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Volume Title: National Income and Capital Formation, 1919-1935

Volume Author/Editor: Simon Kuznets

Volume Publisher: NBER

Volume ISBN: 0-87014-031-0

Volume URL: <http://www.nber.org/books/kuzn37-1>

Publication Date: 1937

Chapter Title: The Composition of Consumers' Outlay

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Chapter URL: <http://www.nber.org/chapters/c5453>

Chapter pages in book: (p. 55 - 57)

IX THE COMPOSITION OF CONSUMERS' OUTLAY

THE composition of capital formation was discussed in Sections VII and VIII in connection with the apportionment of the national product between capital formation and consumers' outlay: the limitations of the statistical measures provided and the exact meaning of the apportionment could be grasped only if the characteristics of the estimates of capital formation were discussed and the contents of those totals analyzed. The measure of consumers' outlay was obtained not by direct estimate but by subtracting gross and net capital formation from gross and net national product respectively. The resulting volume of consumers' outlay is, in accordance with the definition, the same whether obtained as part of gross or of net national product.

The study of capital formation yielded measures of the flow not only of finished durable but also of finished perishable and semidurable commodities.²³ The totals for the latter commodity groups were gauged at the same stage of economic circulation and with the same attempt at complete coverage as the estimates of the flow of durable commodities. Hence the resulting totals represent the movement of all finished perishable and semidurable commodities to ultimate domestic consumers at cost to them; they omit only such minor commodity groups as flowers and the small volume of commodities produced in the service industries and thus not included under farming, mining or manufacturing.

In Variant I, consumers' outlay includes consumers' durable commodities, exclusive of residential construction. The three groups—perishable, semidurable and durable—together account for all the commodities whose cost is a part of consumers' outlay. The residual portion of consumers' outlay represents largely the cost to consumers of services not embodied in new commodities: those rendered in the form of repairs of consumers' durable commodities, including such repairs of residential buildings as do not call for building permits; those rendered largely by durable commodities to consumers (for example, by residential buildings to their tenants, transportation services to ultimate consumers by railroads); those rendered directly by individuals to individuals (for example, services

of physicians and teachers). The difference between consumers' outlay and the flow of all finished commodities, being a residual item, reflects also whatever deficiencies are present in our measures of capital formation (Sec. VII, 1). But it is doubtful that these elements, which do not represent the cost to consumers of services not embodied in new commodities, affect substantially the magnitude of the difference between consumers' outlay and the flow of all finished commodities to their ultimate users.

The distribution of consumers' outlay among various commodity groups according to their durability, and among all new commodities and services not embodied in new commodities, is shown in Table 16 and Chart 10. Of the total outlay by consumers, the cost of perishable commodities accounts, on the average, for about 40 per cent; of semidurable commodities, for about 17 per cent; of durable commodities, exclusive of residential construction for 12 per cent; and of services not embodied in new commodities, for about 31 per cent.

In the distribution of consumers' outlay in current prices two significant movements appear. First, the relative share of semidurable commodities declines throughout the period: instead of accounting for slightly less than one-fifth of the total, as they do in 1920, they constitute only slightly more than one-seventh by the end of the period. Second, the relative share of consumers' durable commodities describes a substantial long swing, rising from 1921 to 1926 and declining from 1926 to 1933. The shares of the other two categories in the distribution appear relatively stable for the major part of the period covered. Thus the percentage accounted for by perishable commodities ranges from 38.3 to 39.4 for 1922 through 1931, the variations occurring within this limited range showing no consistency. Similarly, the share of services not embodied in new commodities ranges from 29.9 to 32.8 per cent for 1922 through 1929. Only in the disturbed years following the end of the War (1920-21) and during the recent depression did the share of these two categories change significantly.

The adjustment of the volume of consumers' outlay and of its component elements for price changes is subject to serious qualifications. While

²³ For a definition of these groups, see Section VI, 2.

Table 16

COMPOSITION OF CONSUMERS' OUTLAY, 1920-1934

Part A. Absolute Figures, Three-Year Moving Averages
(millions of dollars)

	1920	1921	1922	1923	1924	1925	1926	1927	1928	1929	1930	1931	1932	1933	1934
Current Prices															
1 Perishable commodities	24,657	23,578	22,141	22,709	24,040	25,420	26,394	27,042	27,523	27,431	25,475	22,008	19,254	19,012	20,661
2 Semidurable commodities	10,781	10,658	10,361	10,694	11,140	11,338	11,770	12,047	12,202	11,769	10,712	8,826	7,420	6,916	7,392
3 Consumers' durable commodities	6,159	6,224	6,565	7,341	8,300	8,800	9,130	9,170	9,326	8,879	7,757	5,701	4,479	4,125	4,829
4 Services not embodied in new commodities	13,338	15,994	17,126	18,411	19,107	20,272	20,211	21,922	22,330	23,465	22,306	19,933	16,385	15,290	15,187
5 Total consumers' outlay	54,935	56,434	56,193	59,155	62,587	65,830	67,505	70,181	71,381	71,544	66,230	56,468	47,538	45,343	48,069
1929 Prices															
1 Perishable commodities	21,075	22,007	22,870	24,045	24,915	25,883	26,412	26,985	27,603	27,871	27,716	27,001	26,786	26,862	26,820
2 Semidurable commodities	7,574	7,826	8,907	9,329	9,726	9,843	10,620	11,076	11,717	11,513	11,248	10,450	9,777	9,273	9,418
3 Consumers' durable commodities	5,369	5,369	5,974	7,071	8,071	8,814	9,311	9,557	9,604	9,108	8,115	6,385	5,309	4,869	5,553
4 Services not embodied in new commodities	16,818	17,638	17,951	19,208	19,559	20,285	19,665	21,481	22,004	23,564	21,875	18,815	15,673	16,510	18,898
5 Total consumers' outlay	50,636	52,840	55,702	59,653	62,271	64,825	66,008	69,099	70,928	72,056	68,954	62,651	57,545	57,514	60,689

Part B. Percentage Distribution

Current Prices

1 Perishable commodities	44.9	41.8	39.4	38.4	38.4	38.6	39.1	38.5	38.6	38.3	38.5	39.0	40.5	41.9	43.0
2 Semidurable commodities	19.6	18.9	18.4	18.1	17.8	17.2	17.4	17.2	17.1	16.5	16.2	15.6	15.6	15.3	15.4
3 Consumers' durable commodities	11.2	11.0	11.7	12.4	13.3	13.4	13.5	13.1	13.1	12.4	11.7	10.1	9.4	9.1	10.0
4 Services not embodied in new commodities	24.3	28.3	30.5	31.1	30.5	30.8	29.9	31.2	31.3	32.8	33.7	35.3	34.5	33.7	31.6
5 Total consumers' outlay	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

1929 Prices

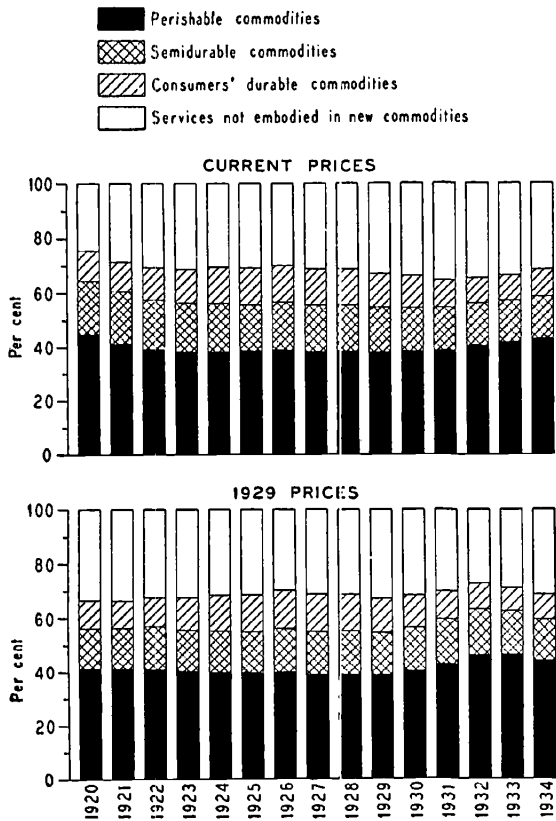
1 Perishable commodities	41.6	41.6	41.1	40.3	40.0	39.9	40.0	39.1	38.9	38.7	40.2	43.1	46.5	46.7	44.2
2 Semidurable commodities	14.6	14.8	16.0	15.6	15.6	15.2	16.1	16.0	16.5	16.0	16.3	16.7	17.0	16.1	15.5
3 Consumers' durable commodities	10.6	10.2	10.7	11.9	13.0	13.6	14.1	13.8	13.5	12.6	11.8	10.2	9.2	8.5	9.1
4 Services not embodied in new commodities	33.2	33.4	32.2	32.2	31.4	31.3	29.8	31.1	31.0	32.7	31.7	30.0	27.2	28.7	31.1
5 Total consumers' outlay	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

COMPOSITION OF CONSUMERS' OUTLAY

the price data available for the perishable and semidurable commodities make possible a tolerably reliable adjustment for price changes in these two groups, the information for consumers' durable commodities is scanty and the adjustment for

In the distribution of consumers' outlay in 1929 prices, one significant movement stands out, namely, the substantial rise in the relative share of consumers' durable commodities from 1921 through 1926 and the marked decline from 1926 through 1933. While in its timing this long swing parallels the one observed for distribution in current prices, its amplitude is greater, owing primarily to the difference in the movement of prices as between consumers' durable commodities and other commodities and services, largely perishable commodities. From 1921 to 1926 the prices of durable commodities rose; the prices of perishable commodities declined. After 1926, especially after 1929, perishable commodities dropped much more precipitously in price than durable commodities. Thus the differences in price movement for the long swing ran counter to the movement in the relative proportion of quantities, and tended to damp the amplitude of the swing when changing quantities and prices were combined in the volumes at current prices.

Chart 10
COMPOSITION OF CONSUMERS' OUTLAY
1920 - 1934



price changes correspondingly poor. For the group of services not embodied in new commodities, whose volume in constant prices is obtained by subtraction, the price adjustment obviously reflects the crudities and possible errors in the adjustment for price changes of national income, of net capital formation and of the three commodity groups. Any conclusions that may be derived from the apportionment of consumers' outlay in constant prices, are, to an even greater extent than those established for the distribution in current prices, tentative suggestions subject to further check.

For the relative shares of the other commodities, the distribution in 1929 prices shows a high degree of stability. Thus the percentage accounted for by perishable commodities ranges from 38.7 to 41.6 for 1920 through 1930; and that for services not embodied in new commodities from 29.8 to 32.7 for 1922 through 1931. For semidurable commodities the percentage share fluctuated between 15.2 and 16.5 for 1922 through 1930; and the disappearance of the downward movement in the relative share of this group in the distribution in current prices is obviously due to the smaller decline or greater rise in the prices of semidurable goods, primarily clothing, than in the prices of the other components in consumers' outlay.²⁴ Only during the disturbed years immediately after the War and during the recent depression have any marked changes occurred in the distribution of consumers' outlay measured in 1929 prices.

²⁴ This is confirmed by the fact that the price index for the clothing item in the Bureau of Labor Statistics cost of living index declined from 290.6 in 1920 (1913=100) to 132.0 in 1932; the total cost of living index, from 202.4 to 139.9.