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The committee regards as supplementary though important recommendations, particularly for the long-range development of the national economic accounts, the establishment on a regular basis of two segments of the integrated national economic accounting system in addition to the now existing segments (national income and product accounts, flow-of-funds statements, and balance-of-payments tables), viz input-output tables and balance sheets. The committee does not regard these various proposals as competing with each other. Each of them has an important place in the development of a comprehensive system of national economic accounts.

CHAPTER II. ORGANIZATION AND ACTIVITIES OF COMMITTEE

1. TERMS OF REFERENCE OF COMMITTEE

The National Accounts Review Committee was set up by the National Bureau of Economic Research at the request of the Office of Statistical Standards of the Bureau of the Budget. Arrangements were concluded early in November 1956 and the committee began to operate immediately thereafter, holding its first meeting on November 11.

The main function of the committee, it was agreed, was to "undertake a review of the national income accounts and closely related accounts now being prepared or requiring preparation by the Federal Government, and make recommendations concerning needed improvements and additions for more effective analysis. The objective of the review is to provide a thorough examination and evaluation of the national income accounts and related accounts and to devise a program to effect further improvements in the accounts when feasible. The review is to ascertain what reorientation in concept and statistical procedure is required in the accounts in order that they may serve Government and private uses most effectively." The committee interpreted the term "related accounts" to include classifications of the well-known national income and product account by sector, by size of income and other characteristics of households, and by State, or other area; as well as the more recently developed segments of a complete system of national accounts, namely, flow-of-funds statements, input-output tables, national balance sheets, and the old established balance of international payments.¹

The national bureau entrusted the conduct of the study specified in the contract to a committee consisting of the following members:

- (1) V. Lewis Bassie, professor of economics, University of Illinois.
- (2) Gerhard Colm, chief economist, National Planning Association.
- (3) Richard A. Easterlin, associate professor of economics, University of Pennsylvania.
- (4) Edwin B. George, director of economics, Dun & Bradstreet, Inc.
- (5) Raymond W. Goldsmith, member, research staff, National Bureau of Economic Research—Chairman.
- (6) Joseph A. Pechman, research staff, Committee on Economic Development.
- (7) Roy L. Reiersen, vice president, Bankers' Trust Co.

¹ The various segments of a system of national accounts are briefly described in ch. V, sec. 1. Somewhat more detailed descriptions will be found in chs. V, sec. 3, IX, X, XII, XIII, and XIV.

- (8) Richard Ruggles, professor of economics, Yale University.
- (9) Lazare Teper, director of research, International Ladies' Garment Workers' Union (AFL-CIO).

2. ACTIVITIES OF THE COMMITTEE

The basic considerations which have guided the committee in its work are summarized in chapter III. They will suggest the reason for the way in which the committee has operated and has framed its report and recommendations.

The committee ascertained the experience and needs of the main groups of users of national accounting data by a series of meetings and by means of three questionnaires. About a dozen meetings were held with representatives of Federal agencies both those primarily producing and those primarily using national accounting data; with university, business and labor economists specializing in the national accounting field; and with representatives of the American Institute of Accountants.

Two questionnaires were sent out to business, labor, and academic economists (but excluding economists in the Federal Government) working in the field of national accounting and over 70 replies were received. The replies to these two questionnaires form the basis of the statement on what users want of the national accounts in the following section. The third questionnaire was directed specifically to persons interested in regional aspects of national accounting and was completed by about 25 respondents. It is discussed briefly in chapter IX.

The committee held 12 meetings usually lasting 2 days to plan its work and to discuss successive drafts of the report. The final draft was adopted unanimously at the meeting of June 21, 1957.

3. A SURVEY OF USERS' NEEDS

To inform itself about the requirements and suggestions of the users of national accounting data, the committee in addition to numerous personal discussions distributed the first two questionnaires to a number of economists and statisticians outside the Federal Government who presumably were making fairly regular use of these statistics. They included business, labor, and academic economists known to be interested in national income and product accounts and flow-of-funds statements, members of the conference on research in income and wealth and members of an informal association of business economists. The questionnaires inquired both about the use made in the past of available national income data and about respondents' evaluation of the need for specific improvements and extensions in the accounts. The questionnaire used is reproduced in appendix C.² The answers to the questionnaires provide an impression of informed opinion though they do not result from a scientific sampling of all users.

It is interesting to note, for example, that of the improvements and extensions in the national accounts about which respondents were queried, quarterly estimates of gross national product at constant prices were checked more often than any other question, although the

² A slightly different shorter questionnaire was used in the beginning and about a dozen replies were received which are not included in the tabulations of appendix C.

lead was small. Next in order, cited with approximately equal frequency, were the following improvements:

- (a) Addition of information on stock of consumer durables.
- (b) Reconciliation of consolidated Government receipts and expenditures of the Federal Government as shown in the national income and products accounts with the conventional and cash budget figures.
- (c) Classification of Government purchases of goods and services into current and capital expenditures, a distinction essential for the estimation of Government saving and investment.
- (d) Separation of nonprofit institutions and a few other groups now lumped together with households into the personal sector of the national income and product accounts.
- (e) Quarterly estimates of personal saving on a balance-sheet basis, i. e., as the result of independently estimated changes in the different types of assets and liabilities of households.
- (f) Estimates of personal income in constant dollars.
- (g) Estimation of gross national product and its principal components on a monthly basis.

Suggestions checked next most often in the replies as being frequently needed, included the following:

- (h) Improvement in the method of allocating expenditures for certain commodities, e. g., automobiles, between consumers and business.
- (i) Classification of expenditures on producer durables and of their purchases by type of commodities and by industry.
- (j) Shift of depreciation estimates to a replacement-cost basis from the original cost basis now prevailing.
- (k) Flow-of-funds accounts on a quarterly basis in addition to the annual statements now available.

1. Regular estimation of a national balance sheet.

There were considerable differences in the improvements which were emphasized by business and by academic economists, and they tended in the expected direction. Business and labor economists most often asked for additional or improved short-term estimates, e. g., monthly estimates of gross national product, and quarterly estimates of gross national product and personal income in constant prices. Academic economists, on the other hand, showed most pronounced interest in additional annual breakdowns, particularly the separation of households from nonprofit institutions and other types of units now lumped together in the personal sector and in the separation of current and capital expenditures of the Government.

There was surprisingly little demand among the respondents in both groups for some information in which considerable interest has been expressed in the past, for example: the separation of imputations, a breakdown of inventories or purchases of durables by industry, depreciation estimates on the basis of the declining-balance method, a classification of Government expenditures by type, national income figures by industry of origin in constant prices, regular (presumably annual) input-output tables, and a more detailed discussion or description of estimating procedures than is now provided, particularly in National Income, 1954 edition.

Although the committee has not felt bound by this straw vote of users, it has, of course, given considerable weight to the opinions expressed in the replies in making its own recommendations.

THE NATIONAL ECONOMIC ACCOUNTS OF THE UNITED STATES:
REVIEW, APPRAISAL, AND RECOMMENDATIONS

In this reprint a number of printing errors will be noted. Several that might give rise to misunderstanding are listed below.

In the passages below

The sense should be:

p. 18 [After item (k), next paragraph should be numbered italic ell, not arabic one]

26, note 13

Data by regions

28, lines 8-9

Far East and the Organization for European Economic Cooperation) which

37, para. 3, from end of 2nd line till end of sentence

to evaluate the present national income and product accounts as the basis of a national accounting system.

42, note 19

see pp. 72 ff. and 80 ff.

43, note 25

see pp. 72 ff. and 80 ff.

52, note 28

see pp. 72 ff. and 82 ff.

67, under (c), first line

72, end of 2nd para.

82, 5th para. heading

86, 3rd para., 4th line

92, end of para. 3

95, line 3

102, para. 3, line 9

105, line 5

133, note 74, last 2 lines

135, note 78, line 2

173, item 1 (b)

182, end of main heading

189, line 6 from end

It is known

middle of the following year.

[Change (e) to (c)]

Organization for

reproducible durable assets

The uses of

recommends that

for the particular communities

an unnecessary burden on the reporting
units of government

other investors

between consumer and business expense

Improving the Basic Data

their extrapolations

4. ARRANGEMENT OF REPORT

For readers interested only in the bare bones of the committee's findings and recommendations a skeleton summary has been provided in chapter I. The committee, however, felt it necessary to provide as a background for its recommendations, first, a statement of the considerations which have guided the committee in its work (ch. III); secondly, a brief description of the present status of national accounting in the United States and abroad (ch. IV); thirdly, a condensed description of the uses of a system of national accounts and of the form of an integrated system which the committee regards as the long-range goal (ch. V); fourthly, a more detailed discussion of a number of conceptual and practical special problems of the national income and product accounts (chs. VI to VIII) and by the breakdowns of the accounts by regions (ch. IX) and by size of income (ch. X); fifthly, a consideration, necessarily very selective, of the statistical adequacy of the national income and product estimates (ch. XI); and sixthly, a discussion of the other chief components of a system of national accounts and of their integration with the national income and products accounts, namely, flow-of-funds statements (ch. XII), input-output tables (ch. XIII) and balance sheets (ch. XIV).

The appendixes contain supporting documents, and tables and a list of detailed technical suggestions for improvement in the national income and product accounts and the primary data underlying them which was submitted to the committee by George Jaszi, Chief of the National Income Division (appendix E).

CHAPTER III. GUIDING CONSIDERATIONS

At the outset of the substantive part of the report it appears advisable to summarize briefly the considerations which have guided the committee in the conduct of its study in the framing of its report, and in the selection of its recommendations. Such an explicit statement of the considerations underlying the report will, it is hoped, assist readers in putting the specific recommendations to be found in the remainder of the report into their appropriate framework. Some of these considerations will be discussed in more detail in later sections; for others the brief mention in this section will have to suffice.

(a) There is need now for a review of the national accounts, particularly the national income and product accounts. Even if the present version of the national income and products accounts, which has remained virtually unchanged since 1947, were as nearly perfect as such estimates could be at the time the system was set up, there would be ample scope now for a thorough examination.

First, since 1947 an important branch of the national accounts, the flow-of-funds statement, has been newly developed and another one, the input-output table, has been considerably expanded but later dropped. Although official estimates of national and sector balance sheets are still missing, with the exception of agriculture, enough work has been done in this field during the last decade by individual students that this aspect of the national accounts can no longer be regarded as existing in the imagination only. The development of these new branches of national accounting poses an integration problem that did not exist in 1947.