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JOINT COMMITTEE PRINT

MEASURING THE NATION'S  
MATERIAL WEALTH

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A REPORT  
OF THE  
SUBCOMMITTEE ON ECONOMIC STATISTICS  
OF THE  
JOINT ECONOMIC COMMITTEE  
CONGRESS OF THE UNITED STATES



Printed for the use of the Joint Economic Committee

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## LETTERS OF TRANSMITTAL

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AUGUST 27, 1965.

*To the Members of the Joint Economic Committee:*

Transmitted herewith for the use of the members of the committee and other Members of Congress is a report of the Subcommittee on Economic Statistics entitled "Measuring the Nation's Material Wealth."

The views expressed in this subcommittee report do not necessarily represent the views of other members of the committee who have not participated in hearings of the subcommittee and the drafting of its report.

Sincerely yours,

WRIGHT PATMAN,  
*Chairman, Joint Economic Committee.*

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AUGUST 26, 1965.

HON. WRIGHT PATMAN,  
*Chairman, Joint Economic Committee,  
U.S. Congress, Washington, D.C.*

DEAR MR. CHAIRMAN: Transmitted herewith is a report by the Subcommittee on Economic Statistics covering our inquiry into the feasibility and construction of a national "wealth inventory." The report is entitled "Measuring the Nation's Material Wealth."

The compilation which the subcommittee supports would be a conventional, more or less corporate, type of inventory of national assets. While one of the recommendations of the subcommittee stresses the importance of the human, nonmonetary assets of the country, this admonition is largely intended to insure that this subject not be neglected by the compilers or users of wealth inventory data.

While it must be clear that the human "assets" are not included, by the same token many other national assets are so difficult, if not impossible, to evaluate that the compilation would depart from reality if we undertook to place monetary valuations upon many important national assets. To name only a few of these: our generally temperate climate, the wide geographic expanse and variety of our resources, the good will of our neighbors, the efficiency which arises from the sheer size of the common market represented by the 50 States, and the wide availability and relative low cost of the output of our industrial plant. Items of this kind may quite properly be included in the concept of national assets, although no monetary measure can adequately evaluate them.

A valuation of national physical, tangible wealth and assets would nevertheless be a useful supplement to our national income accounts and an aid in understanding growth rates in various sectors of the economy and of the Nation as a whole.

Sincerely,

WILLIAM PROXMIRE,  
*Chairman, Subcommittee on Economic Statistics.*

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# REPORT ON MEASURING THE NATION'S MATERIAL WEALTH

Although the United States has the best and most complete accounts among nations of the world for measuring the aggregate national output of goods and services and estimating the income shares of subgroups within the population, it has only fragmentary measurements of the Nation's stock of assets and capital facilities.

This dearth of information on the Nation's wealth has been a subject of concern ever since the last, quite inadequate, compilation was made in 1923. The National Accounts Review Committee, set up by the National Bureau of Economic Research at the request of the Bureau of the Budget, commented on this deficiency to the Joint Economic Committee in October 1957. The Review Committee, whose views were subsequently discussed by a number of experts in hearings before the Subcommittee on Economic Statistics, recommended in their report that " \* \* \* as a part of a long-range program of improvement and expansion of our system of national accounts the development of comprehensive and consistent national and sectoral balance sheets on a regular periodic (if possible annual) basis should be taken in hand as soon as feasible."<sup>1</sup> The importance of wealth inventory statistics was again emphasized by testimony before the Subcommittee on Economic Statistics at 1962 hearings on the measurement of the Nation's productive capacity.<sup>2</sup>

## WEALTH INVENTORY PLANNING STUDY

In response to the interest expressed by professional and governmental groups, the Ford Foundation, in 1962, made a grant available to George Washington University to support a "Wealth Inventory Planning Study." The purpose was to explore the difficult conceptual, statistical, and collection problems involved in a periodic national inventory of wealth and in a continuing balance sheet and wealth estimates to supplement the national income and product accounts.

The report of the Wealth Inventory Planning Study group, under the direction of Dr. John W. Kendrick, then professor of economics at George Washington University, was presented to the Subcommittee on Economic Statistics in December 1964 by the Conference on Research in Income and Wealth, and printed for use of the subcommittee in connection with prospective hearings.<sup>3</sup> Hearings on the report were held by the subcommittee on June 1, 2, and 3, 1965.<sup>4</sup>

<sup>1</sup> "The National Economic Accounts of the United States," hearings before the Subcommittee on Economic Statistics of the Joint Economic Committee, 85th Cong., 1st sess., Oct. 29 and 30, 1957, appendix, p. 256.

<sup>2</sup> "Measures of Productive Capacity," hearings before the Subcommittee on Economic Statistics of the Joint Economic Committee, 87th Cong., 2d sess., May 14, 22, 23, and 24, 1962.

<sup>3</sup> "Measuring the Nation's Wealth," vol. 29 of "Studies in Income and Wealth," available from the National Bureau of Economic Research, distributed by Columbia University Press, New York and London, December 1964.

<sup>4</sup> "Measuring the Nation's Wealth," hearings before the Subcommittee on Economic Statistics of the Joint Economic Committee, Congress of the United States, 89th Cong., 1st sess., June 1, 2, and 3, 1965.

Names of the expert study group, an advisory committee of economists which assisted them, the executive committee of the Conference on Research in Income and Wealth, and the distinguished experts who appeared at the subcommittee hearings are given in an appendix to this report. The contribution made by each of those who participated in these various ways is gratefully acknowledged.

#### USES OF A WEALTH INVENTORY

While development of technical procedures and solution of inevitable further problems must await cost analysis by the Bureau of the Budget, and actual programing by the experts, the subcommittee was impressed with the variety of needs such a program would serve as presented to it by the Review Committee's report and in our hearings. It is to be expected, moreover, that many advantages and uses of the data not now foreseen will present themselves when and as the information is made available.

Some of the uses suggested to the subcommittee are listed below, all of which have important implications to economic policy.

1. Knowledge of the Nation's productive capacity and the extent of capacity utilization have important policy implications involving both the rate of economic growth and the reduction of cyclical patterns.

2. Better information on the age distribution of the Nation's capital stock will aid in evaluating the progress of technology.

3. Information on the amount and trend in the size and composition of the industrial and economic plant is a prerequisite to reliability of numerous economic projections and indispensable to making still others; for example, the projection of future capital requirements and capital financing needs.

4. Knowledge of the productivity of capital and the degree to which productivity increases over periods of time is fundamental to analyzing trends in costs and prices.

5. In both projection and cyclical analysis, the amount of capital investment in use and needed per worker can only be arrived at if an inventory of productive wealth is available.

6. A national balance sheet as an essential part of the national accounts is prerequisite to improved estimates of potential gross national product at full utilization and in such concepts as the "full employment budget."

7. Aggregative and sectoral measures of national wealth are prerequisite to improved income-distribution data for evaluating a variety of national economic and social policies, such as the mitigation of poverty.

8. An inventory of national wealth based upon systematic objective methodology applied nationwide would be useful in the study of (a) the efficiency with which public services are being provided, (b) projection of future capital requirements in the public sector, and (c) the mitigation of present wide variations in property tax laws and assessments.

#### RECOMMENDATIONS

- (1) The Subcommittee on Economic Statistics recommends the immediate development, under the clear leadership of the Office of Statistical Standards in the Bureau of the Budget, of a detailed

program for compiling periodic estimates (presumably timed to mesh with census enumerations and interpolations) of the Nation's wealth as well as national and sectoral balance sheets. With this addition to our national accounts we will have consistent statements of current income and expenditures on the one hand, and balance sheets of assets and equities on the other.

(2) The exploratory study conducted by the Wealth Inventory Planning Study and the testimony of the witnesses at the subcommittee hearings convince us not only of the need for such additional information but the current feasibility of such a program, in spite of the difficulties which led to premature abandonment of the wealth estimates in the 1920's. The subcommittee therefore expects the Office of Statistical Standards to proceed as rapidly as practicable in instituting and coordinating programs in the appropriate statistical agencies designed to produce improved wealth data and summary estimates.

(3) The subcommittee recognizes with approval the assignments proposed by the Office of Statistical Standards directing (a) the Office of Business Economics to act as the focal agency in planning and compiling the estimates, and (b) the Bureau of the Census to develop census and sampling programs to provide the basic information. We expect, of course, the highest degree of cooperation between the agencies involved and ask to be kept informed on the progress and coordination of these programs as they develop.

(4) While recommending that a substantial and early start be made along the lines suggested by the Wealth Inventory Planning Study, the subcommittee wishes to emphasize the great importance of further work in sharpening basic concepts and definitions of "wealth." In particular, more work needs to be done concerning the distinction between "human" and "material" wealth. The work recommended by the study group pertains almost entirely to the measurement of "material" wealth, such as plant, equipment, inventories, housing, and the like. It would be a critical mistake, however, if in the process of improving our knowledge of the stocks of material instruments which can be used in production we lost sight of the most important factor in any economy: the human beings whose welfare is of central object and whose creative and productive abilities are the foundation stone of current output and future progress. Greater knowledge of our material wealth is of chief importance in facilitating our better use of the Nation's human wealth and resources.

(5) For reasons of economy and efficiency, the subcommittee endorses the recommendation of the wealth study that asset inquiries be tied into the existing reporting systems. Insofar as broad inquiries can be added to existing censuses and surveys with relatively little additional cost, work should proceed promptly in the designing of these questionnaire schedules, utilizing experience already acquired in this area by the Census Bureau and other agencies.

(6) With regard to more detailed benchmark inquiries, exploratory and pilot studies should be initiated in the near future to determine feasibility and costs at alternative levels of detail with respect to (a) type of asset, (b) age of asset, (c) industry, and (d) geographical area. In general, the subcommittee favors preparation of wealth estimates on a State as well as a National basis, if this does not increase costs disproportionately to the benefits to be gained.

(7) In addition to costs to the Government, the burden on respondents must be held within reasonable bounds. For this reason, detailed benchmark inventories should be conducted no more often than once every 5 or 10 years, with broad estimating methods used for intervening years. Consideration should also be given to the use of sample surveys as a vehicle for the detailed inquiries even for the benchmark periods.

(8) The subcommittee urges Congress to provide funds for this modest addition to our Government statistical program giving it the support required for early execution.

#### CONCLUSION

In its deliberations, the subcommittee has been impressed by the high competence and creative abilities of all of those associated with the Wealth Inventory Planning Study. They have done an outstanding job in laying the foundations upon which the Government agencies can erect a first-rate program for producing wealth estimates. It would be a pity if such a distinguished contribution came to naught because of bureaucratic ineffectiveness and delays within the executive branch or within the Congress itself. The information that could come forth from such a program is too important to a wide range of public and private economic decisions to allow prolonged debate and procrastination.

If these programs are to be instituted any time within the foreseeable future, they must be begun at once as part of the cycle of planning and execution of economic censuses which center around the census year 1970. Time is of the essence since these preparations are already well underway.



APPENDIX  
WEALTH INVENTORY PLANNING STUDY  
RESEARCH STAFF

John W. Kendrick (Director)

David J. Hyams

Joel Popkin

ADVISORY COMMITTEE

Raymond T. Bowman, Assistant Director for Statistical Standards, Bureau of the Budget.  
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Daniel Creamer (chairman), senior economist, National Industrial Conference Board.  
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A. Ross Eckler, Director, Bureau of the Census.  
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Richard H. Holton, professor of economics, University of California at Berkeley.  
George Jaszi, Director, Office of Business Economics, Department of Commerce.  
John W. Kendrick, professor of economics, University of Connecticut.  
James W. Knowles, executive director, Joint Economic Committee, U.S. Congress.  
Nathan M. Koffsky, Administrator, Economic Research Service, Department of Agriculture.  
William H. Shaw, textile fibers division, E. I. du Pont de Nemours & Co.

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EXECUTIVE COMMITTEE OF THE CONFERENCE ON RESEARCH IN INCOME AND WEALTH

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Charles L. Schultze  
Tibor Scitovsky  
Mildred E. Courtney,  
*Secretary*

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WITNESSES BEFORE THE SUBCOMMITTEE ON ECONOMIC STATISTICS

June 1, 1965:

John W. Kendrick, director, research staff, Wealth Inventory Planning Study, and professor of economics, University of Connecticut.

Daniel Creamer, chairman, advisory committee, Wealth Inventory Planning Study, and senior economist, National Industrial Conference Board.

June 2, 1965:

Edward F. Denison, senior staff member, Brookings Institution.

Robert Lampman, professor of economics, University of Wisconsin.

Robert Johnson, economist and actuary, Western Electric Co.

June 3, 1965:

Raymond T. Bowman, Assistant Director for Statistical Standards, Bureau of the Budget.

Morris R. Goldman, Associate Director, Office of Business Economics, Department of Commerce.

Morris H. Hansen, Assistant Director for Research and Development, Bureau of the Census.