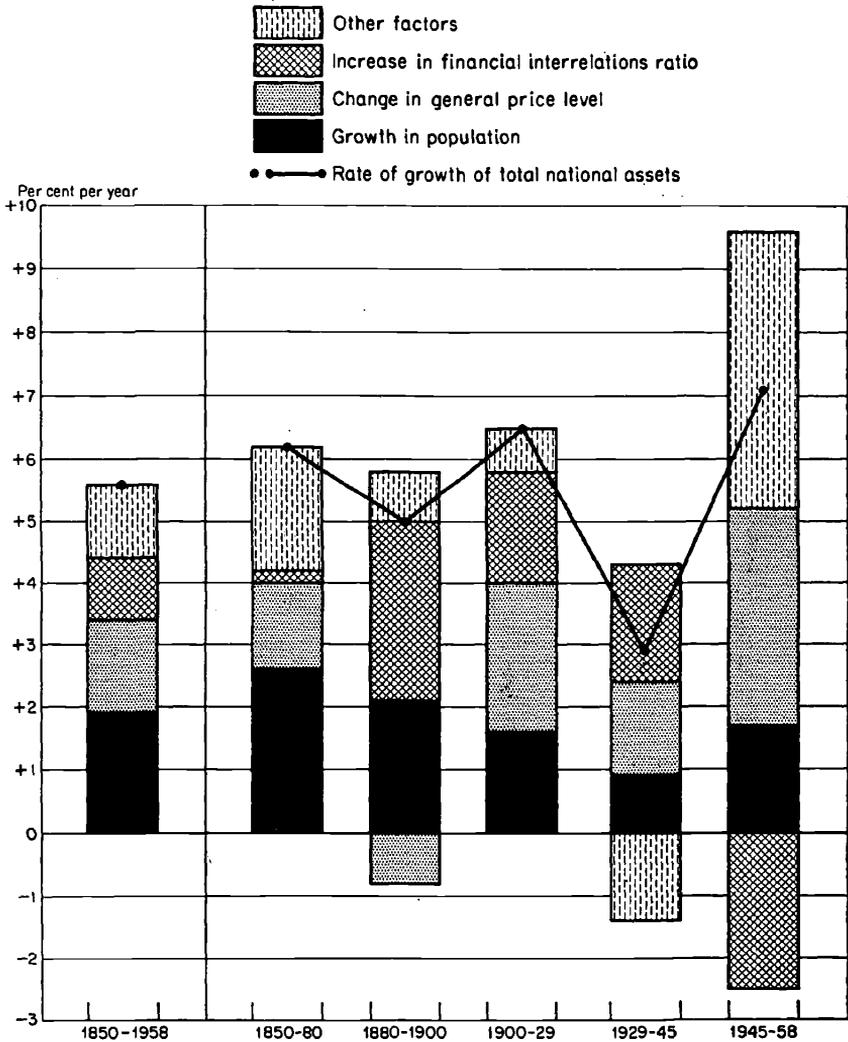
- Col. 1, 1850-1900: Derived from *Income and Wealth Series IV*, p. 361.
- 1900-58: Derived from Table 1.
- Col. 2: Col. 3 minus col. 1.
- Col. 3, 1850-1900: Same as col. 1.
- Col. 4, 1850-1900: Derived from Part Two, Table 39, col. 1.
- Col. 4, 1850-1900: Derived from *Statistical Abstract*, 1962, Table 1.
- 1900-58: Table 8.
- Col. 5, 1850-1900: Same as col. 1.
- 1900-58: Derived from Table 16, col. 1.

- Col. 6: Col. 1 minus cols. 3, 4, and 5.
- Col. 7, 1850-1900: Derived from *Income and Wealth of the United States*, Income and Wealth Series II, Cambridge, 1952, p. 310.
- 1900-58: *National Wealth*, Table A-4 (1929-45 computed from Table A-2).
- Col. 8: Col. 1 minus col. 7.
- Col. 9: Derived from Part Two, Table 39.
- Section B: Derived from Section A.

NATIONAL BALANCE SHEET IN POSTWAR PERIOD

CHART 2

Components of Growth of National Assets in Current Prices, 1850-1958



Source: Table 5.

NATIONAL ASSETS PER HEAD

The rate of increase in national assets, in current or deflated values, is obviously influenced by the general expansion of the economy. One means of allowing for this expansion is to adjust national assets for

NATIONAL BALANCE SHEET OF UNITED STATES

TABLE 6

GROWTH OF MAIN COMPONENTS OF DEFLATED NATIONAL ASSETS, 1850-1958  
(per cent per year)

Period	Specific Deflation <sup>a</sup>				GNP Deflation		
	Tangible Assets	Equities <sup>b</sup>	Claims <sup>c</sup>	Total Assets	Assets Per Head of Population	Total Assets	Assets Per Head
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
1850-1880	4.9	4.7 <sup>c</sup>		4.8	2.2	4.8	2.2
1880-1900	4.4	7.2 <sup>c</sup>		5.5	3.4	5.8	3.7
1900-1929	3.2	4.6	4.5	3.9	2.3	4.1	2.5
1929-1945	-0.1	0.2	3.9	1.7	0.8	1.4	0.5
1945-1958	3.9	0.3	1.7	2.5	0.8	3.6	1.9
1900-1958	2.4	2.4	3.7	2.9	1.5	3.2	1.8
1850-1958	3.5	4.5		3.8	1.9	4.1	2.2

SOURCE

Col. 1: Lines 1 and 2 derived from *Income and Wealth of United States*, p. 310.

Other lines derived from Goldsmith, *National Wealth*, Table A-6.

Cols. 2-3: Derived from Table 13; Part Two, Table 39; and *Income and Wealth Series IV*, p. 361.

Col. 4: Weighted average of cols. 1, 2, and 3, using average annual current values during period as weights.

Col. 5: Col. 4 minus Table 5, col. 4.

Col. 6: Table 5, col. 2.

Col. 7: Col. 6 minus Table 5, col. 4.

<sup>a</sup> Deflated by specific price indexes.

<sup>b</sup> Deflated by index of common stock prices; includes corporate stock, equity in unincorporated business and in financial mutual enterprises.

<sup>c</sup> Deflated by gross national product deflator.

The postwar rate of increase in deflated national assets of 3.6 per cent per year is lower than that observed before 1929, although it is considerably above the 1.4 per cent which characterized the 1929-45 period. In the first three decades of this century, as well as during the second half of the nineteenth century, the average rate of growth in national assets deflated by the general price level seems to have amounted to at least 4 per cent a year.

The differences between the results of specific and gross national product deflation of national assets can be observed in Table 6 and Chart 2. For long periods such as 1850-1900 or 1900-29, they are not large. Occasionally, however, the choice of the deflator does make a difference, particularly in the postwar period. It is, of course, more pronounced for the assets of individual sectors or of smaller groups than in the case of aggregate national assets.

## NATIONAL BALANCE SHEET OF UNITED STATES

the growth in population. If this is done, the average rate of growth of national assets per head in the postwar period is 5.4 per cent in current prices and 1.9 per cent after adjustment for changes in the general price level. Because the variations in population growth in the postwar period have been rather small, the relative position of the three cycles is not affected by allowances for population growth.

Adjustment for population growth increases the difference in the average annual rates of growth between the postwar and earlier periods. In current prices, the postwar rate of growth of 5.4 per cent a year compares with rates of 4.9 per cent for 1900-29, 2.9 per cent for 1880-1900, and 3.6 per cent for 1850-80. After adjustment for changes in the general price level, the postwar rate of growth of 1.9 per cent per year is below that for the three other periods: 2.5 per cent for the three decades before 1929, 3.7 per cent for the last two decades of the nineteenth century, and 2.2 per cent for 1850-80. The differences would be reduced if the figures were further adjusted for changes in the ratio between advances in asset prices and the gross national product deflator.

### DIFFERENCES IN RATE OF GROWTH AMONG SECTORS

The growth of assets of the main sectors during the postwar period has been far from uniform. While the assets of the federal government have increased by only 46 per cent during these thirteen years, i.e., less than the rise of almost 60 per cent in the general price level or the increase in the price of tangible assets, the total assets of agriculture and financial enterprises have approximately doubled; the assets of nonfarm households and unincorporated business have increased by fully 150 per cent; and the assets of nonfinancial corporations and state and local governments have approximately tripled. The annual rates of growth thus have ranged from 3 per cent for the federal government to 9 per cent for nonfinancial corporations, against an average rate of growth for national assets of 7 per cent (see Tables 7 and 8). These rates may be compared with an average increase in the general price level of  $3\frac{1}{2}$  per cent, a rise in the prices of the principal types of tangible assets of between 2 and  $5\frac{1}{2}$  per cent, an advance in the price of common stock at the rate of  $8\frac{1}{2}$  per cent, and a growth of population by about  $1\frac{3}{4}$  per cent a year. Thus if comparison is made with the combination of the rise in general price level and the increase in population, together amounting to fully 5 per cent a year, the growth in assets has been higher than this standard in all sectors except the federal government.<sup>5</sup>

<sup>5</sup> The rate of increase in the assets of the federal government would be even smaller if military assets were included. In that case, it would amount to 35 per cent for the period between 1945 and 1958, a rate of 2.3 per cent a year.

NATIONAL BALANCE SHEET IN POSTWAR PERIOD

TABLE 7

GROWTH OF ASSETS AND NET WORTH OF MAIN SECTORS, 1946-58  
(1945 = 100)

	Nonfarm House- holds (1)	Nonfarm Unincor- porated Business (2)	Agri- culture (3)	Nonfinan- cial Corp. (4)	Finance (5)	State and Local Govt. (6)	Federal Govt.* (7)	All Sectors (8)
ASSETS								
1946	109	122	113	114	100	121	79	108
1947	121	142	126	133	107	142	89	120
1948	128	155	133	147	112	151	96	128
1949	132	156	132	150	116	149	97	131
1950	148	176	150	174	123	167	113	147
1951	159	189	167	192	132	180	125	159
1952	169	194	165	202	141	193	129	168
1953	176	201	160	211	149	203	132	174
1954	192	207	163	226	159	216	132	187
1955	212	222	166	250	170	233	141	203
1956	227	237	174	270	179	254	142	216
1957	233	250	184	288	187	273	144	226
1958	257	259	199	305	200	290	146	244
NET WORTH								
1946	109	123	113	117	106	131	98	116
1947	120	142	127	138	111	158	93	135
1948	126	156	133	153	120	166	89	147
1949	129	156	131	158	138	158	90	150
1950	143	172	149	182	154	178	85	173
1951	154	189	165	199	165	192	82	190
1952	162	193	162	208	181	203	85	198
1953	167	198	157	217	193	210	88	204
1954	183	198	160	235	229	220	90	221
1955	200	206	162	257	258	237	87	243
1956	213	219	169	277	275	260	85	261
1957	217	232	179	296	282	278	84	272
1958	241	235	193	312	331	291	87	298

SOURCE: Derived from Vol. II, Table I.

\*All net worth figures are negative; reduction in index means reduction in excess of debt over assets.

The relation among the rates of growth of assets in the three postwar cycles also shows differences among the sectors. As Table 9 shows, the rate of growth of national assets in current prices was higher in the 1946-48 period than in the 1948-53 and 1953-57 cycles. However, four sectors show this pattern much more strongly than the national total. These are the three business sectors—nonfinancial corporations, unincorporated business, and agriculture—and state and local governments, all sectors with a high proportion of tangible assets which advanced particularly rapidly during the first postwar cycle. Financial

NATIONAL BALANCE SHEET OF UNITED STATES

TABLE 8

GROWTH OF TOTAL CURRENT ASSETS OF MAIN SECTORS,  
PRICES, AND POPULATION, 1900-58  
(indexes: 1945 = 100)

	1900	1929	1939	1945	1951	1958
	(1)	(2)	(3)	(4)	(5)	(6)
1. Nonfarm households	10	72	60	100	159	257
2. Nonfarm unincorporated business	20	83	70	100	189	259
3. Agriculture	24	67	50	100	167	199
4. Nonfinancial corporations	14	91	61	100	192	305
5. Finance	5	38	49	100	132	200
6. State and local governments	8	60	73	100	180	290
7. Federal government	2	10	32	100	125	146
8. All sectors	10	64	56	100	159	244
9. Gross national product deflator	40	79	68	100	136	157
10. Tangible asset prices	34	70	68	100	157	186
11. Common stock prices	41	115	68	100	130	284
12. Population	54	87	93	100	111	125

SOURCE: Lines 1-8: Derived from Vol. II, Tables I and Ia.

Lines 9-11: Derived from Part Two, Table 39.

Line 12, 1900-39: *Statistical Abstract of the United States, 1960*, Table 2, interpolated for Dec. 31 dates; 1940-58: *Current Population Reports*, Series P 25, July 3, 1962, p. 5 (Jan. 1 figures).

enterprises showed a pattern opposite to that for total national assets, the rate of growth of assets being about the same for the second and third cycles, but well above that experienced during the first cycle. The rate of growth for nonfarm households fell about as much as the national rate between the first and second cycles, but rose more in the third cycle of 1953-57. This sharp rise reflected the extraordinary advance in prices of common stocks which constitute a much larger proportion of the total assets of households than of any other major sector. The asset growth of the federal government was irregular, being lowest (slightly negative) in 1945-48 and considerably higher in 1948-53 than in either of the other two periods, whether or not military assets are included.

Differences in rate of growth become more significant the longer the period during which they prevail. It is therefore advisable to look back as far as our figures reach. Table 9 and Chart 3 show that for the entire period from the turn of the century to 1958, the annual rate of growth of assets in current prices ranged between 3.7 per cent in agriculture and 7.7 per cent for the federal government, compared to the rate of 5.6 per cent for total combined national assets. The rate of growth

NATIONAL BALANCE SHEET IN POSTWAR PERIOD

TABLE 9

RATES OF GROWTH OF TOTAL CURRENT ASSETS OF MAIN SECTORS,  
PRICES, AND POPULATION, 1900-58  
(per cent per year)

	1900 to 1958	1900 to 1929	1929 to 1945	1945 to 1958	1945 to 1948	1948 to 1953	1953 to 1957
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
1. Nonfarm households	5.8	7.1	2.2	7.5	8.7	6.5	7.3
2. Nonfarm unincorporated business	4.5	5.0	2.3	7.6	15.8	5.3	5.6
3. Agriculture	3.7	3.6	2.5	5.4	10.0	3.8	3.6
4. Nonfinancial corporations	5.5	6.7	0.6	9.0	13.6	7.5	8.1
5. Finance	6.6	7.4	6.1	5.5	3.8	5.9	5.9
6. State and local governments	6.4	7.3	3.3	8.5	14.6	6.1	7.7
7. Federal government	7.7	5.9	14.8	3.0	-1.2	6.5	2.0
8. All sectors	5.6	6.5	2.9	7.1	8.6	6.3	6.7
9. Gross national product deflator	2.4	2.4	1.5	3.5	7.4	2.4	2.5
10. Tangible asset prices	3.0	2.5	2.2	4.9	11.7	3.0	3.0
11. Common stock prices	3.4	3.6	-0.9	8.4	-5.5	10.0	11.8
12. Population	1.4	1.6	0.9	1.7	1.7	1.7	1.8

SOURCE: See source to Table 8.

for nonfarm households and nonfinancial corporations, the two largest sectors, was close to that of the national aggregate.

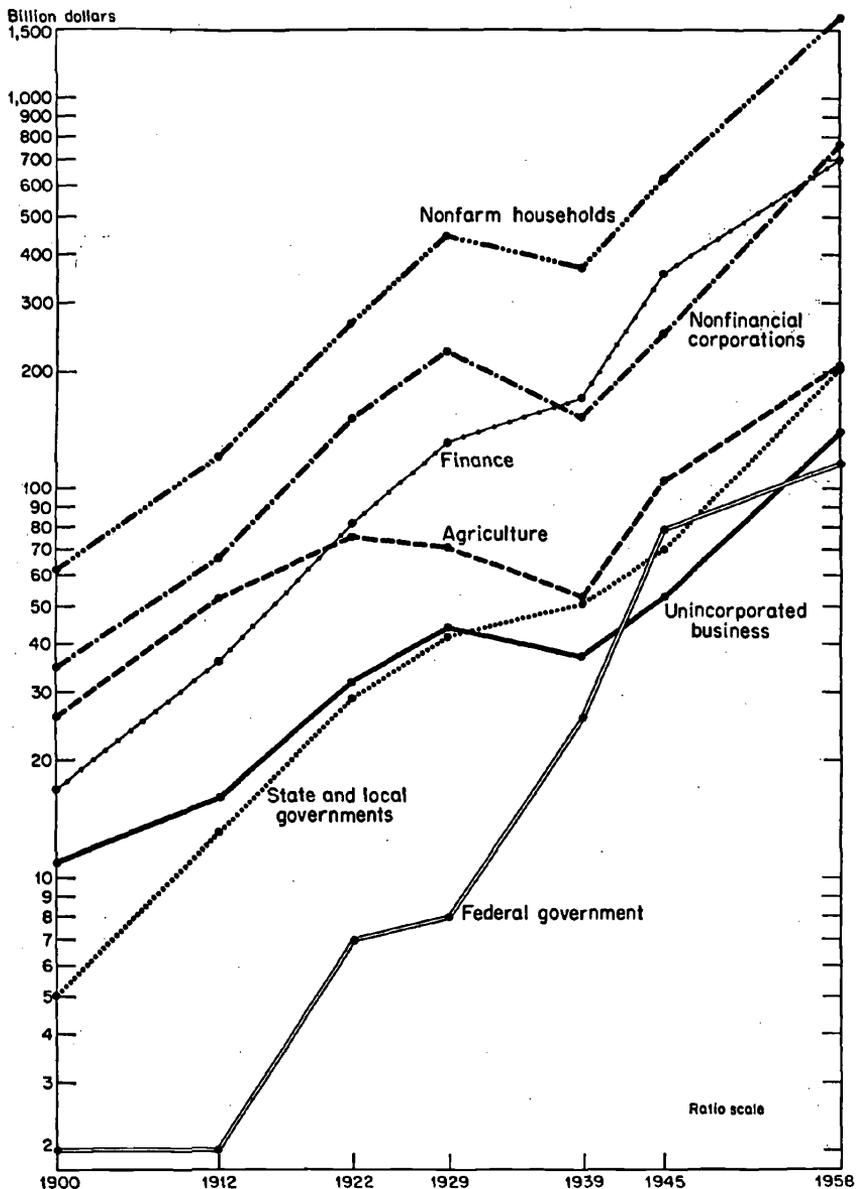
The position of the sectors based on their rate of growth also changed considerably. Financial enterprises showed the most rapid rate of growth from 1900 to 1929 but were near the bottom in the postwar period. Nonfinancial corporations ranked first in the postwar period but last between 1929 and 1945. The rate of growth of assets of agriculture was below that of aggregate national assets in all three periods, but only in one case, 1900-29, was it at the bottom of the ranking. The federal government's position varied sharply, showing the highest rate of growth of any major sector in 1929-45 and the lowest rate in the postwar period.

The differences in rates of growth, of course, led to changes in the shares of the main sectors in total national assets (Chart 4). These changes, together with changes in the share of national net worth, are discussed in a later section of this chapter. The necessary figures have already been given in Table 1, which also shows the shares of each of the seven main sectors in tangible assets, financial assets, debt, and net worth in 1900, 1912, 1922, 1929, 1939, 1945, and 1958. Changes

NATIONAL BALANCE SHEET OF UNITED STATES

CHART 3

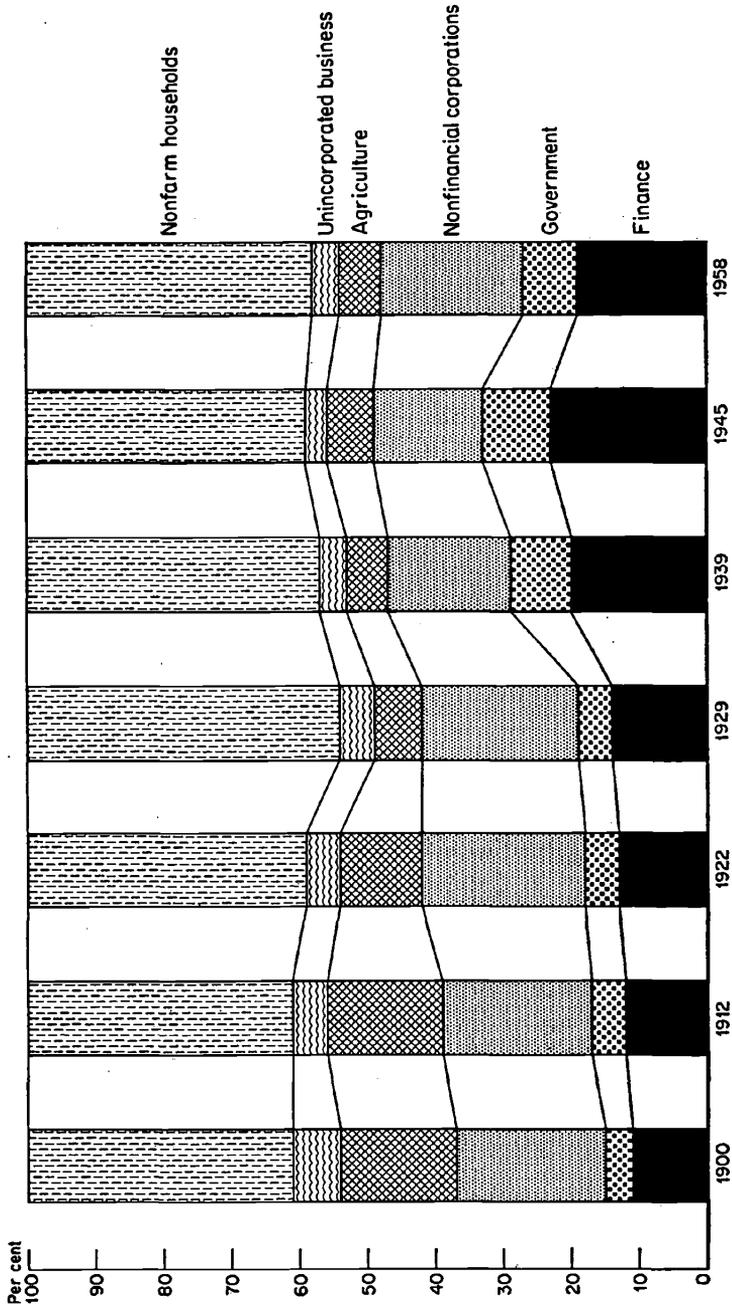
Total Assets of Main Sectors of U.S. Economy, 1900-58



Source: Table 1.

### CHART 4

Distribution of National Assets by Main Sectors, 1900-58  
(per cent of total national assets)



Source: Table 1.

in the shares permit an immediate inference on relative rates of growth, while the dollar figures, also presented in Table 1, make it possible to calculate absolute rates of growth.

### *Changes in Structure of National Balance Sheet*

Over a period of thirteen years in which the value of national assets more than doubled, the price movements of different types of assets varied greatly, and substantial economic changes occurred, the structure of the national balance sheets could hardly be expected to remain unchanged. These changes may be expressed in changes in the structure of assets (the ratio of tangible to intangible assets and the relations among different types of tangibles and intangibles), in the ratio of debt to net worth, in the composition of debt (such as the ratio of short- to long-term debt), or in the composition of net worth (the relation between retained earnings, contributed capital, and realized or unrealized capital gains). Some of these broad relations are best studied by selected balance sheet ratios, which will be reviewed in the next section. Chart 5 may serve as a summary.

Changes in the structure of tangible assets are discussed in some detail in *National Wealth*. The position of the items connected with housing—tangible assets, mortgage claims, and mortgage debt—in the national balance sheet is reviewed in Part Three. This leaves, except for a brief summary of some of the basic relations, only changes in the structure of intangible assets in the national balance sheet to be discussed.

#### CHANGES IN STRUCTURE OF TANGIBLE ASSETS

Since changes in the structure of tangible assets in the postwar period are discussed in detail in *National Wealth*<sup>6</sup>, where comparisons are also made with earlier periods, it will suffice here to recall the main changes that have occurred in the postwar period. Most of this material can be seen in Tables 10, 11, and 12, which provide the basic data in absolute figures and relative to 1945.

1. Between the end of 1945 and 1958, the ratio of the current value of nonreproducible tangible assets (primarily land) to total tangible assets declined from about 21 per cent to not much over 18 per cent.

2. The share of farm land declined both in relation to national wealth (from 8 to 6 per cent) and to total nonreproducible assets (from nearly 40 to less than 33 per cent).

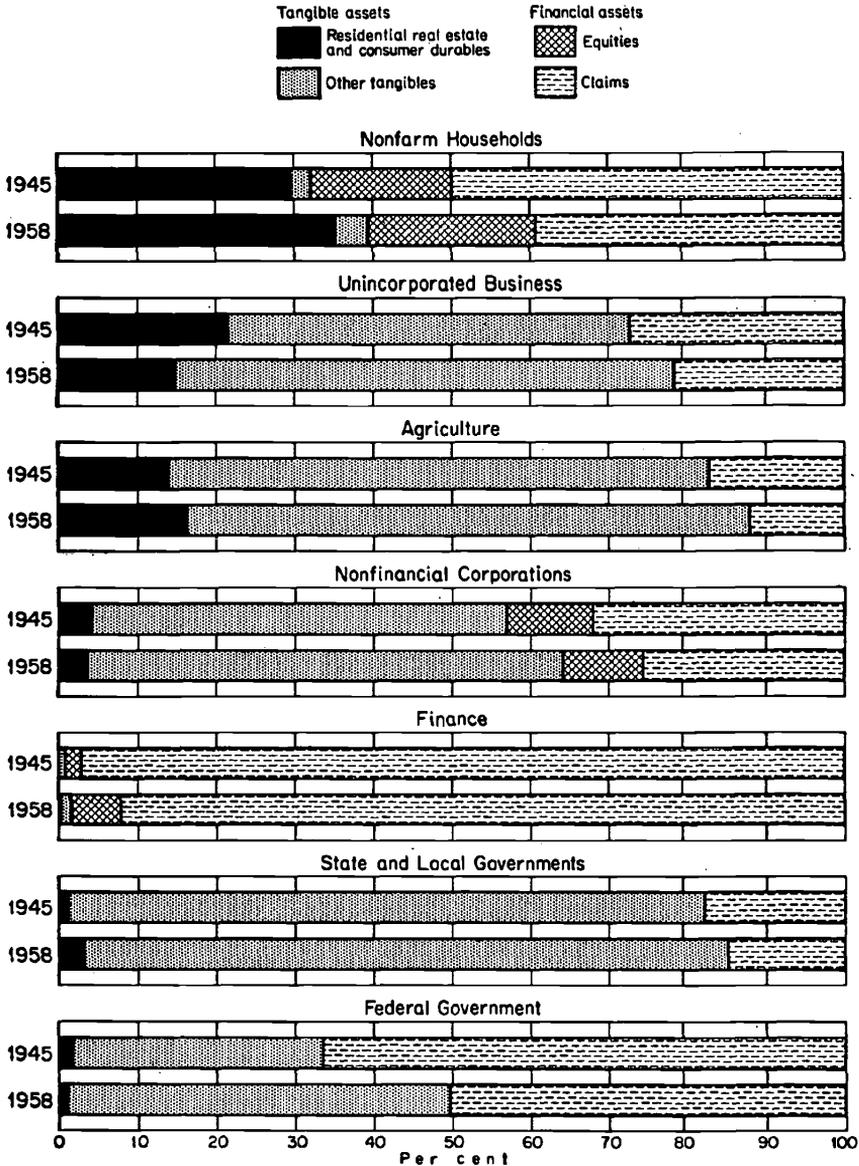
3. The share of public land fell by about one-third, continuing a decline that had started before World War II.

<sup>6</sup> Chapter 5.

NATIONAL BALANCE SHEET IN POSTWAR PERIOD

CHART 5

Distribution of Total Assets of Main Sectors, by Type of Asset,  
1945 and 1958  
(per cent of total assets)



Source: Table 3.

## NATIONAL BALANCE SHEET OF UNITED STATES

4. Within reproducible tangible assets, structures grew more slowly than equipment.

5. The share of total structures in all tangible assets remained stable at approximately one-half throughout the postwar period.

6. The share of nonfarm residences declined slightly from about 53 per cent of all structures in 1945 to about 49 per cent in 1958.

7. Business structures increased their share in total tangible assets slightly from 12 per cent in 1945 to 13 per cent in 1958.

8. Farm structures lost rapidly in relative importance, their share declining from almost 3 per cent to somewhat over 2 per cent.

9. The share of government structures remained stable at approximately one-tenth of national wealth or one-fifth of total structures, a small increase in the share of state and local government structures being offset by a similar decrease of the share of federal civilian structures.

10. The increase in the share of producer durables from 8½ per cent of national wealth in 1945 to almost 12 per cent in 1958 is one of the two outstanding changes in the structure of tangible assets in the postwar period.

11. The increase in the share of consumer durables from 8 to 10½ per cent is the second of these outstanding shifts. Producer and consumer durables together, thus, advanced their share from one-sixth at the beginning of the postwar period to almost one-fourth at the end.

12. The share of inventories fell from 9 to approximately 7½ per cent of national wealth.

13. Monetary metals showed the sharpest relative decline among tangible assets, since their absolute volume hardly increased at all during the postwar period. As a result, their share in national wealth fell from over 4 per cent in 1945 to less than 1½ per cent in 1958.

14. Net foreign assets represented about 1½ per cent of the total national wealth in 1958, while at the beginning of the postwar period foreign liabilities slightly exceeded foreign assets.

Many of these movements represent a continuation of trends observed before 1945, e.g., items 1, 2, 4, 8, 10, and 11. Others involve a considerable shift from previous trends, for instance, 9, 13, and 14.

### CHANGES IN THE STRUCTURE OF FINANCIAL ASSETS

In order to concentrate attention on the significant movements in the growth of financial assets during the postwar period, the figures for the numerous types of assets in the national balance sheet, given in the basic tables in Volume II, have been combined into six main types: corporate stock, other equities—primarily net worth of unincorporated business, claims against financial intermediaries, short-term claims—a

## NATIONAL BALANCE SHEET IN POSTWAR PERIOD

residual, including accruals and miscellaneous intangible assets, mortgages, and bonds and notes—including short-term securities, particularly Treasury bills, but excluding term loans of banks. These six types in turn have been arranged into three major groups—equities, claims against financial intermediaries, and other claims. Annual figures are given for 1945 through 1958 to make it possible to study cyclical movements as well as trends, and for the benchmark years 1900, 1929, and 1939 to provide historical perspective. The absolute figures for the different types of financial assets are shown in Table 13, their share in total financial assets in Table 14, and their movements based on the 1945 level in Table 15.

Total intangible assets in the national balance sheet—a figure which includes many duplications—increased from \$950 million at the end of 1945 to over \$2 billion at the end of 1958, an average rate of increase of 6 per cent a year. The different types of financial assets expanded, however, at quite different rates during this period. Of the main divisions of equities and claims, the former almost tripled in volume rising at an average rate of 8.7 per cent, while the latter failed to double, expanding at a rate of just over 5 per cent a year. The sharper rise in the value of equities was due primarily to the rise in the value of corporate stock which increased by 216 per cent or at the rate of 9.3 per cent a year. This was the result almost exclusively of the sharp rise in common stock prices, particularly in the second half of the period. The volume of stock increased only about one-fifth or  $1\frac{1}{2}$  per cent a year, if measured by the average ratio of new stock issues during a year to the average value of common stock outstanding. The net worth of unincorporated business enterprise and of mutual finance organizations, on the other hand, more than doubled, rising at an annual average of 6.5 per cent.

Differences in the rate of growth were also marked among types of claims. While the volume of bonds and notes increased by only 30 per cent, or at an average rate of 2.1 per cent a year, claims against financial intermediaries expanded by 82 per cent or 4.7 per cent a year. Short-term claims, a mixed category dominated by accounts receivable and consumer loans, more than tripled, expanding at an average annual rate of 9.8 per cent. Mortgages almost quintupled, growing at an annual average rate of 12.8 per cent. These differences (which are not affected by price changes since all the estimates are based on face value) are due partly to different rates of expansion in the branches of the economy which use the different types of claims, and partly to the level to which claims had shrunk during the depression and war. The low rate of increase in the volume of bonds and notes in particular is due entirely to the virtual stability of the bonds and notes of the

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TABLE 10

CURRENT VALUE OF MAIN TYPES OF TANGIBLE ASSETS,<sup>a</sup> 1900-58  
(billion dollars)

	All Tangible Assets (1)	REPRODUCIBLE ASSETS						
		Structures				Other		
		Total (2)	Resi- dential (3)	Busi- ness (4)	Other (5)	Total (6)	Producer Durables (7)	Inven- tories (8)
1900	87.7	34.9	17.4	14.4	3.1	24.1	6.5	9.9
1929	439.1	189.9	95.9	65.0	29.0	123.4	38.4	38.0
1939	395.6	188.5	91.2	58.2	39.1	116.7	34.2	30.4
1945 <sup>b</sup>	576.2	285.6	152.4	70.9	62.3	171.4	48.6	52.6
1946	700.9	345.3	178.5	89.7	77.1	210.7	58.5	68.2
1947	843.5	414.6	216.7	105.3	92.6	253.8	73.7	80.0
1948	928.4	449.4	234.2	115.4	99.8	287.0	87.5	86.0
1949	932.0	446.1	231.6	116.0	98.5	296.2	96.9	79.6
1950	1067.1	507.3	267.4	130.5	109.4	344.6	110.0	96.5
1951	1164.6	545.4	286.0	141.1	118.3	383.3	123.6	110.4
1952	1214.1	578.8	301.7	149.2	127.9	393.9	132.0	106.9
1953	1259.3	605.6	313.5	158.4	133.7	409.7	140.8	107.8
1954	1306.3	631.3	324.8	165.2	141.3	421.3	149.5	107.1
1955	1401.9	683.6	351.4	178.7	153.5	447.0	156.8	113.3
1956	1518.2	736.6	375.5	193.1	168.0	489.6	177.4	122.3
1957	1629.7	790.2	392.1	217.0	181.1	521.0	193.1	126.8
1958	1702.8	833.7	411.3	227.9	194.5	534.0	199.9	129.9

SOURCE: Col. 1: Raymond W. Goldsmith, *The National Wealth of the United States in the Postwar Period*, Princeton for NBER, 1962, Table A-5, col. 2.

Col. 2: Sum of cols. 3, 4, and 5.

Col. 3: *Ibid.*, Table A-5, col. 3.

Col. 4: *Ibid.*, Table A-36, sum of cols. 3, 4, and 5.

Col. 5: *Ibid.*, Table A-36, sum of cols. 2, 6, and 7.

Col. 6: Sum of cols. 7-10.

Col. 7: *Ibid.*, Table A-5, sum of cols. 6 and 7.

Col. 8: *Ibid.*, Table A-5, sum of cols. 8 and 9.

Col. 9: *Ibid.*, Table A-5, col. 15.

federal government, which during the postwar period accounted for between three-fifths and four-fifths of total outstandings in this category. Corporate bonds and notes and state and local government bonds expanded at substantial rates, the annual averages for the postwar period being about 9 per cent in both cases.

As a result of these differential rates of growth, substantial changes occurred in the distribution of total financial assets among the major

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REPRODUCIBLE ASSETS		Nonreproducible Assets					Net Foreign Assets		
Other		Total	Agric. Land	Business Land	Resid. Land and Vacant Lots	Other			
Monetary Metals	Consumer Durables						(9)	(10)	(11)
1.6	6.1	31.0	16.1	3.2	7.4	4.3	-2.3		
4.8	42.2	113.5	38.0	22.9	35.9	16.7	12.4		
19.6	32.5	88.6	26.1	15.6	28.2	18.7	1.7		
23.9	46.3	121.6	46.6	22.0	30.4	22.6	-2.3		
24.4	59.6	141.9	50.3	28.7	34.2	28.7	2.8		
26.7	73.4	164.2	55.9	33.7	41.4	33.2	10.9		
28.2	85.3	178.9	59.5	39.1	46.1	34.2	12.9		
28.5	91.2	176.0	59.2	37.9	45.5	33.4	13.8		
26.8	111.3	201.8	70.3	40.4	51.4	39.7	13.4		
26.8	122.5	221.6	80.6	44.0	54.9	42.1	14.4		
27.4	127.6	226.7	80.2	46.0	59.1	41.4	14.7		
26.3	134.8	228.1	76.2	48.6	62.2	41.1	15.9		
26.0	138.7	238.2	79.0	51.1	66.2	41.9	15.5		
26.1	150.8	256.2	84.0	55.1	72.8	44.3	15.4		
26.5	163.4	274.1	88.7	59.5	79.8	46.1	17.9		
27.5	173.6	295.7	95.0	65.6	87.2	47.9	22.8		
25.4	178.8	310.8	101.3	67.8	93.5	48.2	24.3		

Col. 10: *Ibid.*, Table A-5, col. 10.

Col. 11: Sum of cols. 12-15.

Col. 12: *Ibid.*, Table A-5, col. 11.

Col. 13: *Ibid.*, Table A-5, col. 13 minus Table A-41, cols. 2 and 3.

Col. 14: *Ibid.*, Table A-5, col. 12 plus Table A-41, col. 2.

Col. 15: *Ibid.*, Table A-5, col. 14 plus Table A-41, col. 3.

Col. 16: *Ibid.*, Table A-5, col. 16.

<sup>a</sup> Excludes military assets and includes monetary metals.

<sup>b</sup> Data comparable to later years.

types, which can be followed in Table 14. The share of equities rose from 20 to 28 per cent, and that of corporate stock from 15 to 23 per cent. Mortgages accounted for less than 4 per cent of total financial assets at the end of World War II, but for more than 8 per cent in 1958. Short-term claims other than claims against financial intermediaries also advanced, although less spectacularly, rising from slightly more than 10½ per cent in 1945 to 16½ per cent in 1958. On the other hand, the share of claims against financial intermediaries declined slowly from 31½ to 26½ per cent and that of bonds and notes fell sharply from 34

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TABLE 11

PERCENTAGE DISTRIBUTION OF TOTAL TANGIBLE ASSETS BY MAIN TYPES, 1900-58  
(per cent)

	REPRODUCIBLE ASSETS						
	Structures				Other		
	Total (1)	Resi- dential (2)	Business (3)	Other (4)	Total (5)	Producer Durables (6)	Inven- tories (7)
1900	39.8	19.8	16.4	3.5	27.5	7.4	11.3
1929	43.2	21.8	14.8	6.6	28.1	8.7	8.7
1939	47.6	23.1	14.7	9.9	29.5	8.6	7.7
1945	49.6	26.4	12.3	10.8	29.7	8.4	9.1
1946	49.3	25.5	12.8	11.0	30.1	8.3	9.7
1947	49.2	25.7	12.5	11.0	30.1	8.7	9.5
1948	48.4	25.2	12.4	10.7	30.9	9.4	9.3
1949	47.9	24.8	12.4	10.6	31.8	10.4	8.5
1950	47.5	25.1	12.2	10.3	32.3	10.3	9.0
1951	46.8	24.6	12.1	10.2	32.9	10.6	9.5
1952	47.7	24.8	12.3	10.5	32.4	10.9	8.8
1953	48.1	24.9	12.6	10.6	32.5	11.2	8.6
1954	48.3	24.9	12.6	10.8	32.3	11.4	8.2
1955	48.8	25.1	12.7	10.9	31.9	11.2	8.1
1956	48.5	24.7	12.7	11.1	32.2	11.7	8.1
1957	48.5	24.1	13.3	11.1	32.0	11.8	7.8
1958	49.0	24.2	13.4	11.4	31.4	11.7	7.6

SOURCE: Derived from Table 10.

to 21 per cent. The share of corporate and tax-exempt bonds together, however (Vol. II, Table I), increased from 4½ to 6½ per cent, which was more than offset by the halving of the share of Treasury securities from almost 29 per cent at the end of World War II to a little over 13 per cent thirteen years later.

Fluctuations in both the absolute values and the distribution of the main types of financial assets show the effects of the business cycle and of the upward trend of common stock prices in the 1950's. Thus the expansion in the volume of claims was sharpest in 1947, 1950, and 1955, all in the early phases of upward swings. On the other hand, the volume of claims failed to expand, or increased only slightly, in 1946 and 1949, the latter a year of recession. The two other recession years—1954 and 1958—do not show as clear a pattern, partly because the recessions do not coincide with calendar years. In both of these years, the volume

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REPRODUCIBLE ASSETS		<i>Nonreproducible Assets</i>					
<i>Other</i>							
Monetary Metals (8)	Consumer Durables (9)	Total (10)	Agric. Land (11)	Business Land (12)	Resid. Land and Vacant Lots (13)	Other (14)	Net Foreign Assets (15)
1.8	7.0	35.3	18.4	3.6	8.4	4.9	-2.6
1.1	9.6	25.8	8.7	5.2	8.2	3.8	2.8
5.0	8.2	22.4	6.6	3.9	7.1	4.7	.4
4.1	8.0	21.1	8.1	3.8	5.3	3.9	-4
3.5	8.5	20.2	7.2	4.1	4.9	4.1	.4
3.2	8.7	19.5	6.6	4.0	4.9	3.9	1.3
3.0	9.2	19.3	6.4	4.2	5.0	3.7	1.4
3.1	9.8	18.9	6.4	4.1	4.9	3.6	1.5
2.5	10.4	18.9	6.6	3.8	4.8	3.7	1.3
2.3	10.5	19.0	6.9	3.8	4.7	3.6	1.2
2.3	10.5	18.8	6.6	3.8	4.9	3.4	1.2
2.1	10.7	18.1	6.1	3.9	4.9	3.3	1.3
2.0	10.6	18.2	6.0	3.9	5.1	3.2	1.2
1.9	10.8	18.3	6.0	3.9	5.2	3.2	1.1
1.7	10.8	18.1	5.8	3.9	5.3	3.0	1.2
1.7	10.7	18.1	5.8	4.0	5.4	2.9	1.4
1.5	10.5	18.3	5.9	4.0	5.5	2.8	1.4

of claims expanded by about 5½-6 per cent, which is a little above the average for the entire period, although lower than in boom years.

The cyclical effects are more pronounced in short-term loans and mortgages than in claims against financial intermediaries or in long-term bonds and notes. In the first of these, cyclical movements reflecting deliberate measures of monetary policy, directed at stemming recession through easing credit, played a considerable role. In the case of long-term bonds and notes, cyclical movements are obscured by the relatively small changes in the large block of Treasury securities and by the well-known tendency of corporate bonds to move in a counter-cyclical pattern.<sup>7</sup>

The movement in the value of equities, as already indicated, is

<sup>7</sup> For this behavior during the forty years before 1939, see W. Braddock Hickman, *The Volume of Corporate Bond Financing Since 1900*, Princeton for NBER, 1953, Chapter 4.

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TABLE 12

GROWTH OF MAIN TYPES OF TANGIBLE ASSETS, 1900-58  
(current values, 1945 = 100) \*

	All Tangible Assets (1)	REPRODUCIBLE ASSETS						
		Structures				Other		
		Total (2)	Resi- dential (3)	Busi- ness (4)	Other (5)	Total (6)	Producer Durables (7)	Inven- tories (8)
1900	15.2	12.2	11.4	20.3	5.0	14.1	13.4	18.8
1929	76.2	66.5	62.9	91.7	46.5	72.0	79.0	72.2
1939	68.7	66.0	59.8	82.1	62.8	68.1	70.4	57.8
1945	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1946	121.6	120.9	117.1	126.5	123.8	122.9	120.4	129.7
1947	146.4	145.2	142.2	148.5	148.6	148.1	151.6	152.1
1948	161.1	157.4	153.7	162.8	160.2	167.4	180.0	163.5
1949	161.7	156.2	152.0	163.6	158.1	172.8	199.4	151.3
1950	185.2	177.6	175.5	184.1	175.6	201.1	226.3	183.5
1951	202.1	191.0	187.7	199.0	189.9	223.6	254.3	209.9
1952	210.7	202.7	198.0	210.4	205.3	229.8	271.6	203.2
1953	218.6	212.0	205.7	223.4	214.6	239.0	289.7	204.9
1954	226.7	221.0	213.1	233.0	226.8	245.8	307.6	203.6
1955	243.3	239.4	230.6	252.0	246.4	260.8	322.6	215.4
1956	263.5	257.9	246.4	272.4	269.7	285.6	365.0	232.5
1957	282.8	276.7	257.3	306.1	290.7	304.0	397.3	241.1
1958	295.5	291.9	269.9	321.4	312.2	311.6	411.3	247.0

SOURCE: Derived from Table 10.

\* Rate of growth of net foreign assets was not calculated because value in the base year was negative.

chiefly a reflection of the price of corporate stock. Cyclical movements are not absent, but they are dwarfed by the sharp upward trend during the 1950's, which tripled the value of corporate stock outstanding although net new issues of stock were relatively small.

*Some Important Balance Sheet Ratios*

FINANCIAL INTERRELATIONS RATIO

The financial interrelations ratio (FIR) is one of the most interesting characteristics of a country's financial structure that can be derived from the national balance sheet. It is a very simple concept: the ratio of the value of financial to tangible assets. It can also be expressed as the sum of twice the ratio of the assets of financial institutions (exclud-

NATIONAL BALANCE SHEET IN POSTWAR PERIOD

REPRODUCIBLE ASSETS			Nonreproducible Assets			
Other		Total	Agric. Land	Business Land	Resid. Land and Vacant Lots	Other
Monetary Metals (9)	Consumer Durables (10)					
6.7	13.2	25.5	34.5	14.5	24.3	19.0
20.1	91.1	93.3	81.5	104.1	118.1	73.9
82.0	70.2	72.9	56.0	70.9	92.8	82.7
100.0	100.0	100.0	100.0	100.0	100.0	100.0
102.1	128.7	116.7	107.9	130.5	112.5	127.0
111.7	158.5	135.0	120.0	153.2	136.2	146.9
118.0	184.2	147.1	127.7	177.7	151.6	151.3
119.2	197.0	144.7	127.0	172.3	149.7	147.8
112.1	240.4	166.0	150.9	183.6	169.1	175.7
112.1	264.6	182.2	173.0	200.0	180.6	186.3
114.6	275.6	186.4	172.1	209.1	194.4	183.2
110.0	291.1	187.6	163.5	220.9	204.6	181.9
108.8	299.6	195.9	169.5	232.3	217.8	185.4
109.2	325.7	210.7	180.3	250.5	239.5	196.0
110.9	352.9	225.4	190.3	270.5	262.5	204.0
115.1	374.9	243.2	203.9	298.2	286.8	212.9
106.3	386.2	255.6	217.4	308.2	307.6	213.3

ing intrasector assets) to tangible assets and the ratio of other intangible assets (i.e., those not owed by or to financial institutions) to tangible assets. The FIR therefore measures both the size of the unduplicated superstructure of intangibles relative to tangible assets and the duplication introduced by the operation of financial organizations, which are inserted as links in the chain between ultimate suppliers and users of funds and thus increase the total volume of intangible assets.

Two main characteristics of the FIR in the postwar period stand out in Table 16 and Chart 6. The first is the sharp decline in the two years after World War II, evidenced in the fall of the FIR from 1.76 at the end of 1945 to 1.28 at the end of 1947. The second is the stability in the following decade during which the FIR ranged only within the limits of 1.17 (1951) and 1.29 (1955). No trend or regular movement in the FIR can be observed during this period. The ratio tended to be rather low for 1950-53 and somewhat higher for 1954-57. The 1958 value, however, is virtually the same as that of 1947-49.

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TABLE 13  
MAIN TYPES OF NATIONAL FINANCIAL ASSETS, 1900-58  
(billion dollars)

	CLAIMS										
	Equities					Other					
	All Finan. Assets (1)	Total (2)	Corp. Stock (3)	Other (4)	Total (5)	Against Finan. Interm. (6)	Total (7)	Short- Term (8)	Total (9)	Mortgages (10)	Bonds and Notes (11)
1900	67	21	14	7	46	13	33	18	15	7	8
1929	546	218	187	31	328	89	239	122	117	46	71
1939	467	130	100	30	336	142	194	60	134	35	99
1945 <sup>a</sup>	954	194	147	47	761	300	461	101	360	36	324
1946	951	189	133	56	762	299	463	114	349	42	307
1947	1007	193	131	62	813	318	495	137	358	49	309
1948	1050	201	132	69	848	331	517	149	368	56	312
1949	1090	216	147	69	874	338	536	151	385	63	322
1950	1194	255	179	76	939	351	588	189	399	73	326
1951	1288	287	203	84	1001	377	624	207	417	82	335
1952	1371	304	219	85	1066	401	665	223	442	91	351
1953	1426	306	218	88	1120	420	700	233	467	101	366
1954	1568	368	299	89	1182	446	736	245	491	114	377
1955	1728	457	364	93	1271	467	804	287	517	130	387
1956	1818	481	382	99	1338	491	847	311	536	145	391
1957	1855	452	347	105	1402	514	888	327	561	157	404
1958	2057	572	465	107	1485	547	938	342	596	172	424

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SOURCE TO TABLE 13

- Col. 1: Vol. II, Tables I and Ia, line II-21, less monetary metals (line II-1a).  
 Col. 2: Sum of cols. 3 and 4.  
 Col. 3: Vol. II, Tables I and Ia, line II-16 plus II-17.  
 Col. 4: Vol. II, Tables I and Ia, equity in unincorporated business and mutual financial organizations (lines II-18 and II-19).  
 Col. 5: Sum of cols. 6 and 7.  
 Col. 6: Includes currency and demand deposits, except monetary metals; other bank deposits and shares; life insurance reserves; pension and retirement funds, private and government (Vol. II, Tables I and Ia, lines II-1 through 5, less line II-1a); but excludes mortgages, consumer credit,

trade credit, loans on securities, bank and other loans, bonds and notes, and miscellaneous claims against financial intermediaries.

Col. 7: Sum of cols. 8 and 9.

Col. 8: Includes consumer credit, trade credit, loans on securities, bank loans n.e.c., other loans, and other miscellaneous intangible assets (Vol. II, Tables I and Ia, lines II-6 through 10, and II-20). This also includes a certain amount of loans to financial intermediaries.

Col. 9: Sum of cols. 10 and 11.

Col. 10: Vol. II, Tables I and Ia, lines II-11 plus II-12.

Col. 11: Vol. II, Tables I and Ia, lines II-13 through II-15.

\* Data comparable to later years.

NATIONAL BALANCE SHEET OF UNITED STATES

TABLE 14

PERCENTAGE DISTRIBUTION OF FINANCIAL ASSETS BY MAIN TYPES, 1900-58  
(per cent)

	CLAIMS									
	Equities			Other						
	Total	Corp. Stock	Other	Total	Against Financial Interm.	Total	Short-Term	Long-Term		Bonds and Notes
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	
1900	31.3	20.9	10.4	68.7	19.4	49.3	26.9	22.4	10.4	11.9
1929	39.9	34.2	5.7	60.1	16.3	43.8	22.3	21.4	8.4	13.0
1939	27.8	21.4	6.4	71.9	30.4	41.5	12.8	28.7	7.5	21.2
1945	20.3	15.4	4.9	79.8	31.4	48.3	10.6	37.7	3.8	34.0
1946	19.9	14.0	5.9	80.1	31.4	48.7	12.0	36.7	4.4	32.3
1947	19.2	13.0	6.2	80.7	31.6	49.2	13.6	35.6	4.9	30.7
1948	19.1	12.6	6.6	80.8	31.5	49.2	14.2	35.0	5.3	29.7
1949	19.8	13.5	6.3	80.2	31.0	49.2	13.8	35.3	5.8	29.5
1950	21.4	15.0	6.4	78.6	29.4	49.2	15.8	33.4	6.1	27.3
1951	22.3	15.8	6.5	77.7	29.3	48.4	16.1	32.4	6.4	26.0
1952	22.2	16.0	6.2	77.8	29.2	48.5	16.3	32.2	6.6	25.6
1953	21.5	15.3	6.2	78.5	29.5	49.1	16.3	32.7	7.1	25.7
1954	24.7	19.1	5.7	75.4	28.4	46.9	15.6	31.3	7.3	24.0
1955	26.4	21.1	5.4	73.6	27.0	46.5	16.6	29.9	7.5	22.4
1956	26.5	21.0	5.4	73.6	27.0	46.6	17.1	29.5	8.0	21.5
1957	24.4	18.7	5.7	75.6	27.7	47.9	17.6	30.2	8.5	21.8
1958	27.8	22.6	5.2	72.2	26.6	45.6	16.6	29.0	8.4	20.6

SOURCE: Derived from Table 13.

The sharp decline of the FIR in the first two years of the postwar period is primarily the result of the pronounced rise in the value of tangible assets (which reflected the repressed inflation of World War II) in the face of only a small increase in the volume of claims and a decline in the price of corporate stock. The stability during 1948-58 at a level where the value of financial assets was about one-fifth larger than that of tangible assets, or national assets were two and a fifth times national wealth, indicates the growth of the financial structure in line with the increase in value of national wealth. This in turn is the result of the expansion of the volume of national wealth and the price level of tangible assets, both of which increased fairly steadily over this period.

The stability of the FIR was shared by its two main components, the ratios of the assets of financial institutions and of other intangibles to

NATIONAL BALANCE SHEET IN POSTWAR PERIOD

TABLE 15  
GROWTH OF NATIONAL FINANCIAL ASSETS, 1900-58  
(1945 = 100)

	CLAIMS										
	Equities					Other					
	All Finan- cial Assets (1)	Total (2)	Corp. Stock (3)	Other (4)	Total (5)	Against Finan. Interm. (6)	Total (7)	Short- Term (8)	Total (9)	Mort- gages (10)	Bonds and Notes (11)
1900	7	11	10	15	6	4	7	18	4	19	2
1929	57	112	127	66	43	30	52	121	33	128	22
1939	49	67	68	64	44	47	42	59	37	97	31
1945	100	100	100	100	100	100	100	100	100	100	100
1946	100	97	90	119	100	100	100	113	97	117	95
1947	106	99	89	132	107	106	107	136	99	136	95
1948	110	104	90	147	111	110	112	148	102	156	96
1949	114	111	100	147	115	113	116	150	107	175	99
1950	125	131	122	162	123	117	128	187	111	203	101
1951	135	148	138	179	132	126	135	205	116	228	103
1952	144	157	149	181	140	134	144	221	123	253	108
1953	149	158	148	187	147	140	152	231	130	281	113
1954	164	200	203	189	155	149	160	243	136	317	116
1955	181	236	248	198	167	156	174	284	144	361	119
1956	191	248	260	211	176	164	184	308	149	403	121
1957	194	233	236	223	184	171	193	324	156	436	125
1958	216	295	316	228	195	182	203	339	166	478	131

SOURCE: Derived from Table 13.

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TABLE 16

THE FINANCIAL INTERRELATIONS RATIO AND ITS MAIN COMPONENTS, 1900-58

	RATIO TO TANGIBLE ASSETS OF:					Proportion of Intangible Assets Invol- ving Financial Institutions (6)
	All Intangible <sup>a</sup> Assets (1)	Intangibles Involving Financial Institutions (2)	Other Intangibles			
			Total (3)	Claims (4)	Equities (5)	
1900	.77	.30	.47	.24	.23	.39
1912	.86	.35	.51	.22	.29	.41
1922	1.00	.41	.59	.29	.30	.41
1929	1.30	.53	.77	.27	.50	.41
1933	1.27	.55	.72	.35	.37	.43
1939	1.30	.57	.73	.40	.33	.44
1945 <sup>b</sup>	1.76	.98	.78	.44	.34	.56
1946	1.45	.81	.64	.37	.27	.56
1947	1.28	.71	.57	.34	.23	.55
1948	1.21	.67	.54	.32	.22	.55
1949	1.26	.71	.55	.32	.23	.56
1950	1.19	.66	.53	.29	.24	.55
1951	1.17	.65	.52	.28	.24	.56
1952	1.19	.68	.51	.26	.25	.57
1953	1.19	.70	.49	.25	.24	.59
1954	1.26	.73	.53	.24	.29	.58
1955	1.29	.73	.56	.25	.31	.57
1956	1.25	.71	.54	.24	.30	.57
1957	1.19	.70	.49	.22	.27	.59
1958	1.26	.73	.53	.21	.32	.58

SOURCE: Col. 1: Vol. II, Tables I and Ia.

Col. 2: Twice the intangible assets (except currency and demand deposits, and other banks' deposits and shares) held by the finance sector. Data from Vol. II, Tables I and Ia, col. 5, lines II-1, II-2, and II-21.

Col. 3: Col. 1 minus col. 2.

Col. 4: Col. 3 minus col. 5.

Col. 5: Vol. II, Tables I and Ia, col. 8, lines 16 through 19, minus col. 5, lines 16 through 19.

Col. 6: Col. 2 divided by col. 1.

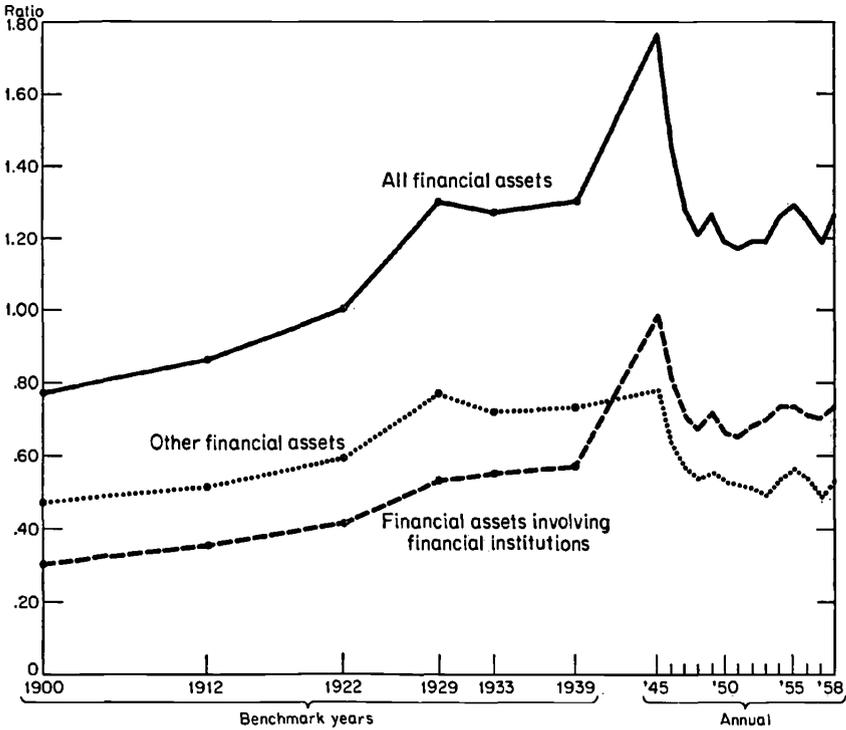
<sup>a</sup> Intangible assets include monetary metals.

<sup>b</sup> Data comparable to later years.

national wealth. As a result, the share of financial institutions in total intangibles remained quite steady at a level of approximately three-fifths. Considerable changes, however, have occurred within the second component, the ratio to national wealth of intangibles not owed by or to financial institutions. The ratio of equities (mostly corporate stock) to national wealth, after remaining fairly stable at 22-25 per cent from

CHART 6

The Financial Interrelations Ratio, 1900-58  
(national wealth = 1)



Source: Table 16.

1947 through 1953, advanced to over 30 per cent, reflecting the sharp rise in stock prices. On the other hand, the relation of other claims (i.e., government securities, corporate bonds, mortgages, and accounts receivable held outside financial institutions) declined, falling gradually from a level of about a third of national wealth in 1946-49 to only approximately one-fifth at the end of the period. As a result, the share of equities in the second component of the FIR rose from a level of about two-fifths in 1946-49 to over one-half in 1954-58. This is another reflection of the declining importance in the economy of claims not owed to or by financial institutions.

In historical perspective, the FIR in 1947-58 was at about the same level as during the 1930's, before the sharp wartime increase, and substantially higher than between 1900 and the mid-1920's. The similarity between the postwar and prewar FIR is partly the result of offsetting

## NATIONAL BALANCE SHEET OF UNITED STATES

differences in some of the components: intangibles involving financial institutions grew in importance at the expense of other claims. The FIR in 1929 was the same as in 1939, but in 1929 equities were 50 per cent of the value of tangible assets—the highest level in the whole sixty-year period. The lower FIR's in earlier years could be attributed to the financial institutions component. Other claims and equities bore about the same relation to tangible assets as in recent years.

### RATIO OF INTANGIBLE TO TOTAL ASSETS

On a national basis, this ratio is easily transformed into the financial interrelations ratio and hence without interest of its own. For sectors or subsectors, however, it is one of the important indicators of financial position.

For the nation as a whole, the ratio of intangible to total assets fell sharply during the first two years of the postwar period from its extraordinarily high level at the end of World War II. This peak was a result of the repressed inflation during the conflict and the sharp expansion in the volume of intangible assets—particularly claims. The expansion in claims, primarily Treasury securities and bank deposits, contrasted with a relatively small increase in the value of tangible assets. The smallness of the growth in tangible assets was, in turn, due to the sharp curtailment of civilian capital expenditures during the war and to controls, which held down the rises in the price of tangible assets even if they were unable to prevent them altogether. From 1947 to 1958 there was no trend in the national ratio of intangible to total assets, and year-to-year changes were moderate; the ratio averaged 55 per cent, ranging only between 54 and 56 per cent, a level which corresponds to a financial interrelations ratio of about 1.22. This level is identical with the one which prevailed from 1929 to 1939, but it is considerably higher than those observed before World War I, which were approximately 0.80; and it is still a little above the ratio of 1922 (1.00). This indicates that during the postwar period as a whole (disregarding the transitory years 1946-47), the relative size of the country's financial superstructure did not change significantly.

The ratio of intangible to total assets also remained fairly stable for most sectors after 1947 or 1948, as can be judged from the movement of the ratio of tangible to total assets in Table 17. In the case of non-farm households, for example, the ratio fluctuated only between 58 and 61 per cent. The ratio moved within the narrow range of 33 to 37 per cent for nonfinancial corporations. Some evidence of a contracyclical movement may be detected in the fact that the ratios for the recession years of 1954 and 1958 are a little higher than those of the preceding boom years.

NATIONAL BALANCE SHEET IN POSTWAR PERIOD

TABLE 17  
RATIO OF TANGIBLE\* TO TOTAL ASSETS OF MAIN SECTORS, 1945-58

	1945	1946	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957	1958
Households	.39	.42	.46	.47	.46	.48	.49	.48	.48	.46	.45	.45	.47	.45
1. Nonfarm households	.32	.35	.39	.41	.40	.42	.42	.42	.42	.40	.40	.40	.41	.39
2. Agriculture	.83	.84	.85	.86	.85	.87	.88	.87	.87	.87	.86	.87	.87	.88
Business enterprises	.28	.33	.36	.38	.37	.38	.39	.38	.39	.37	.37	.38	.39	.38
1. Nonfinancial corporations	.57	.64	.66	.68	.67	.66	.67	.67	.67	.65	.63	.64	.66	.64
2. Finance	.01	.01	.01	.01	.01	.01	.01	.01	.01	.01	.01	.01	.02	.01
3. Unincorporated business	.73	.76	.78	.79	.78	.79	.78	.78	.78	.78	.79	.79	.79	.78
Government	.56	.69	.70	.69	.69	.68	.67	.67	.68	.69	.69	.70	.71	.72
1. State and local	.82	.85	.85	.85	.84	.85	.85	.85	.84	.83	.84	.84	.85	.85
2. Federal	.33	.47	.47	.47	.48	.46	.44	.44	.46	.48	.47	.48	.48	.50
Total	.36	.41	.44	.45	.44	.46	.46	.46	.46	.44	.44	.44	.46	.44
Total, nonfederal	.36	.41	.44	.45	.44	.46	.46	.46	.46	.44	.44	.44	.46	.44

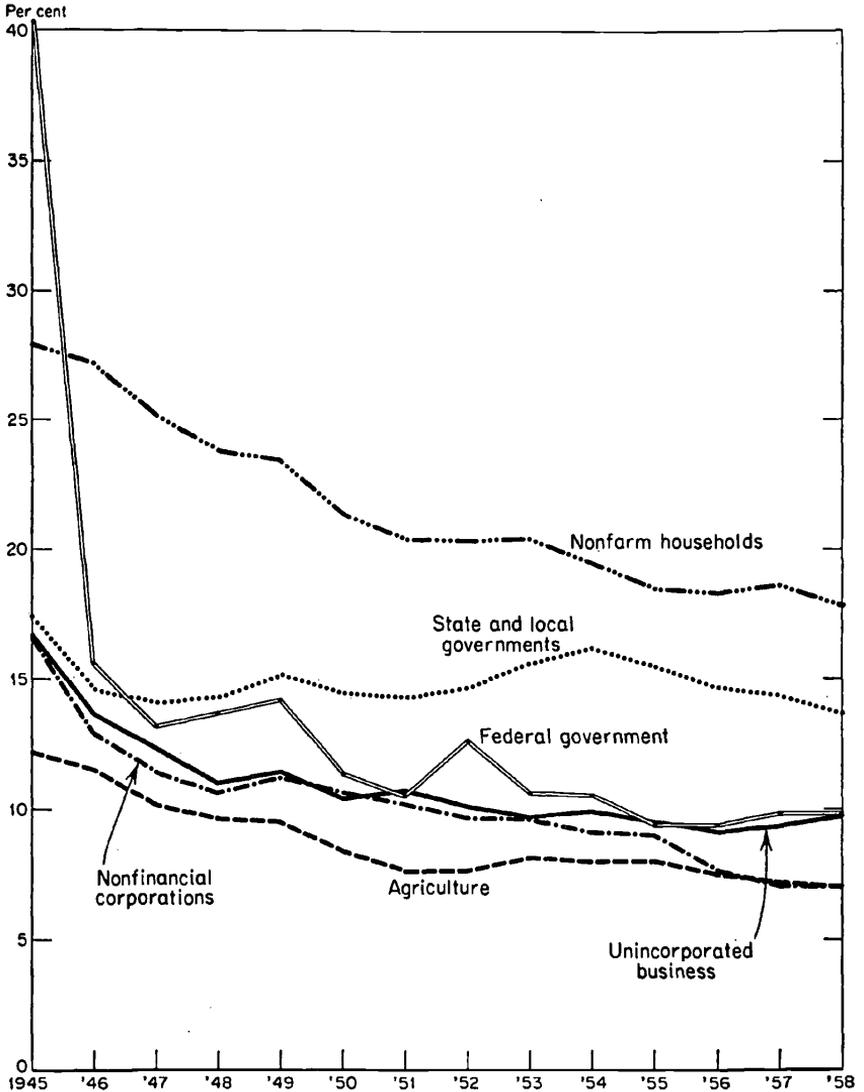
Source: Vol. II, Table I.  
\* Excluding monetary metals.

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LIQUID ASSET RATIO

The well-known plethora of liquid assets at the end of World War II and the gradual elimination of this excess liquidity during the postwar period are clearly evident in Table 18 and Chart 7. At the end of 1945,

CHART 7  
Liquid Asset Ratio of Main Nonfinancial Sectors, 1945-58  
(total assets = 100)



Source: Table 18.

## NATIONAL BALANCE SHEET IN POSTWAR PERIOD

liquid assets (monetary metals, currency, commercial bank deposits, deposits in other financial institutions, and U. S. government, state, and local securities) amounted to more than one-third of the total assets in the national balance sheet. Among financial intermediaries they constituted more than three-fourths of total assets, partly as a result of the large-scale accumulation of Treasury securities during the war. Even among nonfarm households liquid assets represented more than one-fourth of total assets, while their share stood at about one-sixth for unincorporated business enterprises, nonfinancial corporations, and state and local governments. All these ratios were the highest for any benchmark year since 1900, and probably also were well above the level reached at any time during the nineteenth century.

During the postwar period the liquid asset ratio declined continuously, but its fall was particularly pronounced during the first part of the period. By 1951 the ratio for all sectors together had already declined to 23 per cent from its 1945 peak of 36 per cent. Little change is indicated for the following two years. Over the 1954-58 cycle, however, the ratio again moved downward, reaching 19 per cent in 1958. This level was still higher than that observed for any benchmark date, and probably for any individual year, before the mid-1930's. On the basis of these rough, over-all annual figures, cyclical movements during the postwar period are not reflected in the liquid asset ratio, defined as broadly as it is here.

Similarly sharp declines can be observed in most of the main sectors. The liquid asset ratio of nonfarm households declined during the postwar period from 28 to 18 per cent, most of the drop again occurring before the Korean War. The reduction in the liquid asset ratio during the first postwar years is particularly pronounced for business enterprises. Between 1945 and 1948 the ratio declined from 17 to 11 per cent for nonfinancial corporations and from 17 to 12 per cent for nonfarm unincorporated business enterprises. In both sectors, however, further declines occurred in the latter part of the period. As a result, the level of the liquid asset ratio in 1958 was only slightly above the average of the first thirty years of the century for the two business sectors.

### PRICE-SENSITIVE ASSETS RATIO

This ratio, shown in Table 19 and Chart 8, is significant because it indicates the susceptibility of a sector, or subsector, to changes in the price of assets, and, together with the debt ratio, measures the effect of asset price changes on net worth.<sup>8</sup> It is calculated as the ratio of the current value of structures, equipment, inventories, land, corporate stock, and equity in unincorporated business enterprises to the value of a sector's total assets.

<sup>8</sup> For a more detailed description, see Part Two.

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TABLE 18  
RATIO OF LIQUID<sup>a</sup> TO TOTAL ASSETS OF MAIN SECTORS, 1945-58

	1945	1946	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957	1958
Households	.26	.25	.23	.22	.21	.19	.19	.19	.19	.18	.17	.17	.17	.17
1. Nonfarm households	.28	.27	.25	.24	.23	.21	.20	.20	.20	.20	.19	.18	.19	.18
2. Agriculture	.12	.11	.10	.10	.10	.08	.08	.08	.08	.08	.08	.08	.07	.07
Business enterprises	.48	.43	.39	.36	.36	.32	.31	.30	.29	.28	.26	.24	.23	.23
1. Nonfinancial corporations	.17	.13	.11	.11	.11	.11	.10	.10	.10	.09	.09	.08	.07	.07
2. Financial enterprises other than line 3 <sup>b</sup>	.60	.67	.51	.62	.48	.45	.40	.40	.39	.30	.21	.19	.23	.23
3. Financial intermediaries	.76	.72	.69	.66	.64	.59	.58	.55	.54	.52	.48	.46	.44	.43
Banks <sup>c</sup>	.82	.79	.76	.74	.73	.69	.67	.66	.65	.64	.59	.57	.56	.56
Other <sup>d</sup>	.60	.58	.55	.51	.48	.44	.42	.40	.38	.36	.34	.32	.31	.29
4. Unincorporated business	.17	.14	.12	.11	.11	.10	.11	.10	.10	.10	.09	.09	.09	.10
Government	.30	.15	.14	.14	.15	.13	.13	.14	.13	.14	.13	.13	.13	.12
1. State and local	.17	.15	.14	.14	.15	.15	.14	.15	.16	.16	.15	.15	.14	.14
2. Federal	.40	.16	.13	.14	.14	.11	.11	.13	.11	.10	.09	.09	.10	.10
Total	.36	.32	.29	.27	.27	.24	.23	.23	.23	.22	.21	.20	.20	.19
Total, nonfederal	.35	.32	.30	.28	.28	.25	.24	.24	.23	.23	.21	.20	.20	.19

SOURCE: Vol. II, Tables I, II, and III-5m-1.

<sup>a</sup> Liquid assets include currency and demand deposits, including monetary metals; other bank deposits and shares; and U.S. and state and local government securities.

<sup>b</sup> Brokers and dealers.

<sup>c</sup> Federal Reserve banks and Treasury monetary funds, commercial banks, and mutual savings banks.

<sup>d</sup> Government pension and insurance funds, savings and loan associations, investment companies, credit unions, life insurance companies, fire and casualty insurance, noninsured pension plans, other private insurance, finance companies, and other finance except brokers and dealers.

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TABLE 19  
RATIO OF PRICE-SENSITIVE<sup>a</sup> TO TOTAL ASSETS OF MAJOR SECTORS, 1945-58

	1945	1946	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957	1958
Households	.61	.62	.64	.65	.65	.67	.68	.68	.67	.68	.69	.69	.68	.69
1. Nonfarm households	.57	.58	.60	.61	.61	.64	.65	.65	.64	.65	.67	.67	.66	.67
2. Agriculture	.83	.84	.85	.86	.85	.87	.88	.87	.87	.87	.86	.87	.87	.88
Business enterprises	.33	.38	.40	.42	.41	.43	.44	.43	.43	.44	.44	.45	.45	.45
1. Nonfinancial corporations	.68	.72	.73	.75	.74	.74	.75	.74	.75	.75	.74	.74	.74	.74
2. Financial enterprises other than line 3 <sup>b</sup>	.06	.07	.10	.07	.11	.07	.09	.10	.07	.10	.10	.07	.10	.06
3. Financial intermediaries	.03	.03	.03	.03	.04	.04	.04	.04	.05	.06	.06	.07	.06	.08
Banks <sup>c</sup>	.01	.01	.01	.01	.01	.01	.01	.01	.01	.01	.01	.01	.01	.01
Others <sup>d</sup>	.08	.07	.07	.07	.08	.09	.09	.10	.09	.12	.13	.13	.12	.14
4. Unincorporated business	.73	.76	.78	.79	.78	.79	.78	.78	.78	.78	.79	.79	.79	.78
Government	.58	.70	.70	.69	.69	.68	.67	.67	.68	.69	.69	.70	.71	.72
1. State and local	.82	.85	.85	.85	.84	.85	.85	.85	.84	.83	.84	.84	.85	.85
2. Federal	.36	.50	.48	.47	.48	.46	.44	.44	.46	.49	.48	.48	.48	.50
Total	.49	.52	.54	.55	.55	.57	.58	.57	.57	.58	.58	.59	.58	.59
Total, nonfederal	.49	.52	.54	.56	.55	.57	.58	.58	.57	.58	.59	.59	.59	.60

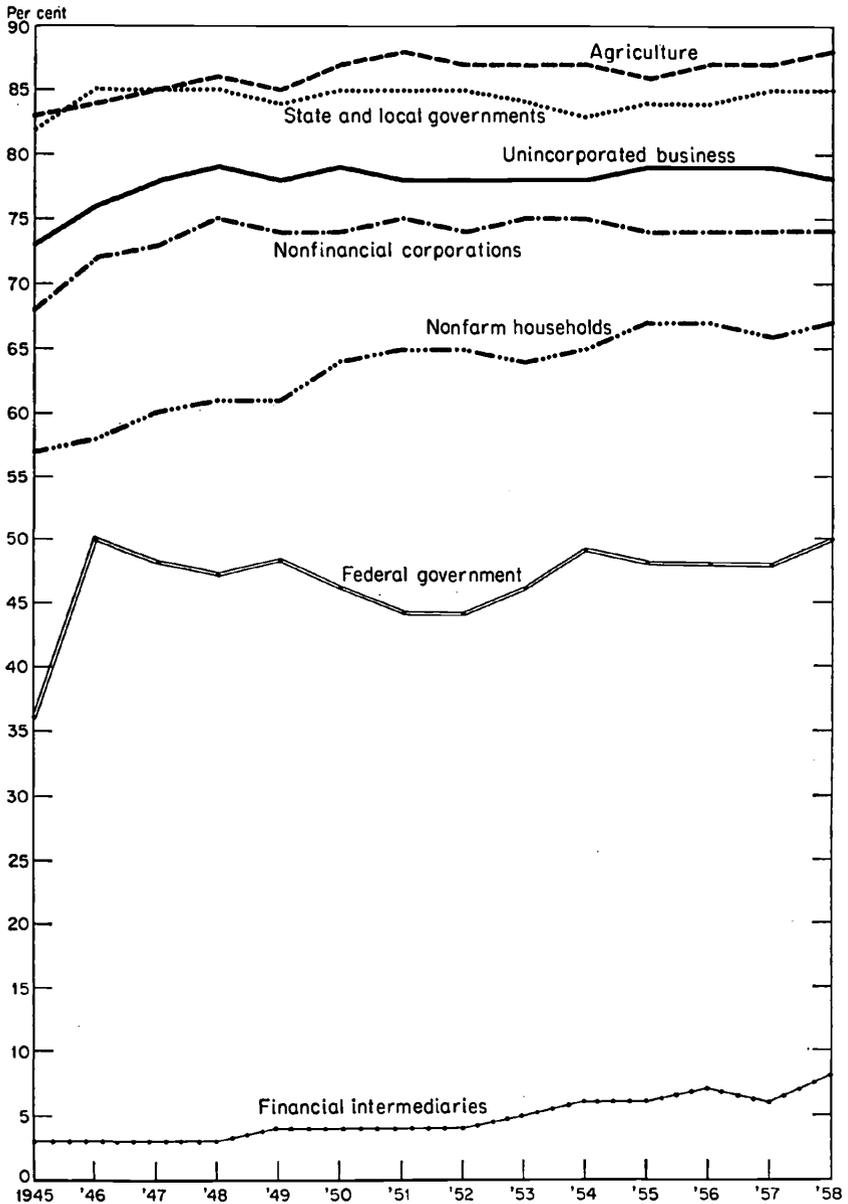
SOURCE: Vol. II, Tables I, II, and III-5m-1.

<sup>a</sup> Price-sensitive assets include structures, equipment, inventories, land, corporate stock, and equity in unincorporated business enterprises.

For notes b-d, see notes to Table 18.

CHART 8

Ratio of Price-Sensitive to Total Assets of Main Sectors, 1945-58



Source: Table 19.

## NATIONAL BALANCE SHEET IN POSTWAR PERIOD

For all sectors taken together, the ratio of price-sensitive to total assets went up considerably during the postwar period; it rose from 49 to 57 per cent between 1945 and 1950, and then to 60 per cent at the end of 1958. The rise between the end of World War II and the Korean War was due chiefly to a sharp upward movement in the price of tangible assets which in turn reflects the end of war-time price controls and repressed inflation. The further, more moderate rise during the 1950's is the result of the slow, continuous advance of the price of tangible assets and the sharp increase in the price of common stock which started in 1950, but was most pronounced from 1954 on. The ratio of price-sensitive to total assets, therefore, advanced in years in which stock prices gained considerably, for instance, 1954 and 1958, and receded, though only moderately, in 1952-53 and 1957, when stock prices changed very little or declined.

The average level of the price-sensitive asset ratio during the postwar period of 50 to 60 per cent is low compared to its level in the forty years before World War II. During that period, the ratio showed a slowly declining trend, falling from nearly 70 per cent in 1900 and 1912 to around 60 per cent in 1933 and 1939.<sup>9</sup>

The level of the price-sensitive asset ratio differs greatly among sectors, and even more among subsectors.<sup>10</sup> Five of the eight main sectors distinguished here have relatively high ratios: nonfarm households, agriculture, nonfinancial corporations, unincorporated business, and state and local governments. The ratios are low only for the federal government, financial intermediaries, and other financial enterprises. These differences in level reflect basic dissimilarities in the operation and hence the assets of these sectors. Financial enterprises have hardly any tangible assets and keep only a relatively small proportion of their remaining assets in common stock, which is their only markedly price-sensitive intangible asset. On the other hand, most of the assets of the commodity and service-producing sectors—nonfinancial corporations, unincorporated business, and agriculture—consist of land, structures, equipment, and inventories, all of which are tangible assets sensitive to price changes. The only unexpected feature may be the relatively high level of the ratio of nonfarm households, which has averaged two-thirds during the postwar period. This reflects the heavy weight of homes and consumer durables in the balance sheet of nonfarm households.

The trend of the price-sensitive asset ratio during the postwar period was in the same direction for virtually all sectors, and year-to-year changes do not exhibit many systematic differences. The ratio was

<sup>9</sup> *Income and Wealth Series IV*, p. 381.

<sup>10</sup> See Part Two, Chapter 8.

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higher in 1958 than in 1945 for all sectors, except financial enterprises other than financial intermediaries, and even here no decline was shown. It is remarkable that even financial intermediaries show a sharp increase in the ratio of price-sensitive to total assets—from 3 to 8 per cent—although the ratio still moves on a very low level. This increase reflects not only the rise in stock prices, but also the more rapid increase in the total assets of some groups of financial intermediaries that habitually invest mostly in stocks, e.g., investment companies, and the shift within other groups toward stocks, which has been particularly pronounced among trustee pension funds. In most sectors, the greater part of the increase in the price-sensitive asset ratio occurred during the first half of the postwar period, a fact which suggests the influence of tangible asset price changes. This was true for households, both farm and nonfarm, for nonfinancial corporations and unincorporated business, and for governments. Financial intermediaries, on the other hand, showed greater increases after 1951, probably as a result of both stock price changes and stock purchases.

### THE DEBT-ASSET RATIO

The debt-asset ratio, shown in Table 20 and Chart 9, is often regarded as the most important single balance sheet ratio of an individual enterprise, since it illustrates the extent to which total assets are represented by debt and net worth, respectively, the net worth ratio being simply the arithmetical complement to the debt ratio. The ratio, however, does not accurately measure the extent to which assets held at one point in time were financed by debt and equity, respectively, particularly if the ratio is based, as is the case here, on the market value rather than the book value of assets. It would do so only if there were no price fluctuations, revaluations, or other similar adjustments, i.e., if the balance sheet and the income account were kept in constant prices.

The debt-asset ratio for all sectors combined showed a substantial decline during the postwar period falling from 51 per cent at the end of 1945 to 40 per cent in 1958. About two-thirds of this decline, however, occurred in the first two years of the period. Between 1947 and 1958 the ratio declined by less than 0.5 per cent per year and year-to-year fluctuations generally amounted to 1 per cent or less.

Historically, the postwar level of the national debt ratio is high but not particularly so. Just before World War II it stood at about 40 per cent, but this was the result of an increase during the preceding forty years over the level of almost 30 per cent in 1900 and 1912.<sup>11</sup> The long-term upward trend in the debt ratio again shows the tendency for the financial structure of the country to grow somewhat more rapidly

<sup>11</sup> *Income and Wealth Series IV*, p. 383.

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TABLE 20  
DEBT RATIO\* OF MAIN SECTORS, 1945-58

	1945	1946	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957	1958
Households	.05	.06	.06	.07	.07	.08	.08	.09	.09	.10	.10	.11	.11	.11
1. Nonfarm households	.05	.05	.06	.06	.07	.08	.08	.09	.10	.10	.10	.11	.11	.11
2. Agriculture	.07	.07	.07	.07	.08	.08	.08	.09	.09	.09	.10	.10	.10	.10
Business enterprises	.66	.63	.61	.60	.59	.58	.58	.59	.59	.59	.58	.58	.58	.58
1. Nonfinancial corporations	.35	.34	.33	.32	.32	.32	.33	.33	.33	.33	.33	.34	.34	.34
2. Financial enterprises other than line 3 <sup>b</sup>	.86	.83	.81	.82	.85	.86	.85	.87	.86	.85	.87	.85	.83	.85
3. Financial intermediaries	.94	.94	.94	.93	.93	.92	.92	.92	.92	.91	.91	.91	.91	.90
Banks <sup>c</sup>	.95	.95	.95	.94	.94	.94	.94	.94	.94	.93	.93	.93	.93	.93
Others <sup>d</sup>	.90	.91	.92	.92	.91	.90	.90	.90	.90	.88	.88	.88	.89	.87
4. Unincorporated business	.22	.22	.22	.22	.22	.24	.22	.23	.24	.26	.28	.28	.28	.30
Government	2.07	1.96	1.70	1.58	1.62	1.44	1.35	1.33	1.33	1.32	1.25	1.18	1.14	1.13
1. State and local	.31	.26	.24	.24	.27	.27	.27	.28	.29	.30	.30	.29	.30	.31
2. Federal	3.63	4.26	3.75	3.41	3.43	2.98	2.73	2.73	2.74	2.79	2.63	2.58	2.54	2.58
Total	.51	.47	.45	.43	.44	.42	.41	.42	.42	.42	.41	.41	.41	.40
Total, nonfederal	.34	.32	.31	.31	.32	.31	.32	.32	.33	.33	.33	.33	.33	.33

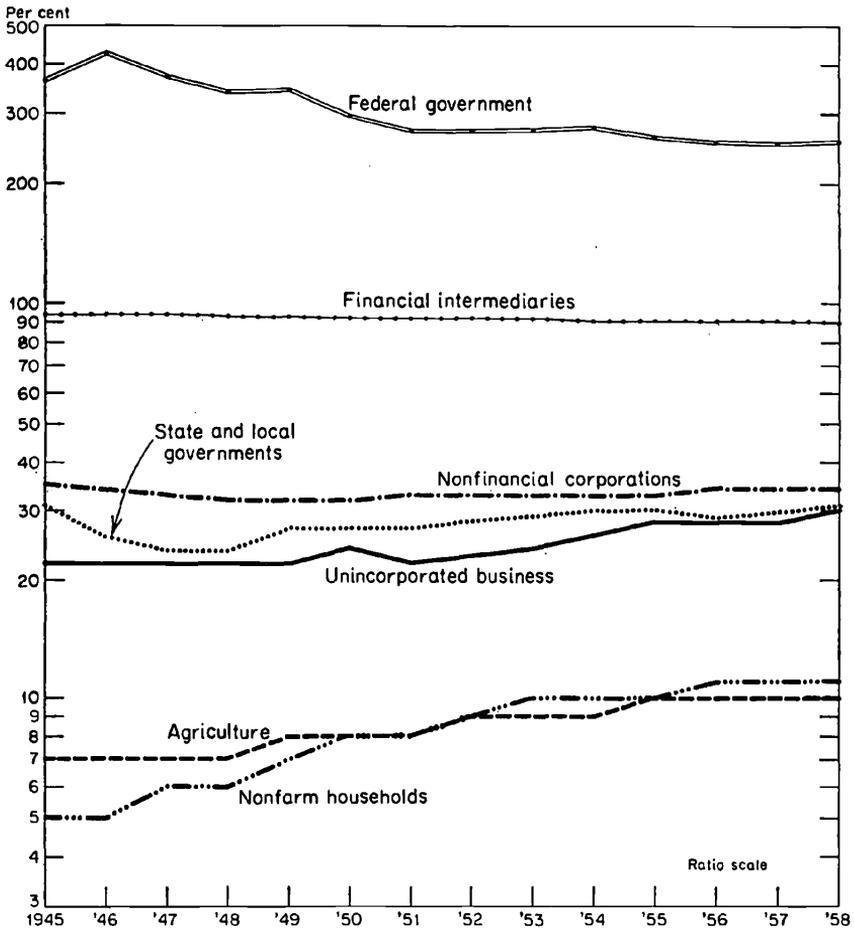
SOURCE: Vol. II, Tables I, II, and III-5m-1.

\* Total liabilities divided by total assets.

For notes b-d, see notes to Table 18.

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CHART 9  
Debt Ratio of Main Sectors, 1945-58  
(total assets = 100)



Source: Table 20.

than its tangible infrastructure, a tendency which is measured more adequately by the financial interrelations ratio.

The level of the debt-asset ratio for the different main sectors shows greater variations than all the other ratios described here. The household sectors, both farm and nonfarm, have very low debt ratios. At the other extreme, the debt ratio is close to unity for most financial enterprises. Nonfinancial business enterprises and state and local governments occupy an intermediate position, the debt ratios during the

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postwar period moving generally between one-fourth and a little over one-third. The federal government has been in the unique position of having a debt ratio far above unity, a reflection of heavy wartime borrowing which did not result in the acquisition of assets.<sup>12</sup> The movements of the debt ratios of the different sectors likewise exhibit more diversity than the other ratios reviewed here. The ratio showed an upward trend for four sectors (nonfarm households, agriculture, unincorporated business, and, since 1948, state and local governments) and a downward trend for two sectors (financial intermediaries and the federal government). The first group of sectors habitually keep a large proportion of their assets in the form of tangibles and finance their acquisition to a substantial extent by borrowing. For financial intermediaries, financial assets predominate; the decline in the debt ratio indicates a gradual building up of net worth compared to the overlying mass of liabilities.

In view of the sharp increase in the volume of debt during the postwar period, it is interesting to compare the debt ratios of the different sectors thirteen years after World War II with the ratios of the benchmark dates before World War II. It will then be found that in historical perspective the debt ratios were moderate for all sectors except the federal government. For nonfarm households, for instance, the 1958 debt ratio was only moderately above the 8-9 per cent of 1900-39. The debt ratio of farm households of 10 per cent was not only far below the levels of the 1920's and 1930's, when the ratio moved mostly between 20 and 25 per cent, but was also substantially lower than the level of about one-seventh which prevailed between the turn of the century and World War I. The debt-asset ratio of nonfinancial corporations, oscillating around one-third during the postwar period, was substantially lower than it was in the forty years before World War II when it usually moved between two-fifths and one-half and occasionally rose even higher. For unincorporated business, the 30 per cent reached in 1958 after a steady rise was still considerably smaller than the ratio of the 1920's and early 1930's and still further below that of 1900 and 1912. In the case of state and local governments, the ratio of 31 per cent reached in 1958 was well below the level prevailing during the 1920's and 1930's, but only slightly less than that for the benchmark dates of 1900 and 1912. Thus there was no major sector, except the federal government, for which the ratio of debt to the current value of

<sup>12</sup> The debt ratio for the federal government would be considerably lower if military assets were taken into account, but it would still be well above unity throughout the postwar period, e.g., 1.46 in 1958 instead of 2.58. The national debt ratio would also be reduced, but only to a minor extent. On the other hand, the debt ratio would increase sharply if liabilities included the unfunded future obligations arising out of the operation of the Old Age and Survivors' Insurance Fund.

total assets could be regarded as historically high at the end of the 1950's. The only exceptions were for smaller sectors. The share of the federal government in assets and debt is small enough to prevent its high, though declining, debt ratio from greatly influencing the national ratio. It is, however, sufficiently large to raise the national debt ratio during most of the postwar period above the level of the first four decades of the century.

*Distribution of National Assets and  
National Net Worth Among Sectors*

The shares of the different sectors in national assets and net worth can be followed in Table 21 for the postwar period and in Table 1 for earlier benchmark years. They are the joint result of past and current differences in the rate of accumulation (the ratio of saving to income), the structure of assets (particularly the division among claims, equities, and tangible assets), the movement of asset prices, and the volume of free transfers (such as gifts and inheritances). In the case of the share of the different sectors in net worth, differences in the debt ratio are an additional explanatory factor. The national balance sheet alone does not enable us to separate the effects of these factors. In interpreting the level and movement in the share of different sectors in total national assets and net worth, we must, however, keep in mind these factors which often work in different directions.

In view of the diverse character of the factors which influence the aggregate assets and net worth of different sectors, it is remarkable that the position of the main sectors showed only relatively small changes during the postwar period. This stability, of course, is partly due to two circumstances. First, the changes in a sector's assets or net worth over a short period are small compared to the level at the beginning, except during pronounced inflation. Therefore the distribution of increments in assets would have to be very different from that of the initial stocks in order to produce noticeable changes in the distribution of these stocks in a short period. Secondly, inflation, which raises the ratio of changes in assets and net worth over a short period compared to their starting level, often will affect a large proportion of assets in the same direction, if not exactly to the same extent. It is only differential price movements, particularly of tangible assets and corporate stock—which may occur even when the price level of current output is stable—that are likely to lead to substantial changes in the share of a sector in national assets or net worth over a short period.<sup>13</sup>

<sup>13</sup> For a more detailed discussion of these questions, see Part Two, Chapter 8.

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TABLE 21

SHARE OF MAIN SECTORS IN NATIONAL ASSETS AND NATIONAL NET WORTH, 1945-58  
(per cent)

	Nonfarm Households (1)	Nonfarm Unincor- porated Business (2)	Agriculture (3)	Nonfinan- cial Corps. (4)	Finance (5)	State and Local Govt. (6)	Federal Govt. (7)	Total (8)
NATIONAL ASSETS								
1945	40.6	3.5	6.8	16.4	23.0	4.6	5.2	100.0
1946	41.2	3.9	7.1	17.4	21.4	5.1	3.8	100.0
1947	40.9	4.1	7.2	18.2	20.5	5.4	3.8	100.0
1948	40.7	4.2	7.1	18.7	20.0	5.4	3.9	100.0
1949	40.9	4.2	6.9	18.7	20.3	5.2	3.8	100.0
1950	41.0	4.2	7.0	19.4	19.3	5.2	4.0	100.0
1951	40.7	4.1	7.1	19.8	19.0	5.2	4.1	100.0
1952	40.9	4.0	6.7	19.8	19.4	5.2	4.0	100.0
1953	41.0	4.0	6.3	19.8	19.6	5.3	3.9	100.0
1954	41.9	3.9	6.0	19.8	19.5	5.3	3.6	100.0
1955	42.5	3.8	5.6	20.1	19.3	5.2	3.6	100.0
1956	42.6	3.8	5.5	20.4	19.0	5.3	3.4	100.0
1957	41.9	3.9	5.5	20.9	19.0	5.5	3.3	100.0
1958	42.9	3.7	5.6	20.5	18.8	5.4	3.1	100.0
NATIONAL NET WORTH								
1945	78.5	5.5	12.8	21.6	2.9	6.4	-27.6	100.0
1946	73.5	5.8	12.5	21.7	2.6	7.2	-23.4	100.0
1947	69.5	5.8	12.0	22.0	2.3	7.4	-19.0	100.0
1948	67.2	5.8	11.6	22.4	2.3	7.2	-16.6	100.0
1949	67.5	5.7	11.2	22.8	2.6	6.7	-16.7	100.0
1950	65.1	5.5	11.1	22.8	2.5	6.6	-13.5	100.0
1951	63.8	5.5	11.2	22.6	2.5	6.4	-12.0	100.0
1952	64.2	5.3	10.5	22.7	2.6	6.5	-11.8	100.0
1953	64.4	5.3	9.9	23.0	2.7	6.6	-11.9	100.0
1954	64.9	4.9	9.3	22.8	3.0	6.3	-11.2	100.0
1955	64.6	4.7	8.6	22.8	3.0	6.2	-9.9	100.0
1956	63.9	4.6	8.3	22.9	3.0	6.3	-9.0	100.0
1957	62.6	4.7	8.4	23.4	3.0	6.5	-8.5	100.0
1958	63.4	4.3	8.3	22.6	3.2	6.2	-8.1	100.0

SOURCE: Vol. II, Table I.

The most pronounced change in the distribution of national assets during the postwar period is a decline in the share of the federal government from over 5 per cent at the end of World War II to 3 per cent in 1958. This decline would be even sharper if military assets were included: from 10 per cent in 1945 to 5 per cent in 1958. Contrary to common opinion, the federal government thus has not expanded during the postwar period, but rather has considerably contracted relative to the rest of the economy, if ownership of tangible and

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intangible assets is the test, as it must be from a national balance sheet viewpoint. This decline is not offset by the small increase in the share of state and local governments. The combined share of the two governmental sectors declined from a little over 9½ per cent of national assets in 1945 to 8½ per cent in 1958.<sup>14</sup>

Within the private sectors, the most marked movement was the increase in the share of nonfinancial corporations from 16 per cent in 1945 to 20 per cent in 1958. The share of unincorporated nonfarm business oscillated around 4 per cent, while that of agriculture declined slightly from over 6½ per cent during the first half of the period to 5½ per cent at the end of it. The share of the three nonfinancial business sectors together thus increased from 27 per cent at the end of World War II to nearly 30 per cent in 1958. The decline in the share of financial intermediaries and other financial enterprises is another significant development. It fell from 23 per cent in 1945 to less than 19 per cent in 1958, most of the decline occurring during the first few years of the period. The share of all business together, therefore, remained virtually unchanged at approximately 50 per cent of total national assets throughout the postwar period. The share of nonfarm households, the largest single sector, rose slightly from a level of approximately 41 per cent between World War II and the Korean War to 43 per cent in 1958. This advance was partly due to the sharp rise in stock prices.

The differences stand out more clearly in columns 4 to 6 of Table 22, which shows the distribution of changes in the national assets and net worth of the main sectors between cyclical peak years.<sup>15</sup> The sharpest fluctuation occurs in financial enterprises, whose share in the increase in national assets rose from only one-tenth in the 1945-48 cycle to over one-sixth in the 1948-53 and 1953-57 cycles. The share of nonfinancial business (including agriculture) moved in the opposite direction from finance, exceeding 40 per cent in the first cycle, but declining to about 30 per cent in the second and third cycles. Both movements appear to be connected with the existence at the end of World War II, of a substantial excess of financial assets over the desired level. This was absorbed primarily between the end of World War II and the start of the Korean War. Nonfarm households raised their share in the aggregate

<sup>14</sup> Even if the unfunded liability of OASI were regarded as an obligation of the federal government and a part of its balance sheet and the national balance sheet, the federal government's share in total debt would have declined from slightly over two-fifths to not much over one-third, and its negative net worth would have increased. Thus the share of the federal government in the postwar period declines whether measured in proportion to combined national assets, liabilities, or net worth.

<sup>15</sup> As explained in footnote 1 of this chapter, 1944 rather than 1945 figures should have been used for the peak of the first cycle.

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TABLE 22

SHARE OF MAJOR SECTORS IN NET CHANGE IN ASSETS AND NET WORTH, 1945-58  
(per cent)

Sectors	1945-58 (1)	1945-51 (2)	1951-58 (3)	1945-48 (4)	1948-53 (5)	1953-57 (6)
CHANGES IN TOTAL ASSETS						
1. Nonfarm households	44.5	40.9	47.0	40.9	42.1	44.8
2. Nonfarm unincorp. business	3.8	5.2	2.9	6.8	3.5	3.3
3. Agriculture	4.7	7.7	2.6	8.0	4.0	3.2
4. Nonfinancial corp.	23.4	25.5	21.8	27.1	22.9	24.5
5. State and local governments	6.0	6.2	5.9	8.2	5.2	6.2
6. Federal government	1.7	2.2	1.3	-0.6	4.0	1.2
7. Finance	16.0	12.3	18.5	9.6	18.4	16.9
8. Total	100.0	100.0	100.0	100.0	100.0	100.0
9. Total net change (\$ billion)	2,202.4	906.0	1,296.4	432.3	704.0	792.5
CHANGES IN NET WORTH						
1. Nonfarm households	55.8	47.4	62.9	43.5	57.0	57.1
2. Nonfarm unincorp. business	3.7	5.5	2.3	6.5	4.0	2.8
3. Agriculture	6.0	9.4	3.3	8.9	5.5	4.0
4. Nonfinancial corp.	23.2	23.7	22.7	24.3	24.4	24.7
5. State and local governments	6.1	6.5	5.8	8.9	5.0	6.3
6. Federal government	1.7	5.5	1.4	6.6	0.4	1.4
7. Finance	3.3	2.1	4.4	1.2	3.6	3.7
8. Total	100.0	100.0	100.0	100.0	100.0	100.0
9. Total net change (\$ billion)	1,492.3	676.4	815.9	357.4	426.7	517.1

SOURCE: Vol. II, Table I.

increase in national assets from 41 per cent during the first cycle to 42 and 45 per cent in the two following cycles, reflecting to some extent the sharp rise in stock prices.

An appraisal of the level and movement of sectoral shares in national assets during the postwar period requires examination, even if only a casual one, of the period before World War II, which can be obtained from Table 1. If the comparison is made with 1939, not much difference appears in the level of the share of the main sectors in national assets. It is only when we go back to the period between the turn of the century and the Great Depression that substantial differences appear, which reflect structural changes in the American economy between the two thirty-year periods of 1900-29 and 1929-58. These differences, however, do not concern nonfarm households, whose share in

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national assets averaged about two-fifths in both periods, or nonfinancial corporations, which accounted for approximately one-fifth of national assets in both periods, a little more before 1929 and a little less afterward. The differences are pronounced for unincorporated business, both farm and nonfarm, and for finance. The share of unincorporated business in national assets amounted to about one-fourth from the turn of the century to World War I, but averaged only about one-tenth from the late 1920's to 1958. The federal, state, and local governments owned about 5 per cent of national assets between 1900 and 1929, compared to a share of about 10 per cent after the Great Depression. If there is a break in the sectoral distribution of national assets, it occurred, as in many other cases, not during World War II, but in connection with the Great Depression and the structural changes of the 1930's.

The level and movements of the share of the main sectors in national net worth—the difference between national assets and liabilities—differ from those in national assets because of differences in the debt ratio. Since the debt ratio of financial intermediaries and other financial enterprises is radically higher than for most other factors, their share in national net worth of about 3 per cent during the postwar period is drastically lower than their asset share of about one-fifth. The difference is even more striking for the federal government. Its negative net worth is, on the average, about one-tenth as large as the positive aggregate net worth of all other sectors for the postwar period; the asset share of the federal government is necessarily positive even though it amounts in 1958 only to about 3 per cent excluding, and 5 per cent including, military assets.

For most other sectors, their net worth share is naturally considerably higher than their asset share. Nonfarm households, for instance, accounted for approximately two-thirds of national net worth during the postwar period while they owned only two-fifths of national assets. The relation is similar for agriculture, the net worth share of 10 per cent comparing to an asset share of 6 per cent. For nonfinancial corporations and for state and local governments, the level of the two shares is about the same, as the debt ratio of these two sectors is similar to the national average.

Trends in the shares of the main sectors in national net worth during the postwar period also differ considerably from the movements of their national asset shares because of differences in the rate of expansion of debt. Thus while the share of nonfarm households in national assets does not show a marked trend—if anything it is slightly upward—their share in national net worth declined from 78 per cent in 1945 to 68 per cent in 1949 and then more slowly to 63 per cent in 1958. This

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decline is due to the sharp increase in the volume of home mortgage and consumer debt and to the reduction in the negative share of the federal government in national net worth. This reduction in turn reflects two factors. First, the slow increase in assets of the federal government in the face of virtual stability in its debt reduced the negative federal government net worth by about \$26 billion or 13 per cent. Secondly, the rapid increase in the net worth of the other sectors sharply lowered the ratio of the federal government's negative net worth to national net worth. Unincorporated farm and nonfarm business showed a fairly regular decline in their net worth share from 18 to 13 per cent, while their asset share remained stable, thus reflecting an increase in the debt ratio. The share of nonfinancial corporations and of state and local governments in national net worth failed to show a trend, but corporations' share in national assets did increase steadily from 16½ to 20½ per cent.

Changes in the share of the main sectors in national net worth again stand out more clearly if the difference in national net worth between cyclical peak years is divided among the sectors, as in Table 22. Then a definite contrast appears between the 1945-48 cycle and the two following cycles of 1948-53 and 1953-57. Two sectors—nonfarm households and finance—account for a considerably higher proportion of the increase in national net worth in the two later cycles than in the first postwar cycle. For nonfarm households, the share of only slightly more than two-fifths in the 1945-48 cycle compares with the share of almost three-fifths in the two following cycles. Unincorporated business, agriculture, and state and local governments, on the other hand, had a higher share in the total increase of national net worth in the first than in the following two cycles. The share further declined between the second and third cycles for the two groups of unincorporated business, while it recovered part of the loss for state and local governments. Nonfinancial corporations accounted for almost one-fourth of the total increase in national net worth in all three cycles. The sharpest change occurred, however, in the share of the federal government. While the federal government accounted for over 6 per cent of the increase in national net worth in the first cycle—chiefly a result of debt reduction—its share was very small in the two following cycles.

The differences in the distribution of the increase in national net worth between 1945-48 and 1948-57 seem to reflect the timing of price increases of tangible assets and common stock. The sectors for which common stock was a major part of assets accounted for more of the net worth increase in the later period. Those which held substantial tangible assets but very little stock were responsible for a greater part

of the net worth increase in the earlier period. To ascertain the role of net purchases and sales, sources and uses of funds statements are required.<sup>14</sup>

### *Balance Sheet Structure of Main Sectors*

Changes in balance sheet structure have already been reviewed insofar as they can be summarized in a few basic ratios. The brief comments given here on changes in the balance sheet structure of the main sectors during the postwar period are based on the sectoral balance sheets shown in detail in Volume II and summarized here in Tables 2 and 3.

One warning is necessary. Movements in the absolute figures of individual assets (or liabilities), as well as changes in their distribution, are the joint results of shifts within total assets and of differential price movements. An increase in the share of a given asset in a given year, therefore, does not mean that the sector increased its holdings of this asset by net purchases. It may have done so, but it may instead have sold the asset, on balance, while price movements increased this asset's share in total assets.

#### NONFARM HOUSEHOLDS

The main changes in the balance sheet structure of nonfarm households during the postwar period may be summarized in about half a dozen statements which are offered here without further elaboration.<sup>15</sup>

1. The share of tangible assets in the total value of assets of nonfarm households increased from 32 per cent at the end of 1945 to 39 per cent at the end of 1958, but all of the increase had already been achieved by 1947. This increase was the result of two slightly different movements. The share of residential real estate rose from 23 to 25 per cent after having reached a higher plateau of over 27 per cent between 1947 and 1953. The rapid rise in the early postwar years reflected the sharp advance in the price of homes, while the decline in the second half of the 1950's was relative rather than absolute, and was an indirect result of the more rapid rise in stock prices.

<sup>14</sup> These can be found in Volume II, in Goldsmith, "The Flow of Capital Funds in the Postwar Economy" (in preparation), and for slightly different sectors and assets in the Federal Reserve Board's flow-of-funds statistics (see, e.g., *Federal Reserve Bulletin*, August 1959).

<sup>15</sup> This summary suffers from the lack of aggregative balance sheets for subsectors and the failure to segregate nonprofit institutions which are included here in the nonfarm household sector. In the absence of these balance sheets, similar statements can be used that are derived from sample inquiries or from estate tax returns. While the utilization of such material is outside the scope of this report, an attempt to explore it for an analysis very similar to the one presented here for the main sectors has been made in Part Two, Chapter 8.

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2. The share of consumer durables rose sharply from 6½ per cent to more than 10 per cent. Most of the rise took place in the first half of the period, but there was no subsequent decline as in the case of residential real estate. The movement is similar if allowance is made for consumer debt. It is due to very heavy purchases of consumer durables after the lean years between 1930 and 1944.

3. Cash (demand deposits and currency) declined sharply from more than 8 per cent in 1945 to less than 4 per cent in 1958. On the other hand, time and saving deposits, which bear interest, maintained their share in total assets of nonfarm households at a level of about 8 per cent.

4. The share of common stock in the total assets of nonfarm households showed large and significant fluctuations. It first declined from 16½ per cent at the beginning of the period to around 11-12 per cent in 1948-49 as stock prices failed to advance while the prices of tangible assets increased substantially. As the stock market boom gathered momentum, the share of common stock in the total assets of nonfarm households increased sharply, reaching slightly more than 20 per cent at the end of 1958. This was the highest level since the late 1920's. These changes in the share of common stock reflect almost entirely price changes, in absolute terms or relative to other asset prices. There was virtually no net investment by nonfarm households in common stock throughout this period<sup>16</sup>, in contrast to the substantial net acquisitions by households of most other types of assets, particularly residential real estate, consumer durables, saving deposits, and equity in insurance and pension contracts.

5. Investment in unincorporated business, measured by net worth, declined from about 7 per cent of the total assets of nonfarm households in 1945 to 6 per cent at the end of the period.

6. Equity in insurance and pension contracts throughout the period represented 11 to 12 per cent of total assets. An increasing trend was shown only in the interest in private pension funds (insured and trustee), but these accounted for less than 3 per cent of total assets even at the end of the period.<sup>17</sup>

7. U. S. government securities represented a sharply declining proportion of total assets of nonfarm households. Their share fell from over 9½ per cent at the end of World War II to not much over 3½ per cent thirteen years later. Most of the decline was due to a failure of the absolute value of holdings to increase rather than to net sales.

<sup>16</sup> The total change in households' holdings of common stock from 1945 through 1958 was \$229 billion, while net acquisitions by households were only \$21 billion (Volume II, Tables IV-b-17 and VIII-b-17).

<sup>17</sup> See *Life Insurance Fact Book: 1961* for reserves of insured pension plans.

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8. Holdings of other fixed-interest-bearing securities—state and local government bonds, corporate bonds, and preferred stock—have always represented a small proportion of nonfarm households assets. Their share declined from nearly 5 per cent in 1945 to only 3 per cent in 1958. Almost all the decline was attributable to a shrinkage in the share of corporate bonds and preferred stock from 3 to 1½ per cent of total assets. The share of tax-exempt securities fluctuated around 1½ per cent of the total assets of all nonfarm individuals, but of course accounted for a considerably higher proportion of the assets of individuals in the upper income and wealth groups.

9. Nonfarm household debt increased year after year in proportion to assets until 1957, rising from 5 to 11 per cent of total assets. Home mortgages and consumer debt participated about equally in this increase.

### UNINCORPORATED BUSINESS

The analysis of changes in the balance sheet structure of unincorporated business enterprises is more hazardous than in most other sectors because of the very rough nature of some of the estimates; hence particular caution must be observed in commenting on short-term movements. Some changes, however, are so pronounced that even improvement of the basic data is not likely to affect the interpretation substantially.

1. Possibly the outstanding structural change in the balance sheet of nonfarm unincorporated business during the postwar period is a sharp increase in the share of producer durables, which rose from less than one-tenth at the beginning of the period to almost one-fifth at the end. This reflects the large extent of modernization and expansion that took place in this section of the economy.

2. The share of real estate decreased from 48 per cent in 1945 to 47 per cent in 1958, mainly as a result of a decline in residential structures. However, the estimate of the sectoral distribution of residential structures is a crude one.

3. The share of inventories showed only cyclical fluctuations. That the breadth of the swings was relatively small may be a reflection of shortcomings in the basic figures.

4. The sharp decline in the share of cash is the second marked structural change in the balance sheet of unincorporated business. From the high level of almost 17 per cent at the end of 1945, the share fell sharply to 11 per cent in 1949, and then continued to decline more slowly reaching 9 per cent at the end of 1958.

5. Credit extended by unincorporated business to trade customers and to consumers rose gradually from 10 to 12 per cent of total assets. In contrast, trade debt has been very volatile without a clear trend

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during the postwar period. These differences again may partly reflect shortcomings in the basic figures.

6. Bank borrowing increased considerably from 5 per cent in 1945—an unusually low level in historical perspective—to 9 per cent in 1958. Part of the increase reflects the introduction of term loans.

### AGRICULTURE

The balance sheet structure of agriculture shows relatively few changes over the postwar period. The proportion of debt rose slowly from 7 to 10 per cent, historically both very low values. Intangible assets declined from 17 to 12 per cent of total assets as the excess liquidity existing at the end of World War II was absorbed. This process is evident in the halving of the share of cash and government securities from 10 to 5½ per cent of total assets.

Within tangible assets, land retained its position, with a share of slightly over two-fifths, after a temporary dip during the middle of the period. Probably the most important structural change was the increase in the share of producer durables from 5½ to 9 per cent of total assets. The fairly sharp fluctuations in the share of inventories—for instance, the reduction from 16 per cent of total assets in 1950-51 to 10 per cent in 1955-56—reflect primarily price changes, particularly in livestock.

### NONFINANCIAL CORPORATIONS

In considering changes in the balance sheet structure of nonfinancial corporations, it is well to keep in mind the very sharp increase in total assets from \$251 billion at the end of World War II to \$766 billion in 1958. While part of this increase reflected the rise in prices of tangible assets and of common stock during the postwar period, most of it is due to the retention of earnings and to outside borrowing.

Changes in the structure of the right-hand side of the balance sheet were small. Net worth throughout the period accounted for close to two-thirds of total assets. There were no marked changes in the structure of debt. Throughout the period long-term obligations—bonds and mortgages—accounted for 35 to 40 per cent of total debt, trade debt for about one-fourth, and bank borrowings for close to one-tenth.

On the asset side, the share of tangibles was fairly stable, at about two-thirds, at least after the 1946 rise which reflected the increase in the price level. A few significant changes occurred within the aggregate of tangible assets, the most important of which was the rise in the share of producer durables from about one-fifth to three-tenths of tangible assets, or from about one-seventh to one-fifth of total assets. The share of inventories showed a slight decline after 1946 from about one-eighth to a little over one-tenth.

The share of financial assets declined from the end of World War

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II to a low of about 33 per cent in 1952, but increased slightly during the second half of the period reaching 36 per cent in 1958. This movement is the result of partly offsetting changes among intangibles. The share of liquid assets (demand deposits and U.S. government securities) was cut in half from 16 per cent to less than 7 per cent. Trade credit stayed fairly stable at about one-tenth of total assets. Common stock, representing primarily the holdings of stock in affiliated companies and estimated with a substantial range of error, first declined from 10 to 6 per cent of total assets, but regained its starting level by the end of 1958, chiefly as a result of the rise in stock prices.

Some effects of the business cycle can be detected in the year-to-year changes in balance sheet structure, but they are generally not very pronounced. The clearest evidence of cyclical influence is seen in the decline in the ratios of total debt, bank borrowing, and inventories to total assets during recession years (1949, 1954, and 1958) with the exception only of total debt in 1958, and in the sharp increase in these ratios and in those for trade credit and debt during the early part of recovery. These movements, of course, are closely interrelated and primarily reflect inventory cycles. On the average, trade and bank debt together declined by 0.5 per cent of total assets during the three recession years 1949, 1954, and 1958, while trade credit and inventories were reduced by 1.1 per cent of total assets. On the other hand, during the first years of the business upswings (1950 and 1955), the sum of trade and bank debt increased on the average by 1.0 per cent of total assets and trade credit and inventories advanced by 1.4 per cent. The swings in the share of these two volatile elements of assets or debt thus were never more than 2 per cent of total assets from one turning point of the business cycle to the next if, as is the case here, only calendar-year-end balance sheets are used. The swings may, therefore, look small; but they still imply an increase (or decrease) of up to 10 per cent in the level of the asset or liability share of the two combined between cyclical turning points, although the average swing for the five intervals in the postwar period amounted to only about 1 per cent of total assets or liabilities and 6 per cent of the level of the asset or liability share.

### FINANCE

Financial enterprises showed much more pronounced changes in their asset structure than any other major sector. This difference reflects the much higher share of liquid assets and hence the possibility of rapid shifts in asset structure.

The outstanding movement, of course, was the reduction of the share of Treasury securities from slightly over one-half at the end of World War II to only one-fourth in 1958. The shift is even more pronounced if comparison is more appropriately made with the total

## NATIONAL BALANCE SHEET IN POSTWAR PERIOD

assets excluding intrasectoral claims and liabilities, which are largely represented by interbank balances. In that case, the share of Treasury securities declined from two-thirds of earning assets (assets other than currency and demand deposits) at the end of World War II to less than 30 per cent in 1958. While the share of Treasury securities declined in every year, the reduction was slowest during recessions, amounting to only 1.1 per cent of total assets in 1949, 1.1 per cent in 1954, and 0.2 per cent in 1958. The decline was most rapid, on the other hand, in the first few years of the postwar period; and then in the early phases of the recovery (3.6 per cent of total assets in 1946, 3.5 per cent in 1950, and 3.1 per cent in 1955). These movements were the result of somewhat contrasting shifts in the balance sheets of the large holder groups. The countercyclical movement in the share of Treasury securities, which is visible in the balance sheet of the financial sector as a whole, was much more pronounced for commercial banks than for life insurance companies, private pension funds, or savings banks and, of course, was virtually absent in government pension and retirement funds. Thus the share of Treasury securities in the assets of commercial banks actually increased—though only by 0.8 to 1.6 per cent of total assets—in the three recession years of 1949, 1954, and 1958, the result of large absolute and relative increases of holdings of Treasury securities (averaging \$6 billion or 10 per cent of holdings at the beginning of the recession year) accompanied by a substantial expansion of total assets. In the following recovery years—1950, 1955, and 1959—the share of Treasury securities decreased sharply (by 5.7, 4.9, and 3.7 per cent respectively) as the absolute volume of holdings was reduced (on the average by nearly \$7 billion or 10 per cent of holdings at the end of the recession year) in the face of an increase in total assets. The Treasury security holdings of all other financial enterprises, on the other hand, declined in recession years as in prosperity, and even more rapidly.

All assets except interbank deposits and U.S. government securities increased from 26 per cent of total assets in 1945 to 62 per cent in 1958. Consumer loans advanced from 1 to 5 per cent of total assets, and mortgages from 6 to 19 per cent. Other loans, including security and trade credit and bank and other loans, rose from 7 to 11 per cent and corporate and tax-exempt bonds from 7 to 15 per cent. Thus there was a shift in emphasis by financial institutions toward the granting of credit to consumers rather than to business. The share of common stock more than tripled under the influence of both the rise in stock prices and net acquisitions by investment companies and private trustee pension funds. Even at the end of the period, the share of common stock, however, was not much over 5 per cent.

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Part of the postwar development in the balance sheet of the finance sector served to return it to something like the prewar situation. The asset structure of 1958 was not very different from that of 1939.<sup>18</sup> Treasury securities were one-quarter of total assets in 1958 compared with one-fifth in 1939, short-term loans (except consumer credit) were 11 compared with 10 per cent, and state and local securities were at about 4½ per cent in both years. The largest differences are in consumer credit, almost 5 compared with 2 per cent, and mortgages, 19 and 11½ per cent. Larger differences appear when 1958 is compared with 1929. Short-term loans other than consumer credit dropped from 29 per cent in 1929 to 11 per cent in 1958, and there was a corresponding increase in U.S. government securities from 6 to 25 per cent.

These shifts, of course, are due only in part to changes in the investment policies of the various types of financial institutions. To a substantial extent, they are simply a reflection of differences in the rates of growth of these institutions, each of which traditionally adheres to a specific type of asset structure.

### STATE AND LOCAL GOVERNMENTS

Few changes occurred in the balance sheet structure of state and local governments. Debt has recently been close to 30 per cent of assets after dipping lower during the late 1940's and early 1950's. Throughout the period, between 60 and 70 per cent of total assets consisted of structures. A finer breakdown than is now available might disclose significant shifts among highways, urban streets, schools, and other buildings. In contrast to most other sectors, the share of liquid assets declined only very little, from 17 per cent in 1945 to 14-15 per cent after the late 1940's.

### FEDERAL GOVERNMENT

The balance sheet of the federal government is characterized by the heavy although declining excess of debt over assets. At the beginning of the period, debt was more than three and a half times civilian assets and almost twice civilian and military assets. By the end of the period, the two ratios had declined to about 2 and 1, respectively.

Among assets, the share of civilian tangible assets jumped from one-third to almost one-half in 1946 and increased very gradually to 50 per cent in 1958.

As a part of intangibles, liquid assets (bank deposits and U.S. government securities, the latter mostly holdings for trust funds) declined (excluding 1945) from about a little under one-quarter to about one-sixth.

<sup>18</sup> Volume II, Table Ia.