

This PDF is a selection from an out-of-print volume from the National Bureau of Economic Research

Volume Title: The National Balance Sheet of the United States, 1953-1980

Volume Author/Editor: Raymond W. Goldsmith

Volume Publisher: University of Chicago Press

Volume ISBN: 0-226-30152-4

Volume URL: <http://www.nber.org/books/gold82-1>

Publication Date: 1982

Chapter Title: Developments in 1976-80

Chapter Author: Raymond W. Goldsmith

Chapter URL: <http://www.nber.org/chapters/c7226>

Chapter pages in book: (p. 195 - 210)

In general the structure of the national balance sheet did not change substantially during the second half of the 1970s, though in terms of current values almost all components increased at a more rapid rate than they had done during the preceding two decades, a reflection and indeed an integral feature of the more inflationary character of the later period.

The annual data presented in this chapter are based on the narrow and more conventional concept of national assets, as the methods of estimation of the additional assets that lead to the broader concept cannot produce annual figures that meaningfully reflect short-term changes. Table 2 in chapter 1, however, permits, in conjunction with table 86, a rough comparison of the development of the additional types of assets and of the total of broadly defined national assets between 1975 and 1980. The sources and methods of estimation of the value of the additional assets in 1980 are similar to those described in chapter 7 for the 1953–75 period, though the results generally are affected by a larger margin of uncertainty.¹

1. The estimates in this chapter are essentially based on the Bureau of Economic Analysis data on reproducible tangible assets and those on financial assets of the Federal Reserve Board's flow-of-funds staff as they stood in late 1980. They, therefore, do not reflect the revisions published in the *Survey of Current Business* of February 1981 or in the Federal Reserve Board's *Flow-of-Funds Outstandings* of February 1981.

The differences between these more recent figures and those used in this chapter are, however, quite small as far as rates of growth and distributions among sectors or assets and liabilities are concerned, except in a few cases for the end of 1980. For instance the annual rate of increase of the value of reproducible assets in the most recent estimates of the Bureau of Economic Analysis is 12.4 percent per year in current prices and 2.9 percent in constant prices compared to 11.9 percent and 2.7 percent in table 88.

8.1. Movements of National Assets

National assets increased between 1975 and 1980 at an average annual rate of 12 percent in current prices compared to a rate of less than 8 percent in the preceding two decades if the narrow concept is used. The rate is only fractionally lower for the extended concept. In constant prices, however, the average rate of growth of only 3.3 percent was somewhat below the 3.8 percent of the 1954–75 period, as the rate of increase in the price level of national assets, a complex concept, doubled from about 4 to fully 8 percent per year. Reflecting slower population growth, the rate of expansion of national assets in constant prices of about 2 percent was equal to that of the preceding two decades.

Annual variations of the rate of growth of national assets narrowly defined in current or constant prices can be followed in table 88. In both cases growth was lower in 1977 and 1980 than in the other three years. The low rates of increase in these two years corresponded in 1980, though not in 1977, to a below average rise in real national product. In 1976 and 1978 the rate of growth of national assets in constant prices was above that of the 1954–75 average, as were the increases in real national product.

8.2. Changes in Distribution among Components: Overview

The annual movements of the three main components of national assets in current and constant prices are shown in Table 88. In current prices the rise in the value of land with an average of nearly 14 percent per year considerably exceeded that of reproducible tangible assets and of financial assets, both of which increased at an average rate of about 11½ percent. A similar difference in favor of land was already evident in the preceding two decades. As a result the share of land in national assets increased from 12.4 to 13.6 percent, while those of reproducible tangible and of financial assets declined by 0.3 and 0.9 percentage points respectively.

The lower half of table 88 shows the changes to have been similar in constant prices. It must be remembered, however, that while specific deflators could be used for the components of reproducible tangible assets, the current values of land and of financial assets had to be reduced to constant prices by application of the gross-national-product deflator. This probably leads to an overstatement of the increase in the value of land in constant prices as land prices appear to have risen more rapidly than the national-product deflator. Agricultural land prices, which are representative for about one-fifth of all land, rose between the end of 1975 and the end of 1980 by about 90 percent, while the national-product deflator advanced by only about 45 percent. If other land prices rose in

Table 88 **Main Components of National Assets, 1975–80**

	Amounts (\$ trill.)				Rate of growth (percent)				Distribution (percent)		
	Land	Repro- ducible assets	Finan- cial assets ^a	National assets	Land	Repro- ducible assets	Finan- cial assets ^a	National assets	Land	Repro- ducible assets	Finan- cial assets ^a
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
<i>Current Values</i>											
1975	1.55	4.63	5.99	12.17	9.3	7.4 ³	7.5 ³	7.6 ³	12.7	38.0	49.3
1976	1.76	5.03	6.79	13.58	13.5	8.6	13.4	11.6	13.0	37.0	50.0
1977	1.96	5.62	7.35	14.93	11.4	11.7	8.2	9.9	13.1	37.7	49.2
1978	2.26	6.38	8.28	16.93	15.3	13.5	12.7	13.5	13.3	37.7	49.0
1979	2.59	7.26	9.45	19.30	14.6	13.8	14.1	14.0	13.4	37.6	49.0
1980 ^b	2.97	8.13	10.55	21.65	14.7	12.0	11.2	12.2	13.7	37.6	48.7
<i>Constant (1972) Values</i>											
1975	1.19	3.39	4.59	9.17	5.5 ^c	3.6 ^c	3.7 ^c	3.8 ^c	13.0	37.0	50.0
1976	1.28	3.47	4.93	9.68	7.6	2.4	7.4	5.6	13.2	35.8	51.0
1977	1.34	3.58	5.01	9.95	4.7	3.2	2.2	2.9	13.5	36.0	50.5
1978	1.43	3.70	5.26	10.39	7.5	3.4	4.4	4.3	13.8	35.6	50.6
1979	1.50	3.80	5.48	10.78	4.9	2.7	4.2	3.8	13.9	35.3	50.8
1980 ^b	1.56	3.88	5.55	10.99	4.0	2.1	1.3	1.9	14.2	35.3	50.5

^aIncludes monetary metals.

^bPreliminary estimates.

^c1954–75.

Sources: See text.

approximately the same proportions as farm land, the increase in the value of all land in real terms shown in table 88 would disappear, and its share in national assets would decline from 12.7 to 11.2 percent, while that of reproducible tangible assets would advance from 49 to 51 percent.

The annual distribution of national assets among nearly 30 components can be followed in table 89, which also shows average rates of growth for the quinquennial period 1976–80 as well as, for comparative purposes, for the 1954–75 period. Differences in growth rates and in distribution among components are discussed in the following two sections separately for reproducible tangible assets and for financial assets.

Of the twenty-eight types of assets distinguished in table 89 only two (time and savings deposits and state and local government securities) failed to increase more rapidly in current prices in 1976–80 than in 1954–75, and the shortfall was very small. There were, however, substantial differences in the rates of growth of the other twenty-six types, although the rate remained between 11 and 13 percent for one-third of them. None of the types being distinguished grew at a rate of less than 8 percent and only one at a rate of over 16 percent a year (monetary metals at market prices). The distribution of growth rates was about the same for tangible as for financial assets.

There was no evident correlation between rates of growth in the second half of the 1970s and the preceding two decades.

The sectoral distribution of national assets changed but little between 1975 and 1979 as is evident from table 5. The share of unincorporated business enterprises declined by one percentage point to 26 percent, continuing the trend observed in the preceding two decades, while those of financial institutions and of households are shown as increasing by 0.6 and 0.3 percentage points respectively. Given the roughness of the estimates these small changes may not be significant.

8.3. Reproducible Tangible Assets

The main change in the distribution of the stock of reproducible assets in current prices, visible in table 90, was the increase in the share of residential structures from nearly 29 percent to close to 32 percent. The share of most of the other components declined slightly. Since some of these movements were in a direction opposite to those observed between 1953 and 1975, the structure at the end of the period was closer to that of 1953 than it had been in 1975.

Because of differences in the movements of the cost of the various types of capital expenditures the changes in the distribution of the stock in constant prices are not the same as those observed in the case of current prices. The main changes now are the sharp increase in the share of consumer durables from 11.2 to 16.5 percent and the decline in those of

government structures. They are the result of a rate of growth of the stock of consumer durables of over 5 percent per year compared to a rate of less than 3 percent for all reproducible assets and one of not much over 1 percent for government structures.

8.4. Financial Assets

In the second half of the 1970s financial assets increased at an annual rate of 11.4 percent, or 4 percent more than in the less inflationary period between 1953 and 1975. In real terms, however, the increase of 3 percent was fractionally lower than it had been in the preceding period. Among sectors the rates of increase in current prices ranged, as table 91 shows, from about 9 percent for unincorporated nonfarm business to nearly 16 percent for rest of the world. The rate of growth of three largest sectors—households, financial institutions, and nonfinancial corporations—stayed within less than 1 percent of the average.

As a result of these differences, minor changes occurred in the sectoral distribution of financial assets. The share of households declined slightly, continuing the trend observed between 1953 and 1975. That of financial institutions increased fractionally if only the organizations included in the flow-of-funds statistics are considered, but remained unchanged if the coverage is somewhat extended as in the lower part of table 91. The relatively most pronounced changes were the rise in the share of foreign holdings from 3.1 to 3.7 percent and the increase of that of the Federal government from 2.0 to 2.4 percent. Annual changes were irregular. In the case of the household sector they reflected to a considerable extent movements in stock prices.

Differences were more pronounced among the twenty-five subgroups of financial institutions distinguished in table 92. Compared to an average annual rate of growth of about 12 percent, or 4 percent in real terms, rates ranged from the heavily negative value for the real estate investment trusts, many of which went through reorganization following a very rapid expansion in the first half of the 1970s, to nearly 100 percent a year for the money market funds that began operating only in 1974 but between the end of 1977 and mid-1980 increased their assets nearly twenty times as extremely high short-term interest rates led to large-scale disintermediation. Growth rates between 1 and 2 percent above the average of 12 percent were registered, in ascending order, by federally sponsored agencies, savings and loan associations, state and local pension funds, finance companies, and credit unions. Only two groups other than money market funds kept far above the average: non-life insurance companies with 19 percent, and municipal bond funds, profiting from the attraction of tax exemption of their distributions, with 36 percent. Banks, the largest single group, expanded their assets at a rate of only 10 percent, 2

Table 89 **Distribution and Rate of Growth of National Assets, 1975-80**

[illegible]

5. Livestock	0.5	0.2	0.2	0.2	0.3	0.3	0.2	4.67	14.87
6. Consumer durables	5.7	4.9	4.7	4.8	4.7	4.6	4.6	6.84	11.05
III. Tangible assets	49.0	50.7	50.0	50.7	51.1	51.1	51.3	7.80	12.41
IV. Monetary metals	0.9	0.3	0.3	0.3	0.4	0.7	0.8	2.64	35.80
V. Financial assets	50.1	49.0	49.7	49.0	48.5	48.2	47.9	7.51	11.32
1. Currency and demand deposits	5.7	2.7	2.6	2.6	2.5	2.5	2.2	3.95	7.33
2. Time and savings deposits	4.9	7.3	7.3	7.5	7.3	6.9	6.7	10.74	10.17
3. Insurance and pension claims	4.2	4.4	4.4	4.4	4.3	4.2	4.2	7.84	11.33
4. Loans (excluding line 5)	5.0	5.9	5.8	6.0	6.3	6.4	6.2	8.49	13.37
a. By financial institutions	2.9	4.8	4.6	4.8	5.0	5.1	4.8	10.18	12.48
b. Other	2.1	1.1	1.2	1.2	1.3	1.3	1.4	4.66	16.63
5. Mortgages	4.2	6.6	6.5	6.9	6.9	6.9	6.7	9.83	12.73
6. Federal government securities	9.6	4.6	4.8	4.9	4.9	4.8	4.6	4.09	12.38
7. State and local government securities	1.4	1.8	1.8	1.8	1.7	1.6	1.5	8.80	8.06
8. Corporate and foreign bonds	2.2	2.6	2.6	2.6	2.5	2.4	2.3	8.38	9.54
9. Trade credit	2.0	2.3	2.2	2.2	2.3	2.4	2.4	8.28	13.50
10. Other claims	3.9	2.5	2.6	2.6	2.8	2.8	3.2	5.38	11.92
11. Corporate stock	7.4	7.4	8.2	6.6	6.1	6.4	6.9	7.57	10.95
12. Direct foreign investment	0.7	0.9	0.9	0.8	0.9	0.9	0.9	9.34	11.90
VI. Foreign assets and liabilities									
1. Assets	1.6	2.3	2.5	2.5	2.6	2.4	2.4	9.49	13.48
2. Liabilities	0.9	1.8	1.9	2.1	2.2	2.1	1.9	11.03	13.85
VII. National assets									
1. Percent	100.0	100.0	100.0	100.0	100.0	100.0	100.0	8.62	12.21
2. Amount (\$ bill.)	2,418	12,170	13,575	14,919	16,930	19,302	21,645		

Table 90

The Structure of the Stock and Rate of Growth of Reproducible Assets, 1953 and 1975-80

	Distribution (percent)							Rate of growth (percent per year)	
	1953 (1)	1975 (2)	1976 (3)	1977 (4)	1978 (5)	1979 (6)	1980 (7)	1954- 75 (8)	1976- 80 (9)
<i>I. Current Prices</i>									
1. Residential structures	31.2	28.7	29.5	30.6	31.2	31.4	31.7	6.96	14.01
2. Nonresidential structures	27.7	34.1	33.3	32.6	32.3	32.3	32.8	8.39	10.92
a. Private	13.3	16.7	16.4	16.0	15.9	15.9	16.1	8.48	10.95
b. Government	14.4	17.4	16.9	16.6	16.4	16.4	16.7	8.31	10.90
3. Equipment	14.1	14.5	14.5	14.3	14.0	13.8	13.6	7.52	10.41
a. Private	12.6	13.1	13.1	12.9	12.6	12.5	12.4	7.55	10.57
b. Government	1.5	1.4	1.4	1.4	1.3	1.3	1.2	7.24	8.96
4. Inventories ^a	12.7	10.0	9.9	9.8	10.0	10.2	9.5	6.21	10.73
5. Consumer durables	14.3	12.8	12.8	12.7	12.5	12.3	12.4	6.84	11.07
6. All reproducible assets, percent	100.0	100.0	100.0	100.0	100.0	100.0	100.0	....	...
7. All reproducible assets, \$ trill.	0.97	4.63	5.16	5.58	6.38	7.26	8.13	7.62	11.92

II. Constant (1972) Prices

1. Residential structures	31.0	28.3	28.2	28.1	28.0	27.8	27.7	3.39	2.29
2. Nonresidential structures	32.2	33.4	33.1	32.5	32.0	31.7	31.3	3.99	1.43
a. Private	15.4	15.9	15.8	15.5	15.4	15.4	15.2	3.96	1.82
b. Government	16.8	17.5	17.3	17.0	16.6	16.3	16.1	4.01	1.07
3. Equipment	14.2	14.5	14.5	14.6	14.7	14.9	15.0	3.92	3.37
a. Private	12.7	13.0	13.1	13.2	13.3	13.5	13.6	3.94	3.49
b. Government	1.5	1.5	1.4	1.4	1.4	1.4	1.4	3.73	2.34
4. Inventories ^a	11.4	9.3	9.2	9.4	9.5	9.5	9.5	2.86	3.15
5. Consumer durables	11.2	14.6	14.9	15.3	15.7	16.0	16.5	5.08	5.33
6. All reproducible assets, percent	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
7. All reproducible assets, \$ trill.	1.49	3.39	3.47	3.58	3.70	3.80	3.88	3.82	2.74

Sources of basic data: Bureau of Economic Analysis, U.S. Department of Commerce, printout.

^aIncludes livestock.

Table 91

Sectoral Distribution and Growth Rate of Financial Assets, 1953 and 1975–80

	Distribution (percent)							Rate of growth (percent per year)	
	1953 (1)	1975 (2)	1976 (3)	1977 (4)	1978 (5)	1979 (6)	1980 ^a (7)	1954 to 1975 (8)	1976 to 1980 ^a (9)
1. Households ^b	44.7	42.9	43.6	42.0	41.0	41.2	41.4	7.37	10.67
2. Unincorporated farm enterprises	0.7	0.2	0.2	0.3	0.2	0.2	0.2	2.66	10.82
3. Unincorporated nonfarm enterprises	1.4	0.6	0.6	0.6	0.6	0.6	0.6	3.86	9.23
4. Nonfinancial corporations ^c	10.0	9.4	9.1	9.1	9.2	9.4	9.3	7.27	11.31
5. Federal government	4.2	2.0	2.2	2.1	2.3	2.3	2.4	4.13	15.02
6. State and local governments	1.9	2.0	2.0	2.1	2.1	2.0	2.0	7.95	10.44
7. Rest of the world	1.8	3.2	3.2	3.5	3.8	3.7	3.7	10.30	15.64
8. Financial institutions, A ^d	35.3	39.7	39.1	40.3	40.8	40.5	40.4	8.14	12.11
9. All sectors A ^d , percent	100.0	100.0	100.0	100.0	100.0	100.0	100.0	...	...
10. All sectors, A ^d , \$ trill.	1.20	5.96	6.74	7.30	8.22	9.31	9.74	7.58	11.56
11. Financial institutions B ^e	7.5	5.1	5.0	4.7	4.7	4.4	4.5	5.68	8.30
12. Financial institutions, A + B	42.3	44.8	44.1	45.0	45.5	44.9	44.9	7.79	11.69
13. All sectors, A + B	107.5	105.1	105.0	104.7	104.7	104.4	104.5	7.40	11.42

^a30 June 1980.^bIncludes nonprofit organizations and personal trust funds.^cIntercompany stockholdings not included.^dIncluded in flow-of-funds statistics.^eNot included in flow-of-funds statistics.

Source: Federal Reserve Board, Flow of Funds Accounts, 1949–1978, 1979, for cols. 1–5; printout for cols. 6 and 7.

percent below the average. There were, however, numerous groups, which lagged by 4 percent or more behind the average, viz., in descending order, savings bank life insurance, monetary authorities, mutual savings banks, face amount investment companies, closed-end investment companies, federal life insurance, open-end investment companies, and social security organizations. There is no simple explanation for these differences. In particular, the correlation between rates of growth of assets in the second half of the 1970s and the preceding two decades is not pronounced. Indeed in six of the twenty-one groups which were operating in both periods the rate was lower in the more recent period.

As a result, some changes occurred in the distribution of financial assets among the various institutions. In absolute terms they are small. The two largest ones, both amounting to about 2 percent of the total, are the decrease in the share of commercial banks and the increase of that of federally sponsored credit agencies, both continuing trends over the preceding two decades, and of money market funds. In relative terms, however, some of the changes are quite substantial, as column 10 of table 92 shows. Thus the share increased by more than one tenth of the starting value for three groups—federally sponsored agencies, municipal bond funds, and money market funds; but declined by more than one-tenth for no less than twelve groups, including some large groups like monetary authorities, mutual savings banks, and bank trust departments. (If the gold holdings of monetary authorities are revalued at market prices, their share in the assets of all financial institutions instead of declining for 4.7 percent to 3.9 percent rises from 5.7 to 7.5 percent.)

The year-to-year movements in the share of the various groups of financial institutions are in general fairly regular, upward or downward. In thirteen of the twenty-four groups the share moves either upward or downward in four or all five years of the period. On this test the movement was most regular in the case of federally sponsored agencies and municipal bond funds (up) and of the monetary authorities and open-end and real estate investment companies (down).

8.5. National Balance Sheet Ratios

All capital output ratios shown in table 93 rose over the quinquennium, but to a different degree. The rise was insignificant for reproducible business-type assets; moderate for all reproducible and financial assets; but substantial, amounting to over one-tenth of the starting level, for land. The movements thus continued trends visible over the preceding two decades.

The financial interrelations ratio, which measures the size of the financial superstructure relative to national wealth, showed a slightly downward movement, from 0.97 to 0.93, compared to a level of slightly above

Table 92 **Distribution and Growth Rates of Financial Assets of Financial Institutions, 1953 and 1975–80**

	Distribution (percent)							Rate of growth (percent per year)		
	1953	1975	1976	1977	1978	1979	1980 ^a	1954 to 1975	1976 to 1980 ^a	Share 1980 Share 1975
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
I. Institutions included in flow-of-funds statistics										
1. Monetary authorities	12.76	5.28	5.10	4.86	4.66	4.42	4.35	3.89	7.32	0.82
2. Federally sponsored agencies ^b	0.97	5.39	5.60	5.96	6.63	7.51	7.77	16.90	13.08	1.44
3. Commercial banks	41.18	35.01	33.80	33.61	33.75	33.18	32.17	7.35	10.02	0.92
4. Mutual savings banks	6.45	5.18	5.18	5.01	4.72	4.33	4.25	7.07	7.30	0.82
5. Savings and loan associations	6.33	14.33	14.87	15.61	15.63	15.36	15.07	12.23	13.36	1.05
6. Credit unions	0.47	1.56	1.64	1.75	1.74	1.65	1.66	14.17	13.64	1.06
7. Life insurance companies	18.15	11.85	11.80	11.55	11.29	11.15	11.24	6.07	10.80	0.95
8. Private pension funds	2.78	6.22	6.52	6.07	5.93	5.90	6.17	12.18	11.91	0.99
9. State and local pension funds	1.90	4.44	4.58	4.50	4.59	4.51	4.70	12.40	13.53	1.06
10. Other insurance companies	3.70	3.28	3.56	3.85	4.00	4.16	4.28	7.55	18.98	1.30
11. Finance companies ^c	3.25	4.14	4.05	4.31	4.35	4.48	4.38	9.34	13.57	1.06
12. Open-end investment companies	0.97	1.79	1.78	1.45	1.27	1.22	1.21	11.18	2.80	0.68
13. Real estate investment companies	...	0.59	0.37	0.24	0.20	0.18	0.16	...	-27.50	0.27
14. Money market funds	...	0.16	0.14	0.13	0.32	1.20	1.93	...	95.85	12.06
15. Security brokers and dealers	1.09	0.78	1.01	0.93	0.81	0.75	0.67	6.50	8.44	0.86
16. All institutions, percent	100.00	100.00	100.0	100.00	100.00	100.00	100.00	...	...	...
17. All institutions, \$ bill.	422	2360	2636	2942	3349	3773	3946	8.14	12.11	...

II. Other institutions

1. Bank-administered personal trusts	9.27	6.99	7.31	6.44	6.45	6.02	6.08	6.76	8.70	0.87
2. Postal savings system	0.56	...	...	...	...	...	...	...	...	...
3. Fraternal life insurance	0.56	0.28	0.27	0.26	0.25	0.24	0.24	4.71	8.69	0.86
4. Savings bank life insurance	0.03	0.03	0.03	0.03	0.02	0.02	0.02	7.30	7.40	0.67
5. Federal life insurance	1.49	0.34	0.31	0.29	0.26	0.24	0.24	1.11	3.57	0.71
6. Federal retirement funds	2.12	1.78	1.69	1.80	1.79	1.78	1.69	7.23	10.91	0.95
7. Social security organizations	7.25	2.92	2.47	2.15	1.94	1.75	1.93	3.77	2.17	-.66
8. Closed-end investment companies	0.22	0.25	0.25	0.21	0.18	0.18	0.18	8.73	4.52	-.72
9. Municipal bond investment companies	...	0.26	0.35	0.46	0.49	0.52	0.61	...	35.95	2.35
10. Face amount investment companies ^c	0.12	0.13	0.12	0.12	0.11	0.11	0.11	8.49	6.77	0.85
11. All other institutions	21.64	12.98	12.80	11.76	11.49	10.86	11.10	5.66	8.30	0.86

^a30 June 1980.

^bIncludes mortgage pools.

^cIncludes mortgage companies (1975: 0.24; 1980: 0.28).

Sources:

Line I Federal Reserve Board, *Flow of Funds Accounts, 1949-1978* for cols. 1 to 5; printout for cols. 6 and 7.

Line II-1 Federal Deposit Insurance Corporation, *Trust Assets of Insured Commercial Banks*, var. issues.

Line II-2 *Historical Statistics*, p. 1048

Lines II-3,4 American Council of Life Insurance, *Life Insurance Fact Book*, var. issues, e.g., 1979, p. 101.

Lines II-5,6 As for line I.

Line II-7 Obtained by combining data from *Statistical Abstract* var. issues; *Historical Statistics*, pp. 347, 354; *Treasury Bulletin*, August 1980, p. 28.

Line II-8 Arthur Wiesenberger and Co., *Investment Companies* (1979), p. 12; estimates for cols. 6 and 7.

Line II-9 Salomon Brothers, *1980 Prospects for Financial Markets*, p. 34.

Line II-10 *Moody's Bank and Finance Manual*, var. issues; refers to Investors' Diversified Services and Investors' Syndicate.

Table 93 National Balance Sheet Ratios, 1953 and 1975–80

	1953 (1)	1975 (2)	1976 (3)	1977 (4)	1978 (5)	1979 (6)	1980 (7)
I. Capital/output ratios ^a							
1. Land	0.60	0.96	0.98	0.98	1.00	1.04	1.10
2. All Reproducible assets	2.65	2.87	2.79	2.82	2.82	2.92	3.01
3. Reproducible business assets ^b	0.99	1.12	1.08	1.07	1.06	1.10	1.13
4. Financial assets ^c	3.38	3.71	3.77	3.69	3.66	3.80	3.83
5. National assets	6.63	7.53	7.54	7.49	7.47	7.75	7.94
II. Financial interrelations ratio ^d	1.04	0.97	1.00	0.97	0.95	0.96	0.93
III. Financial intermediation ratio ^e	0.34	0.40	0.39	0.40	0.41	0.40	0.39
IV. Debt/national assets ratio	0.42	0.41	0.41	0.41	0.42	0.41	0.41
V. Debt/tangible assets ratio	0.85	0.80	0.81	0.82	0.80	0.80	0.79
VI. Liquidity ratio ^f	0.24	0.15	0.15	0.15	0.15	0.15	0.15
VII. Foreign balance ratio ^g	0.007	0.005	0.004	0.003	0.003	0.004	0.004

^aDivisor is year-end rate of gross national product.

^bPrivate nonresidential structures, equipment, and inventories.

^cIncludes monetary metals.

^dFinancial assets : tangible assets.

^eFinancial assets of financial institutions (excluding interfinancial assets) : all financial assets.

^fMonetary metals, currency, deposits, open-market paper, and debt securities : national assets.

^gNet foreign assets : national assets.

Source of basic data: Table 89.

unity in 1953. This indicates, from the statistical point of view, a slight decline in the importance of financial assets in the national balance sheet.

The share of financial institutions in all financial assets (excluding intercorporate stockholdings) showed no changes, keeping very close to 0.40 in all six years if only the institutions covered by flow-of-funds statistics are considered. Inclusion of the additional institutions, on which information is provided in table 92, would raise the share only fractionally (because their inclusion would also increase the total of financial instruments covered by the statistics, though by a smaller amount), but would not affect the ratio's stability. This means that in the late 1970s financial institutions acted as either holder or issuer of fully four-fifths of all financial instruments, only a small increase—probably by about four percentage points—above the level of 1953.

The ratios of debt to either total national assets or to tangible assets, have hardly changed over the period, keeping close to two-fifths and four-fifths respectively in all years. These ratios were practically the same as in 1953 if debt is related to total national assets, but slightly lower if the comparison is made with tangible assets only.

The liquidity ratio, difficult to calculate in a satisfactory fashion, stayed at 0.15 of national assets in all six years but was substantially below the level of 0.24 in 1953, reflecting primarily the sharp decline in the share of federal government securities in national assets.

The ratio of net foreign to national assets, finally, was close to 0.5 percent at the beginning and the end of the period, a slight decline from the value of nearly 0.7 percent in 1953 as foreign liabilities increased somewhat more rapidly than foreign assets.

This Page Intentionally Left Blank