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CHAPTER 9

REVIEW AND EVALUATION OF WEALTH DATA: THE NONBUSINESS SECTORS AND NET FOREIGN CLAIMS

FEDERAL GOVERNMENT

Data required to construct wealth estimates and balance sheets for the Federal sector are of uneven quality. The best data are those on land, buildings, and structures and facilities (realty). Data on machinery and equipment (tangible personalty) are the most deficient. Financial asset and liability data are adequate.

The main sources of data on the Federal sector are the following:

1. Since 1955, the House Committee on Government Operations has published annually the "Federal Real and Personal Property Inventory Report" which summarizes inventory and accounting data collected by various departments of Government, either as part of their functional responsibility or, explicitly, for the House committee.

2. The General Services Administration, property custodian of the executive branch, requires that agencies report data on the acquisition cost, or size of area leased, for land, buildings, and structures and facilities; these are tabulated and published annually in "Inventory Report on Real Property Owned By The United States Throughout the World" and "Inventory Report on Real Property Leased to the United States Throughout the World."

3. The Department of Defense, in addition to reporting its realty to GSA, publishes "Real and Personal Property of the Department of Defense," which contains tabulations of inventory data for real property, construction-in-progress and tangible personal property.

4. The Treasury collects balance sheet data on tangible and intangible assets and liabilities from the accounting records of the various Government agencies which are published in the appropriate monthly Treasury Bulletin and, in a somewhat different form, in the report of the House Committee on Government Operations.

Based on the data contained in the foregoing sources, a statement of the asset position of the Federal Government on June 30, 1962, has been constructed and appears in table 5. As indicated in the footnotes, the data reflect a mixture of valuations.

SCOPE AND CLASSIFICATION

These asset data are, for the most part, commensurate with the definition of the Federal sector recommended by the working group—"the Federal sector should include all organizational units whose programs or activities are substantially formulated and administered by Federal agencies or appointees." Within the sector, subtotals should be available for organizations which have counterparts in the private sector. This would facilitate the combination of Federal monetary in-

stitutions with all others into a financial intermediaries sector in connection with the preparation of flow of funds accounts; similarly, totals could be obtained for public and private utilities.

There is need to recast the two asset classes used in Federal property accounting—realty and personalty—into categories which are more descriptive and are consistent with those of the private sector. Data should be classified along the lines of the stubs in table 5. These categories serve to distinguish between reproducible and nonreproducible assets, real and financial assets, depletable and depreciable assets.

TABLE 5.—*Assets of the Federal Government, June 30, 1962*

	<i>Millions of dollars</i>
Cash.....	11, 244
Investments.....	5, 694
Accounts and notes receivable.....	4, 487
Loans receivable.....	26, 899
Inventories (except Department of Defense):	
Commodities for sale, etc.....	4, 670
Work in progress.....	660
Materials and supplies.....	9, 216
Inventories, Department of Defense:	
Government-furnished material.....	2, 473
Industrial funds.....	341
Land (in United States):	
Public domain acreage.....	¹ 12, 318
Donated or acquired at no cost.....	¹ 292
Purchased.....	3, 462
Land under control of Architect of the Capitol.....	¹ 97
Mineral resources.....	² 5, 422
Buildings of executive agencies, departments, and offices (in United States).....	21, 945
Buildings and improvements under control of the Architect of the Capitol.....	¹ 343
Structures and facilities.....	27, 046
Land, buildings, and structures and facilities outside the 50 States and District of Columbia.....	6, 668
Machinery and equipment:	
Department of Defense including the civilian functions of the Corps of Engineers.....	³ 125, 124
Other.....	12, 164
Collection of the Library of Congress.....	2, 364
Construction in progress.....	7, 666
Leasehold improvements.....	130
Real estate collateral acquired.....	708
Other assets.....	7, 980
Total.....	⁴ 299, 413

¹ Valued at estimated present-day value.

² Valued by discounting expected future returns.

³ Includes \$40,680,000,000 inventories in the supply system which are substantially valued at current procurement costs.

⁴ Difference between this total and that of the Dawson committee (299,444) represents unallocable adjustments needed to reconcile DOD and GSA reported inventory values.

Source: See text of report of Working Group on Federal Government Wealth, app. II, pt. A.

VALUATION

The data for the Federal sector are now expressed in several types of values. To provide consistency both within the sector and with the rest of the economy, an attempt should be made to value all assets in current prices or reasonable proxies therefor. To this end, depre-

ciable tangible assets should be valued at gross and depreciated replacement cost; inventories, at current market; land and mineral resources, at estimated current market value. Because of the differences in data availabilities for each of these asset-type classes, the extent of the work required to produce these estimates varies.

DEPRECIABLE ASSETS

Within the depreciable asset category, there are two distinct types of data. Detailed inventory data, at acquisition cost, by type of asset and geographical location, exist for buildings, and structures and facilities. For machinery and equipment, other than that of the Department of Defense, only gross book-value totals are available; there are no breakdowns of agency totals by asset type or location. At least part of these aggregate figures are supported by inventory listings maintained by agencies. This is undoubtedly true for automobiles and automatic data-processing equipment, since separate inventories are taken and published for both of these categories. The Department of Defense breaks down machinery and equipment into much finer detail by asset-type, but does not provide geographical detail for these assets.

The asset-type detail for buildings, and structures and facilities is, on the whole, sufficient for revaluation purposes. The required age distribution could be obtained if agencies were requested to allocate the book-cost data shown for each asset class, among age class-intervals appropriate for revaluation. For machinery and equipment, it would be necessary, first, to obtain data on gross book value by asset type; then, such data would have to be distributed among age-class intervals. A one-time inventory of machinery and equipment, patterned after the GSA realty inventory, should be taken to achieve these data objectives. The information contained in the age distributions would also be useful in estimating depreciation. Except for certain business-type operations, such as TVA, depreciation is not presently calculated for the depreciable assets of the Federal Government. Both to recognize the fact that these assets decline in value over time, like their counterparts in the private sector, and to put the Federal sector on a basis consistent with the rest of the economy, depreciation estimates should be made. However, it might prove appropriate to report only gross replacement cost data for certain assets of the Department of Defense, such as weaponry.

LAND

Currently, data on public domain and donated land are reported to the House Committee on Government Operations on an "estimated present-day value" basis. This valuation concept should be extended to cover purchased lands. The current estimates of present-day value, prepared by controlling agencies, appear to take into account the relevant considerations—selling prices of similar parcels, discounted present values of income streams, etc. The only deficiency might be the lack of consistent weights applied to the factors by different agencies. The recommendations of the Public Lands Subgroup of the Natural Resources Working Group call for the establishment of regional appraisal boards which would value all public lands through

the use of guidelines drawn up centrally to insure consistency. This approach can be used beneficially in the Federal sector and many of those experts currently making such estimates would be called upon to serve on appraisal boards. Since valuation probably will be accomplished by looking at different types of land in different locations, the resulting estimates could be broken down readily into "type" and geographical subtotals.

The Public Lands Subgroup has recommended that values be determined for land alone and that timber or mineral values be estimated separately. This is the current practice in valuing public domain lands which contain minerals; land with timber is valued as a whole. Mineral values are currently obtained by discounting to the present the value of expected future income streams. The Minerals Subgroup of the Natural Resources Working Group has recommended that mineral properties be valued by estimating the current market price of the entire property including the tangible capital used to extract the minerals. A current market approach has also been recommended by the Timber Resources Subgroup for commercial forest land. Both of the last-mentioned subgroups would include land as an inseparable part of the resource to be valued. This view obviously conflicts with that of the Public Lands Subgroup. Further studies are required to determine the extent to which land can be valued apart from the resource it contains. Once this determination is made, the approach should be applied to the land and resources of both the private and public sectors.

Inventories should be valued at current market price. For many important Federal inventories, such as grain held by the CCC and strategic materials stockpiles, this criterion is probably far from being met. In these cases, special studies are needed to establish present-day values.

WORKING CAPITAL

Data on the financial assets and liabilities of the Federal Government seem adequate on the whole for presentation on a basis consistent with the financial claims of the rest of the economy. There are some indications that the current liabilities of certain Federal agencies are not fully covered in the balance sheet (form 220) that these agencies submit to the Treasury. While it is true that the emphasis of the House committee has been on assets, steps must be taken to insure that liabilities are adequately covered before balance sheets can be prepared. Special problems connected with the valuation of certain claims of the Federal Government on foreign countries are treated in the summary on net foreign claims later in this chapter.

DETAIL

The data on tangible wealth, at current-day values, should be presented in adequate detail by controlling agency, function, type, and geographical location. Detail by controlling agencies or unit is available since reporting is by unit. Functional-use detail, along the lines presently used by the Bureau of the Budget for classifying appropriations, is currently provided in the report of the House committee. Asset-type detail has been discussed above in connection with revalu-

ation. It is currently available for land, buildings, and structures and facilities, but not for machinery and equipment, except for that of the Department of Defense. Geographical detail exists, in most cases at the county level, for land, buildings, structures, and facilities located in the 50 States, and by country, for assets outside of the United States (except where security considerations prevent its publication). Such detail is not available for machinery and equipment. It should be obtained for all items in this class which are not frequently moved from location to location. In order to present wealth data on a sector-of-use, as well as a sector-of-ownership basis, the GSA should collect data on rental payments by major types of asset for land, buildings, and structures and facilities. GSA currently collects data, reported annually in "Inventory Report on Real Property Leased to the United States Throughout the World," on acreage and square feet leased by the United States by major asset-type classification. The data are not collected primarily by asset type. However, since the basic reporting unit is a lease (calling for an annual rental payment of at least \$2,000), rental payments and asset-type detail could be obtained at least for those leases involving only one asset type. An analysis should be made to determine what portion of rental-payment data, if collected, could actually be allocated among asset types, based on information currently available in these reports. This analysis would shed light on the further steps needed to obtain these data. Sampling techniques should be used wherever possible in obtaining the additional information required.

The existing data-collection system, modified as indicated above, is capable of providing the information needed to prepare wealth estimates and balance sheets for the Federal sector, valued in terms of current prices. In connection with the proposed balance sheet estimates, however, efforts should be made to discourage their use in decisions regarding the size of the Federal debt, since their analytical role for that purpose is quite limited.

STATE AND LOCAL GOVERNMENTS

Very few data useful for tangible wealth estimates for State and local governments have been collected. The main obstacle to the collection of such data is the apparent lack of adequate property records on the part of many units in the sector. While the working group has gone on to make recommendations concerning the desirable data objectives of the sector, it recognizes that the attainment of these goals rests on the results of a pilot study of property records. While these results may cause certain goals to be abandoned, every effort should be made to encourage State and local governments with deficient records to adopt accounting and recordkeeping standards which would provide data required for wealth estimates.

The State and local government sector is an extremely important holder of tangible wealth. According to Goldsmith's estimates, the sector owned net tangible assets valued at \$173 billion at the end of 1958. This amount represented 10 percent of the total for all sectors. State and local government tangibles were three times as large as those of the nonmilitary segment of the Federal Government. State and local government holdings of nonresidential structures were 32

percent of the 1958 total and were second in amount only to those of nonfinancial corporations. These data serve to indicate the importance of information on the State and local sector to the wealth study as a whole.

Goldsmith's estimates rest mainly on capital expenditures series accumulated to stock totals through the perpetual inventory method. The capital expenditures series are virtually the only data relevant to tangible wealth which exist for the sector. These series have been collected on a consistent basis by the Census Bureau in its census of governments, taken every fifth year, beginning in 1952. Intervening annual estimates have been prepared based on sample data. These data are broken down by expenditure class into new construction, equipment, and existing structures and land, cross-classified by function and level of government.

Aside from Goldsmith's perpetual inventory estimates and the Census series underlying them, there are scattered data for particular types of tangibles. The Office of Education compiles data on the value of public elementary and secondary school property broken down into sites, buildings, and equipment. Only 37 States and the District of Columbia reported these data; some of the respondents did not give separate totals for each of the three asset classes. A census taken in the spring of 1962 provides data on the number of instructional rooms in school plants by State, completion data (before or after 1920), combustibility, and location—in permanent buildings, nonpermanent, or offsite facilities. For public institutions of higher education, the Office of Education collects biennially comprehensive dollar totals for land, buildings, improvements other than buildings, and equipment. In addition, the Office has just completed a detailed study of higher education slated for publication under the title, "Inventory of College and University Physical Facilities, December 1957" which will be part three of a five-part study, "College and University Facilities Survey." The study provides detail by State, asset type, age, condition, and type of construction for buildings, and contains data on the historical cost and estimated present-day value of facilities.

The Bureau of Public Roads compiles data on the mileage of roads and streets by State, classified by the level of government responsible for it. Selected data on the cost of highway construction are available also.

Data in physical units but not in dollar values, exist for water and sewage facilities in communities with a population of 25,000 or more. The Public Health Service collects these data every few years. Data on expenditures for those facilities built under contract are published annually in *Engineering News-Record*. The book value, age, and depreciation, of water supply and treatment facilities are collected every 5 years (last done in 1960) on a sample basis by the American Water Works Association. The Federal Power Commission collects data annually on a census basis on the book value of plant (net and gross), equipment, other tangibles, and financial reserves of public electric companies with invested capital of \$100,000 or more.

The book value of plant and total assets of public hospitals, by type of hospital, level of government, and location are collected annually by the American Hospital Association and published in its journal.

The U.S. Outdoor Recreation Resource Review Committee has prepared an inventory of the net acreage of public nonurban outdoor recreation facilities. The data were classified by level of government for each State.

The census of governments contains the most comprehensive data on the financial claims of State and local governments. National totals for financial assets, classified by type of assets and fund are published by level of government. State totals contain less detail. There are four asset-type breaks: (1) Cash on hand and on deposit; (2) Federal Government securities; (3) State and local government securities; (4) nongovernmental securities.

As stated earlier, the degree to which any data objectives can be reached is dependent on the findings of pilot studies to determine exactly what data are available. The desirable objectives for wealth data for the State and local sector closely follow those for the Federal Government. Data objectives for the government sector as a whole are influenced by the type of detail on financial claims recommended by the Working Group on Nonfarm Business Financial Claims. The findings of the Public Lands Subgroup of the Natural Resources Working Group obviously relate to the government sector as well.

NET FOREIGN CLAIMS

DEFINITIONS

Before discussing the requirements for an inventory of net foreign claims, some definitional problems must be resolved. Net foreign claims comprise the claims of U.S. residents on the rest of the world, offset by the claims of the rest of the world on the United States. They represent the difference between domestic and national wealth. Domestic wealth is that which is located within the boundaries of a nation; national wealth is that throughout the world which is owned by the residents of a nation. These definitions raise three important issues:

- (1) What are the territorial boundaries of the United States?
- (2) What is the meaning of resident?
- (3) Are tangible assets to be treated as representing claims?

The boundary problem currently arises mainly in connection with the treatment of Puerto Rico. The Commonwealth is excluded from the national income accounts, but included as domestic territory in the balance of payments statistics. Since both treatments have merit, it would be preferable to cover the claims between the United States and Puerto Rico in a separate survey. This would permit the adjustment of the two major bodies of data to a consistent basis, whenever necessary.

The second problem is to determine which natural persons are residents. For balance of payments purposes a resident of a country is defined as a person who "ordinarily" lives there. For national wealth purposes a broader definition is preferred by some; namely, all persons subject to the jurisdiction of the country—its residents plus its citizens living abroad. Of the two, the former is preferable since it avoids political issues, is currently used and does not result in double counting. A statistical problem in the use of the former is that wealth

located in the United States, but owned by U.S. citizens who are foreign residents, is probably not picked up as foreign investment in the United States. But the foreign wealth of U.S. citizens residing abroad is subject to U.S. jurisdiction for tax and other purposes, and could be shown in a footnote as a contingent item. Another problem is that it can be difficult to delineate "persons ordinarily resident."

The treatment of assets of the Federal Government and its employees are special cases of both the territorial boundaries and the resident problems. The principle of extraterritoriality could be applied to the treatment of the tangible assets of national governments. If imposed, this principle would dictate that foreign tangible property located in the United States would be excluded from U.S. domestic wealth and U.S. governmental holdings of tangibles abroad would be included in both U.S. domestic and national wealth. It seems desirable, on balance, to reject extraterritoriality for statistical purposes. Federal employees serving abroad are considered as residents of the United States for balance of payments purposes and, therefore, represent an exception to the "ordinarily resident" rule.

The third problem is whether or not to create international claims corresponding to tangible assets located in one country and owned in another. The advantage of assuming that residents of one country own claims on their tangible assets located in foreign countries, rather than owning these assets directly, is that the assets can then be included as part of the domestic wealth of the host country. Otherwise, these tangibles would have to be made part of the domestic wealth of the owning country, which seems unrealistic since they contribute to output in the host country. For only one type of tangible asset—movable military equipment—does the latter type of treatment seem appropriate.

Somewhat related to the establishment of claims representing holdings of tangible wealth is the treatment of the monetary gold stock. To reflect its role as a particular type of generalized claim on foreign goods and services, and to achieve consistency with the balance of payments treatment, gold should be considered as an international asset of the United States. While to treat foreign gold holdings as a claim on the United States would be consistent with flow of funds statistics, this procedure should not be followed, since in many respects it is unrealistic.

THE COVERAGE OF EXISTING DATA

The international investment position of the United States at the end of 1962 is found in table 6. This table was prepared by Samuel Pizer of the Balance of Payments Division of OBE for inclusion in the report of the Net Foreign Claims Working Group (app. II, pt. D) and is also found, in somewhat lesser detail, in the Survey of Current Business, August 1963.

TABLE 6.—*International investment position of the United States, 1962*

[Millions of dollars]

1.	U.S. assets and investments abroad, total-----	80,126
2.	Private investments-----	59,810
3.	Long-term total-----	52,576
4.	Direct ¹ -----	37,145
5.	Foreign dollar bonds ² -----	6,373
	Other foreign securities:	
6.	Stocks-----	4,715
7.	Bonds-----	714
	Other long-term:	
8.	Reported by banks (form B-3)-----	2,151
9.	Reported by commercial concerns (C-2)-----	769
10.	Other ³ -----	709
11.	Short-term assets and claims, total ⁴ -----	7,234
12.	Reported by banks (B-2)-----	5,038
13.	Reported by commercial concerns (C-2)-----	2,111
14.	Brokerage balance (S-4)-----	85
15.	U.S. Government credits and claims-----	20,316
16.	Long-term ⁵ -----	16,040
17.	Foreign currencies and short-term claims ⁶ -----	3,113
	Monetary assets:	
18.	IMF position-----	1,064
19.	Convertible currencies-----	99
20.	Foreign assets and investments in the United States, total-----	47,368
21.	Long term-----	20,201
22.	Direct ⁷ -----	7,597
23.	Corporate stocks ⁸ -----	10,336
24.	Corporate, State, and municipal bonds ⁹ -----	657
25.	Other long-term-----	1,611
26.	Reported by banks (B-3)-----	4
27.	Reported by commercial concerns (C-1)-----	161
28.	Other ¹⁰ -----	1,446
29.	Short-term assets and U.S. Government obligations-----	27,167
30.	Private obligations-----	13,340
31.	Reported by banks (B-1) ¹¹ -----	12,583
32.	Reported by commercial concerns (C-1)-----	645
33.	Reported by brokers (S-4)-----	112
34.	U.S. Government obligations-----	13,827
35.	Long-term marketable issues ¹² -----	2,061
36.	Special nonmarketable nonconvertible issues-----	251
37.	Short term-----	11,515
38.	Bills and certificates ¹³ -----	9,331
39.	Foreign currency certificates-----	48
40.	Currency-----	906
41.	Miscellaneous ¹⁴ -----	1,230

¹ Country and industry detail in August 1963, Survey of Current Business.² Detail by country and class of borrower being developed.³ Represents values carried forward (with adjustments) from the Treasury census (TFR-500) for certain types of assets, including real estate, estates and trusts, insurance, and miscellaneous claims. The major adjustment was to eliminate part of the value of real property abroad reported by individuals who at the time were noncitizen residents of European origin.⁴ Stabilization fund credits (\$62,000,000), are subtracted from the B-2 reports and included in Government assets.⁵ Detail as in "Foreign Grants and Credits" except that the latter excludes (1) contributions to international organizations (other than IMF) of \$1,117,000,000, (2) nonmilitary installations abroad, \$71,000,000, and (3) miscellaneous claims and settlements, \$101,000,000.⁶ Detail by program and country in "Foreign Grants and Credits."⁷ Area data in August 1963 Survey of Current Business; industry breakdowns can be derived from that article and "Foreign Business Investments in the United States."⁸ Certain country detail are available, but are not accurate. Industry data are available only for earlier years.⁹ Transactions data do not segregate by type; corporate bonds predominated in Treasury census (TFR-300).

Additional footnotes on page 114.

The sources for most of the data contained in the table are the following:

1. Foreign exchange forms filed on a compulsory basis with the U.S. Treasury Department. (Items based on the data filed in these reports are identified in the table by a parenthetical entry indicating the specific report, viz B-1, found on the appropriate lines.)
2. Surveys of direct investment conducted by the Balance of Payments Division, OBE.
3. "Foreign Grants and Credits by the United States Government," assembled and published by the Balance of Payments Division, OBE.
4. "Census of American-Owned Assets in Foreign Countries," prepared and published by the Treasury Department for 1943, is the source of benchmarks for some series which have been updated, primarily through the transactions data collected by the Treasury Department (see 1 above).

GAPS IN EXISTING DATA

There are several major gaps in the coverage of these data. These gaps either have been filled by rather shaky estimates or have been ignored, of necessity.

The liabilities and portfolio holdings of foreign securities of U.S. households are inadequately covered. The liabilities are presumed to be quite small and can be ignored. On the other hand, it is important to obtain data on portfolio holdings. A stratified sampling, giving relatively great weight to high-income and foreign-born households, and sampling drawn from persons filing income tax forms reporting foreign interest- and dividends-received data are two approaches which should be evaluated.

In the government sector, foreign holdings of long-term bonds of State and local governments require the most attention. Since interest on these securities is tax exempt, a special ownership certificate procedure might be used.

While many data gaps can be found in other sectors, most of these can be closed through the balance sheet inventory recommended for nonfarm business financial claims. The inventory will provide detail on a wide variety of instruments by important maturity classes, distinguishing among those transacted with domestic entities, with foreign branches, subsidiaries, and affiliates, and with other foreigners.

The balance sheet inventory would not solve the problem of identifying bearer bonds owned by foreigners and stocks held by domestic nominees for foreigners. For bearer bonds, certificates of ownership filed when interest coupons are cashed could provide the needed information. For stocks, domestic nominees acting for foreigners could be asked to file separate reports during the wealth inventory year.

¹⁰ Represents value carried forward from the Treasury census (TFR-300) for real property, estates and trusts, insurance, and miscellaneous debts and claims.

¹¹ Derived as follows:

Total reported on B-1	25, 023
Less:	
U.S. bills and certificates	12, 343
U.S. foreign currency certificates	48
IMF deposit	49

¹² As published in Federal Reserve Bulletin, with minor adjustments.

¹³ Excludes IMF holdings (\$3,012).

¹⁴ Includes special issues to international organizations, military procurement accounts, and other liabilities of U.S. Government agencies.

NOTE.—The designations in parentheses refer to Treasury Department forms.

In connection with this inventory it is recommended that data on income paid and received, during the year for which beginning and yearend balance sheets are to be obtained, be collected. These data would aid in the preparation of the balance of payments.

DETAIL

The three types of detail in which it would be desirable to present national wealth statements—sector, type of asset or claim, and geographical area—are, of course, appropriate for foreign claims. Geographic detail by foreign country, while useful for many analytical purposes, is not needed to draw up a national wealth statement. However, greater detail probably will be available as a result of the data-collection efforts proposed in areas primarily concerned with wealth other than net foreign claims. The following are suggested sector and type-of-claim breakdowns for foreign claims:

Sectors:

1. Households.¹
2. Agriculture.
3. Nonfinancial business, including sole proprietorships and non-profit institutions.¹
4. Financial corporations:
 - (a) Commercial banks.
 - (b) Other.
5. Government:
 - (a) Federal Government.
 - (b) Federal Reserve System.
 - (c) Other.

Type of claim:

1. Gold (asset only).
2. Currency.
3. Deposits at banks.
 - (a) Demand.
 - (b) Time.
4. Other short-term claims:
 - (a) Money market instruments.
 - (b) Other.
5. Long-term debt:
 - (a) Marketable bonds.
 - (b) Other.
6. Direct investments:
 - (a) Subsidiaries and affiliates.
 - (b) Branches.
7. Other equities:
 - (a) Marketable stocks.
 - (b) Other.
8. Real assets:
 - (a) Consumer durables.
 - (b) Real estate.

¹ This sectoring presumes that foreign claims can be readily identified as to whether they relate to households or sole proprietorships. If not, the foreign claims of these two sectors would have to be combined.

VALUATION

Three types of valuation appear in the statement of the U.S. international investment position found in table 6. Book value is used for direct investments. Market values are used for portfolio holdings of stocks and bonds for which organized markets exist. Face value is used for short-term and most long-term debt, including U.S. loans abroad.

In principle, all claims payable in money, and portfolio holdings of equities, should be valued at market. However, since markets do not exist for many categories of claims, this cannot be achieved, in fact. But market values should be obtained wherever possible. For equities, other than direct investments, the same argument holds.

Certain claims of the Federal Government, primarily loans at special interest rates, loans payable in foreign currencies, and unpaid World War I loans deserve special mention. Primarily for the sake of consistency, loans at special interest rates should be recorded at face value, although it is recognized that it is also appropriate to capitalize the loans at the going interest rate. U.S. Government loans payable in "soft" foreign currencies should be mentioned in a footnote rather than being included as part of national wealth. Differences in the terms of these loans add to the existing complexities of valuing them. Unpaid, but not formally repudiated, World War I loans should receive similar treatment.

Real assets should be valued at depreciated replacement cost because such estimates are highly useful per se, and because such treatment results in the consistent valuation of domestic and national wealth. For foreign tangibles in the United States, this presents no unusual problem. For U.S. holdings of tangibles abroad, the complex of price and investment data required for each country makes such valuation difficult. However, along with the collection of book-value data, it might prove possible to obtain the additional data on a sample basis. This possibility should be explored further. The use of depreciated replacement cost as the valuation basis for foreign direct investment in the United States and, to the extent possible, for U.S. direct investment abroad, requires that the book-value data collected for equity in direct investment establishments be adjusted to reflect this revaluation of underlying assets. Because direct investment establishments are usually closely held, it would be virtually impossible to value the equity in such investment at market prices.

HOUSEHOLDS

There exist fairly reliable survey-based estimates of the value of housing and automobiles, two of the major components of household wealth. Counts of certain major household durables also exist, but there is a serious lack of survey data on household semidurables and soft goods.

A comprehensive survey of household tangible wealth has never been taken in this country. There have been attempts to reconstruct wealth estimates on the basis of accumulated depreciated expenditure data. The most comprehensive effort in the household field, that by Professor Goldsmith, is based on durable goods expenditures in the

national income accounts. Thus, the estimates do not include stocks of clothing, do-it-yourself home improvements, semidurable homefurnishings, and food and fuel inventories. The depreciation rates applied to expenditure data are subject to an unknown amount of error. Finally, the resulting estimate is an aggregate for the entire household sector. No distributions of data by income-size classes are produced by the perpetual inventory method of stock estimation.

TANGIBLE WEALTH DATA

The 1960 Census of Housing collected information about the structural characteristics, age, condition, and plumbing and heating facilities of each housing unit. An estimated market value also was obtained from those homeowners occupying nonfarm and nonbusiness single-unit residences. In addition, the Census collected information on the ownership of automobiles, washing machines, dryers, television and radio sets, air conditioners, and homefreezers. However, no data were collected regarding the value or age of the equipment. Previous Census Bureau experience indicates that respondents have considerable difficulty in answering questions about cost and year of purchase.

Estimates of the value of the stock of passenger cars are prepared by the Office of Business Economics on the basis of numbers and survival rates derived from R. L. Polk data, and detailed market price information. OBE is planning to make estimates of the stock of other categories of durables, and selected individual items within the categories.

The Department of Agriculture has taken surveys of clothing and furniture stocks in local areas, obtaining detailed data on ownership but nothing on prices paid and limited information on age of item. It also provides an annual estimate of the value of housefurnishings and household equipment on farms as a component of the Balance Sheet of Agriculture. The component is constructed by adjusting the inventory in the 1940 base year (derived from expenditure data and other sources) for subsequent acquisitions and depreciation. The acquisition data have been benchmarked on two occasions since the series was begun through the use of expenditure surveys. The most recent of these was the Labor Department's 1961 study of 9,500 urban consumer units and, in cooperation with the Agriculture Department, 4,500 rural families.

A nonrandom sample of subscribers to Consumers' Union was surveyed in 1958-60 with respect to ownership of appliances, automobiles, housing, and furniture. Prices paid, age and condition of stock were requested. Because of the nonrandom nature of the data, their main use will be in testing behavior relationships rather than in estimating aggregates or distributions.

ESTIMATING INTANGIBLE WEALTH

Household financial data cannot be collected as a simple adjunct to a survey of tangible assets. It is clearly established that in order to get accurate information on intangibles, the sample must be heavily weighted by high-income households.

Household financial assets and liabilities have been studied nationally in two specially designed survey projects: the FRB-Census high income project and the Survey Research Center annual consumer finances project. The 1963 FRB-Census study investigated a detailed array of items with a sample heavily weighted at high-income levels; much of the detail requested has relevance only to such a sample. Although the samples used for the Survey Research Center studies were not equal-probability samples, the high-income classes were not as heavily represented as in the FRB-Census project, and the questioning was not as detailed. The Survey Research Center study yielded underestimates of aggregate private holdings of assets and debt. Thorough evaluation of the 1933 FRB-Census study experience is an important step in planning for an inventory of household financial wealth. Two areas for especial study include the ability of respondents to provide wealth-related information, and the most efficient techniques for getting extensive information from householders.

During the 1963 study, limited financial data were collected on family businesses. Use of the household as the source of data on sole proprietorships is a collection technique which should be followed in a wealth inventory since the financial assets and liabilities of sole proprietorships often are closely related, sometimes inseparably, from the financial accounts of the household.

RECOMMENDED APPROACH TO DATA COLLECTION

The Working Group on Household Wealth recommends that a comprehensive survey of household wealth, both financial and tangible, by type, be undertaken. In view of their survey experience, the FRB and Census Bureau would appear to be the logical agencies to design and execute the survey, with sample households to be drawn from the 1970 census records. Technical aspects of the survey would have to be worked out by the responsible agencies, using pilot studies as required. The group suggests that the most efficient survey design would involve use of a number of different samples of households, each concentrated on a particular category of wealth and large enough to provide regional detail.

In general terms, the tangible wealth surveys would collect data on ownership, numbers, and ages of items, purchase price and/or current market values, and possibly condition and method of acquisition. Supplementary studies of service-lives and depreciation rates would be needed, as well as some additional price data to supplement that collected by BLS for the Consumer Price Index.

An alternative approach to estimating household wealth merits further investigation. This involves estimating the tangible wealth holdings of individual households from key indicator items for those same households. These key indicators, such as value of residence, age of household head, ownership of particular items, etc., would be developed from regression analysis of comprehensive data from a very small sample of households.