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**Appendix C**

**PROGRAM FOR IMPROVING FEDERAL  
STATISTICS IN FISCAL YEAR 1959**

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## Program for Improving Federal Statistics in Fiscal Year 1959

Proposals for a significant step toward a more balanced and better integrated Federal statistics program are made in the budget for the fiscal year 1959. These proposals take account of the findings of special studies made in the past several years by university, business, labor, and other experts, together with Government technicians, and of extensive studies by the Subcommittee on Economic Statistics of the Joint Economic Committee of the Congress. Further steps should be taken in the fiscal year 1960 and thereafter, to carry into effect long-range plans for improving the scope and usefulness of Federal statistics.

### IMPROVING SYSTEMS OF NATIONAL ACCOUNTS

Some of the requested funds would be devoted to bolstering the best known of the integrated national accounts—the system of statistics relating to national income and national product. Attention would also be directed toward improving other sets of national accounts that are valuable for the study of economic interrelations.

#### *Statistics on National Income and Product*

National income and product statistics are the most highly developed, widely used, and current of our economic accounts. Four projects are contemplated for the fiscal year 1959:

(1) Preparation and publication of quarterly estimates of gross national product and its major components, adjusted for price changes. The price data needed for this work would also be improved.

(2) Initiation of the measurement in constant dollars of net output for several major industry groups and for selected components of manufacturing. This will require the improvement of industry input data and of product price and quantity information.

(3) Initiation of work on an accounting of interindustry flows for 1958 (see below) for the major economic sectors identified in national income and product accounts.

(4) Establishment of a small research staff for work on problems of concept and estimation which cannot be adequately pursued by statisticians fully occupied with the preparation of current statistics, and for exploration of the interrelationships among the several types of economic accounts.

### *International Balance of Payments Accounts*

These accounts, which assemble all transactions involving payments between the United States and foreign countries, enter national product estimates through the "net foreign investment" component. The 1959 program includes provision for beginning a comprehensive survey of United States direct private investments abroad.

### *Statistics on Savings*

Plans for improving the data needed to estimate national savings are well under way, and definitive quarterly statistics on savings should become available by late 1959. Methods are already being developed for dovetailing savings and flow-of funds accounts (see below) with other types of national accounts.

### *Flow-of-Funds Accounts*

Accounts showing the flow of funds corresponding to transactions between sectors of the economy are valuable for current analysis of financial flows. In addition to transactions that originate income, they include transactions in existing assets. Major improvements in the quality of the basic data are needed.

### *Sector Balance Sheet Accounts*

Balance sheets should be developed to permit the study of the allocation of resources to the various industrial sectors, and of intersector claims. The flow-of-funds accounts, which show outstanding financial assets and liabilities for each sector, provide only partial balance sheets. Although no provision is made in the 1959 budget for the development of sector balance sheet accounts, they should eventually be included among, and integrated with, other types of national accounts.

### *Interindustry Accounts*

Interindustry accounts are designed to show for a given period, through so-called input-output tables, the flow of goods and services between industries and to households. When constructed in detail, they are especially valuable for economic and technological analyses, market and investment planning by business firms, and mobilization planning by Government. The 1959 budget proposes initiation of an accounting of flows between major industry groups in 1958.

### *Broad Productivity Estimates*

The development of estimates of real product originating in broad industry groups, proposed in the 1959 budget, would make it possible to derive consistent estimates of labor productivity for the economy as a whole and for the major industrial divisions. These estimates would be made in addition to measures for narrowly defined industries based on other available production data. On the input side, the chief immediate need is for improvement of data on employment and average hours worked in the

various divisions. Improvements in this direction too are contemplated in the 1959 budget proposal.

#### IMPROVING DATA FOR ECONOMIC ANALYSIS

Economic censuses provide comprehensive benchmark data that are essential for the analysis of industrial and regional developments and for the interpretation and adjustment of current statistics derived from interim surveys that are less complete than census reports. Several censuses covering 1958 are scheduled for 1959. Many improvements are planned in the scope of census data and in the variety and quality of statistics derived from other sources.

##### *Census of Business*

*Margin and value-added data.*—Data on retail margins are essential for establishing benchmarks in the national income accounts for expenditures on personal consumption and for investment in producers' durable goods. They are also necessary for constructing interindustry accounts. Collection and tabulation procedures for the Census of Business are expected to yield measures of "value added" in distribution, which would provide a basis for better estimates of trade margins.

*Plant and equipment expenditures data.*—On the basis of data to be provided by the 1958 Census of Business, estimates would be made of plant and equipment expenditures by retail trade, wholesale trade, and service trade establishments.

*Annual surveys.*—The 1959 budget program would also provide for developmental and preparatory work for later annual surveys of wholesale trade and selected services. Procedures would be devised for the future compilation of detailed sales or purchase data of commodities at wholesale, comparable with sales or shipments data obtained in the Census of Manufactures.

##### *Census of Manufactures*

*Use of materials, products, and durable equipment.*—Data showing the consumption of materials by individual industries are desirable for studying commodity flows throughout the economy and for mobilization planning. The 1958 Census of Manufactures will provide statistics on industrial purchases of producers' durable equipment.

*Distribution of manufacturers' sales.*—Information on the distribution of manufacturers' shipments by class of customer, including shipments to the Government, would also contribute to better estimates of commodity flow. Plans for the 1958 Census of Manufactures call for the collection of sales data by class of customer.

##### *Census of Mineral Industries*

The 1958 Census of Mineral Industries will have essentially the same scope as the 1954 Census. The inauguration of annual surveys of mineral

industries, analogous to those for manufactures, is planned; the first survey would refer to 1959 operations.

### *Employment and Hours Statistics*

Estimates of man-hour productivity would be improved by changes contemplated in reports by establishments on hours of work. The 1959 program calls for the collection of information on hours *worked*, as well as on hours *paid for*, in manufacturing industries, and for the collection of data relating to so-called "nonproduction workers" in these industries. It also calls for the collection of data on hours for selected nonmanufacturing industries not now covered.

### *Price Statistics*

*Prices paid by the Government.*—A major limitation of price statistics from the standpoint of national accounting is the lack of data on prices paid for goods, especially defense items, by the Government. Systematic efforts toward the preparation of appropriate price indexes in this field will be made.

*Wholesale and retail prices.*—Many durable goods and various services are not covered by existing price indexes. Plans for 1959 include the expansion of data on prices in primary markets and at retail. This expansion would improve current business indicators and lead to better estimates of real output, productivity, and inventories in constant prices.

### *Construction Statistics*

The development of a sound, comprehensive program of construction statistics will require several years. The budget proposed for 1959 includes surveys designed to improve estimates of construction activity, including "additions and alterations" and "repairs and maintenance."

### *Plant and Equipment Expenditures*

Two recommendations for improvement of data on plant and equipment expenditures are included in the 1959 program. First, in the 1958 Census of Business, data would be obtained from wholesale trade, retail trade, and service trade establishments. Second, the collecting agencies for the current Plant and Equipment Expenditures Survey would renew efforts to obtain separate information for plant and for equipment.

### *Producers' Durable Equipment*

Efforts would be made under the 1959 proposal to remedy the chief deficiencies in statistics on equipment. In the 1958 Census of Manufactures, as already noted, data on manufacturers' sales of producers' durable equipment will be compiled by class of customer and type of equipment purchased. The collection of more detailed sales data by industry, in the Monthly Industry Survey, would permit improvement of the quarterly estimates of investment in producers' durable equipment.

### *Inventories*

Separate stage-of-fabrication estimates are to be developed for all major industry groups in manufacturing and for significant subgroups. For selected subgroups, the estimates of inventories of finished goods would be subdivided into producers' equipment and consumer goods. Information is still needed on the proportion of manufacturers' inventories that is related to defense production. Improvements are planned in the monthly estimates of retail trade inventories by major "kind of business." Estimates would be provided for a limited number of commodities at both retail and wholesale levels.

### *Manufacturers' Sales, Inventories, and New Orders*

Refinement of company data supplied in the Monthly Industry Survey and revision and enlargement of the sample would lead to better current economic indicators on manufacturers' sales, inventories, and new orders. Provision is made in the 1959 budget for these improvements.

### *Service Trade Receipts*

Statistics on monthly receipts of service trades—such as hotels, barber and beauty shops, and auto-repair shops—are not available. A project to improve the estimates for selected service trades is included in the 1959 budget proposal.

### *Consumer Credit*

The 1959 budget proposal includes the collection of monthly information on accounts receivable from a sample of retail trade establishments. This information would strengthen present estimates of consumer credit outstanding.

### *Corporate Profits and Income of Unincorporated Enterprises*

*Corporate profits.*—The Business Indicators Series has been initiated to provide preliminary estimates derived for selected items from income tax returns within a year after the returns are filed. The 1959 budget proposes that this work be continued on a regular basis. Among other improvements that are essential is a regular Audit Control Study, preferably made once every five years, to provide factors for adjusting profits in the unaudited tax returns used in benchmark tabulations.

Current financial data on nonmanufacturing firms, by size, are not now available. The 1959 budget proposal calls for extension of the present Quarterly Financial Report program to include both small and large corporations in trade and mining industries.

*Nonfarm unincorporated enterprises.*—Selected income and balance-sheet items for sole proprietorships and partnerships, the dominant forms of "small business," would be tabulated annually as part of the Business Indicators Series. Data on sole proprietorships and partnerships should also be included in plans for the Audit Control Study, referred to above.

Attention is being directed to the need for accurate measures of monthly and quarterly changes in profits of unincorporated business. Consideration will also be given to the feasibility of regularly constructing financial reports from accessible operating information.

#### *Survey of Farm Operators*

After the Census of Agriculture for 1959 is completed, an annual sample survey of farm operators should be initiated to provide data on farm income, off-farm income, and farm production expenditures. The sample should make possible estimates for at least three categories—large commercial farms, small commercial farms, and all other farms.

#### *State and Local Governments*

The 1959 budget proposal includes the preparation of a quarterly report on State and local government finances, including revenues, capital outlays and current expenditures, indebtedness, and financial assets.