Definitions and Classifications Underlying the National Income and Product Accounts

Definitions of National Income and Product Accounts Entries

Income and product aggregates are defined below, and their definitions are amplified by definitions of their major components. Aspects of the aggregates and their major components that are not apparent from their titles are emphasized.

The definitions are presented in the framework of the five-account summary of the national income and product accounts (NIPA's) shown in table A, pages xvi and xvii). Each entry has a counterentry, generally in another account. The parenthetical numbers that follow an entry in table A identify the counterentry by account and line number.

With the exception of major income and product aggregates, entries are usually defined in the sequence in which they appear in the five-account summary. The definition is not repeated when the counterentry appears, but a cross-reference is made to the place of its first appearance. The definitions of GNP, national income, and some other production aggregates can be found in the first two sections, which define the entries in the national income and product account. Definitions of personal income and disposable personal income can be found in the section that defines the entries in the personal income and outlay account.

National income and product account: Gross national product

GNP is the market value of the goods and services produced by labor and property supplied by residents of the United States. It is the sum of purchases of goods and services by persons and government, gross private domestic investment (including the change in business inventories), and net exports (exports less imports). GNP excludes business purchases of goods and services on current account. Its investment component is measured before deduction of charges for consumption of fixed capital.

Personal consumption expenditures (1-27) is goods and services purchased by individuals, operating expenses of nonprofit institutions serving individuals, and the value of food, fuel, clothing, rent of dwellings, and financial services received in kind by individuals. Net purchases of used goods are also included. Purchases of residential structures by individuals and nonprofit institutions serving individuals are classified as gross private domestic investment.

Gross private domestic investment (1-31) is fixed capital goods—structures and equipment—purchased by private business and nonprofit institutions, and the value of the change in the physical volume of inventories held by private business. The former include private purchases of new residential structures purchased for tenant or owner occupancy. Net purchases of used goods and structures are also included.

Net exports of goods and services (1-38) is exports (1-39) less imports (1-40) of goods and services. Imports are deducted because they are included in the expenditure components of GNP, but are not part of national production.

Government purchases of goods and services (1-41) is the compensation of government employees and purchases from business and from abroad. Transfer payments, interest paid by government, and subsidies are excluded. Gross investment by government enterprises is included, but their current outlays are not. Net purchases of used goods and structures are included; sales and purchases of land and financial assets are excluded.

National income and product account: Charges against gross national product and the statistical discrepancy

Charges against GNP is the costs incurred and the profits earned in the production of GNP. Accordingly, it equals GNP, except for the statistical discrepancy. The factor charges—compensation of employees, proprietors' income, rental income of persons, corporate profits, and net interest—represent the incomes of the factors of production (labor and property). The total of these factor incomes is called national income. Three nonfactor charges—business transfer payments, indirect business taxes, and the current surplus of government enterprises less subsidies—are added to national income to yield charges against net national product. Capital consumption is added to charges against net national product to yield charges against GNP.

The aggregates that have been enumerated so far differ from each other because of distinctions that are made between market value and factor cost concepts and between gross and net concepts. GNP is a gross market value measure; national income is a net factor cost measure; and net national product is a net market value measure. One further basic distinction can be made in defining the value of production. This is the distinction between domestic measures and national measures. Domestic measures relate to the physical location of the factors of production; they refer to production attributable to all labor and property located in a country. National measures relate to the ownership of the factors of production; they refer to production attributable to labor and property supplied by residents of a country. The national measures differ from the domestic measures by the net inflow of labor and property incomes from abroad.

In principle, eight measures of production can be derived from these three distinctions; six are shown in this report. GNP has already been defined. Definitions of the other production measures follow. *Gross domestic product* is the gross market value of the goods and services attributable to labor and property located in the United States. *Net national product* is the net market value of the goods and services attributable to labor and property supplied by residents of the United States. *Net domestic product* is the net market value of the goods and services attributable to labor and property located in the United States. *National income*, the income that originates in the production of the goods and services attributable to labor and property supplied by residents of the United States, is a net factor cost measure. Incomes are recorded in the forms in which they accrue to residents and are measured before deduction of taxes on those incomes. *Domestic income* is also a net factor cost measure; it is the income that originates in the production of the goods and services attributable to labor and property located in the United States.

Compensation of employees (1-1) is the income accruing to employees as remuneration for their work. It is the sum of wages and salaries and of supplements to wages and salaries.

Wages and salaries (1-2) consists of the monetary remuneration of employees, including the compensation of corporate officers; commissions, tips, and bonuses; and receipts in kind that represent income to the recipients. It consists of *disbursements* (1-3) and *wage accruals less disbursements* (1-4). Disbursements is wages and salaries as just defined except that retroactive wages are counted when paid rather than when earned.

Supplements to wages and salaries (1-5) consists of employer contributions for social insurance and other labor income. *Employer contributions for social insurance* (1-6) includes employer payments under the following programs: Federal old-age, survivors, disability, and hospital insurance; State and Federal unemployment insurance; railroad retirement and unemployment insurance; government employee unemployment insurance and retirement; military medical insurance; and publicly administered workers' compensation. *Other labor income* (1-7) consists primarily of employer contributions to private pension and private welfare funds, including privately administered workers' compensation funds.

Proprietors' income with inventory valuation and capital consumption adjustments (1-8) is the income, including income in kind, of proprietorships and partnerships and of tax-exempt cooperatives. The imputed net rental income of owner-occupants of farm dwellings is included. Dividends and monetary interest received by proprietors of nonfinancial business and rental incomes received by persons not primarily engaged in the real estate business are excluded; these incomes are included in dividends, net interest, and rental income of persons. The inventory valuation adjustment is described following corporate profits, and the capital consumption adjustment is described following capital consumption allowances.

Rental income of persons with capital consumption adjustment (1-9) is the income of persons from the rental of real property, except the income of persons primarily engaged in the real estate business; the imputed net rental income of owner-occupants of nonfarm dwellings; and the royalties received by persons from patents, copyrights, and rights to natural resources. The capital consumption adjustment is described following capital consumption allowances.

Corporate profits with inventory valuation and capital consumption adjustments (1-10) is the income of organizations treated as corporations in the NIPA's. These organizations consist of all entities required to file Federal corporate tax returns, including mutual financial institutions and cooperatives subject to Federal income tax; private noninsured pension funds; nonprofit organizations that primarily serve business; Federal Reserve banks; and federally sponsored credit agencies. The income is that arising in current production. With several differences, this income is measured as receipts less expenses as defined in Federal tax law. Among these differences are: Receipts exclude capital gains and dividends received, expenses exclude depletion and capital losses, inventory withdrawals are valued at current replacement cost, and depreciation is on a consistent accounting basis and valued at current replacement cost. Because national income is defined as the income of U.S. residents, its profits component includes income earned abroad by U.S. corporations and excludes income earned in the United States by foreigners. The inventory valuation adjustment is described below, and the capital consumption adjustment is described following capital consumption allowances.

Profits before tax (1-11) is the income of organizations treated as corporations in the NIPA's, as described above, except that it reflects the inventory and depreciation accounting practices used for Federal income tax returns. It consists of profits tax liability, dividends, and undistributed corporate profits. This measure is sometimes referred to as "book profits."

Profits tax liability (1-12) is the sum of Federal, State, and local income taxes on all corporate earnings; these earning include capital gains and other income excluded from profits before tax. The taxes are measured on an accrual basis, net of applicable tax credits.

Profits after tax (1-13) is profits before tax less profits tax liability. It consists of dividends and undistributed corporate profits. *Dividends* (1-14) is payments in cash or other assets, excluding the corporation's own stock, made by corporations located in the United States and abroad to stockholders who are U.S. residents. The payments are measured net of dividends received by U.S. corporations. Dividends paid to State and local government social insurance funds and general government are included. *Undistributed profits* (1-15) is corporate profits after tax less dividends.

Inventory valuation adjustment (1-16) for corporations is the difference between the cost of inventory withdrawals as valued in determining profits before tax and the cost of withdrawals valued at current replacement cost. A similar adjustment is applied to nonfarm proprietors' income.

Net interest (1-18) is interest paid by business less interest received by business, plus interest received from abroad less interest paid to abroad. Interest payments on mortgage and home improvement loans are counted as interest paid by business, because homeowners are treated as businesses in the NIPA's. In addition to monetary interest, net interest includes imputed interest. The imputed interest payments by financial institutions other than life insurance carriers and private noninsured pension plans to persons, governments, and foreigners have imputed service charges as counterentries in GNP; they are included in personal consumption expenditures, in government purchases, and in exports, respectively.

Business transfer payments (1-20) is payments to persons for which they do not perform current services. Business transfer payments includes liability payments for personal injury, corporate gifts to nonprofit institutions, and consumer bad debts—i.e., defaults by consumers on debts owed to business.

Indirect business tax and nontax liability (1-21) consists of tax liabilities (except employer contributions for social insurance) that are chargeable to business expense in the calculation of profit-type incomes and of certain other business liabilities to government agencies (except government enterprises) that it is convenient to treat like taxes. Indirect business taxes include sales, excise, and property taxes, and the windfall profit tax on crude oil production. Taxes on corporate incomes are excluded; these taxes cannot be calculated until profits are known, and in that sense are not a business expense. Nontaxes includes regulatory and inspection fees, special assessments, fines and penalties, rents and royalties, and donations. Nontaxes generally excludes business purchases from government of goods and services that are similar to business purchases of intermediate products from other businesses. Government receipts from the sale of such products are netted against government purchases so that they do not appear in GNP.

Subsidies less current surplus of government enterprises (1-22). *Subsidies* is the monetary grants paid by government to business, including government enterprises at another level of government. The *current surplus of government enterprises* is their sales receipts and subsidies received from other levels of government less their current expenses. In the calculation of their current surplus, no deduction is made for depreciation charges and net interest paid. Subsidies and current surplus are combined because deficits incurred by government enterprises may result from selling goods to businesses at lower than market prices in lieu of giving them subsidies. For the same reason, the current surplus of government enterprises is not counted as a profit-type income and, accordingly, not as a factor charge.

Capital consumption allowances with capital consumption adjustment (1-24) is capital consumption based on the use of uniform service lives, straight-line depreciation, and replacement cost. For nonprofit institutions serving individuals, it is the value of the current services of the fixed capital assets owned and used by these institutions; it is included in personal consumption expenditures. *Capital consumption allowances* consists of depreciation charges and accidental damage to fixed capital. For nonfarm business and corporate farms, they are as reported on Federal income tax returns. For noncorporate farms, nonprofit institutions serving individuals, tax-exempt cooperatives, and owner-occupied houses, they are calculated by BEA based on their expenditures for fixed capital, uniform service lives, straight-line depreciation, and historical cost. *Capital consumption adjustment* (1-17) for corporations is the tax-return-based capital consumption allowances less the estimate of capital consumption allowances with capital consumption adjustment. Similar adjustments are calculated for proprietors' income, rental income of persons, and nonprofit institutions serving individuals.

Statistical discrepancy (1-26) is GNP less charges against GNP. It arises because GNP and charges against GNP are estimated independently.

Personal income and outlay account: Personal income

Personal income is the income received by persons from all sources, that is, from participation in production, from both government and business transfer payments, and from government interest, which is treated like a transfer payment. Persons consist of individuals, nonprofit institutions serving individuals, private noninsured welfare funds, and private trust funds. Proprietors' income is treated in its entirety as received by individuals. Life insurance carriers and private noninsured pension funds are not counted as persons, but their saving is credited to persons. Personal income is the sum of wage and salary disbursements, other labor income, proprietors' income with inventory valuation and capital consumption adjustments, rental income of persons with capital consumption adjustment, personal dividend income, personal interest income, and transfer payments, less personal contributions for social insurance.

Disposable personal income is personal income less personal tax and nontax payments. It is the income available to persons for spending or saving.

Wage and salary disbursements (see 1-3).

Other labor income (see 1-7).

Proprietors' income with inventory valuation and capital consumption adjustments (see 1-8).

Rental income of persons with capital consumption adjustment (see 1-9).

Personal dividend income (2-11) is the dividend income of persons from all sources. It equals dividends (see 1-14) less *dividends received by government* (2-13). Dividends received by government consists of dividends received by State and local government social insurance and other funds.

Personal interest income (2-14) is the interest income of persons from all sources. It equals net interest (see 1-18) plus *interest paid by government to persons and business* (2-16) less *interest received by government* (2-17) plus *interest paid by consumers to business* (2-18). The last item consists only of interest paid by individuals in their capacity as consumers.

Transfer payments to persons (2-19) is income payments to persons, generally in monetary form, for which they do not render current services. It consists of business transfer payments (see 1-20) and *government transfer payments* (2-21). Government transfer payments includes payments under the following programs: Federal old-age, survivors, disability, and hospital insurance; supplementary medical insurance; medicaid; State unemployment insurance; railroad retirement and unemployment insurance; government retirement and unemployment insurance; workers' compensation; veterans including veterans life insurance; food stamps; black lung; supplemental security income; and direct relief. Government payments to nonprofit institutions, other than for work under research and development contracts, are also included.

Personal contributions for social insurance (2-22) includes payments by employees, self-employed, and other individuals who participate in the following programs: Federal old-age, survivors, disability, and hospital insurance; supplementary medical insurance; State unemployment insurance; railroad retirement insurance; government retirement; veterans life insurance; and temporary disability insurance.

Personal income and outlay account: Personal taxes, outlays, and saving

Personal tax and nontax payments (2-1) is tax payments (net of refunds) by persons (except personal contributions for social insurance) that are not chargeable to business expense and certain other personal payments to government agencies (except government enterprises) that it is convenient to treat like taxes. Personal taxes include income, estate and gift, and personal property taxes. Nontaxes includes tuitions and fees paid to schools and hospitals operated mainly by government, passport fees, fines and penalties, and donations.

Personal outlays (2-2) is the sum of personal consumption expenditures (see 1-27), interest paid by consumers to business (see 2-18), and *personal transfer payments to foreigners, net* (2-5). The last item is personal remittances in cash and in kind to abroad less such remittances from abroad.

Personal saving (2-6) is personal income less the sum of personal outlays and of personal tax and nontax payments. It is the current saving of individuals (including proprietors), nonprofit institutions serving individuals, private noninsured welfare funds, and private trust funds. Personal saving may also be viewed as the sum of net acquisition of financial assets (such as cash and deposits, securities, and the net equity of individuals in life insurance and in private noninsured pension funds) and physical assets less the sum of net borrowing and of capital consumption allowances with capital consumption adjustment.

Government receipts and expenditures account: Government receipts

Personal tax and nontax payments (see 2-1).

Corporate profits tax liability (see 1-12).

Indirect business tax and nontax liability (see 1-21).

Contributions for social insurance (see 1-6 and 2-22).

Government receipts and expenditures account: Government expenditures and surplus

Purchases of goods and services (see 1-41).

Transfer payments (3-2) is transfer payments to persons (see 2-21) and *transfer payments to foreigners, net* (3-4). The latter is U.S. Government grants to foreign governments in cash and in kind and U.S. Government transfer payments, mainly retirement benefits, to former residents of the United States.

Net interest (3-5) paid by government is interest paid less interest received by government (see 2-17). Interest paid consists of interest paid to persons and business (see 2-16) and *interest paid to foreigners* (3-8). Interest paid to foreigners is interest paid by the U.S. Government to foreign businesses, governments, and persons.

Dividends received by government (see 2-13).

Subsidies less curent surplus of government enterprises (see 1-22).

Wage accruals less disbursements (see 1-4).

Surplus or deficit (−), *national income and product accounts* (3-13) is the sum of government receipts (lines 16, 17, 18, and 19 of account 3) less the sum of government expenditures (lines 1, 2, 5, 10, 11, and 12 of account 3). It may also be viewed as the net acquisition of financial assets by government and government enterprises, and net government purchases of land and of rights to government-owned land including oil resources.

Foreign transactions account: Payments to foreigners

Imports of goods and services (see 1-40).

Transfer payments to foreigners (see 2-5 and 3-4).

Interest paid by government to foreigners (see 3-8).

Net foreign investment (4-8) is U.S. exports of goods and services and capital grants received by the United States, net (see below), less imports of goods and services by the United States, transfer payments to foreigners (net), and U.S. Government interest paid to foreigners. It may also be viewed as the acquisition of foreign assets by U.S. residents less the acquisition of U.S. assets by foreign residents. It includes the statistical discrepancy in the detailed balance of payments accounts.

Foreign transactions account: Receipts from foreigners

Exports of goods and services (see 1-39).

Capital grants received by the United States, net (4-2) is mainly the allocation of Special Drawing Rights to the United States.

Gross saving and investment account: Gross saving and statistical discrepancy

Personal saving (see 2-6).

Wage accruals less disbursements (see 1-4).

Undistributed corporate profits with inventory valuation and capital consumption adjustments (see 1-15, 1-16, and 1-17).

Capital consumption allowances with capital consumption adjustment (see 1-24).

Government surplus or deficit (−), *national income and product accounts* (see 3-13).

Capital grants received by the United States, net (see 4-2).

Statistical discrepancy (see 1-26).

Gross saving and investment account: Gross investment

Gross private domestic investment (see 1-31).

Net foreign investment (see 4-8).

Constant-Dollar Estimates and Price Indexes

The tables in this report contain, in addition to estimates in current dollars, estimates in constant dollars and of associated price indexes. Current-dollar estimates are provided for the income and product flows that underlie the five-account summary of the NIPA's (table A, pages xvi and xvii). Constant-dollar, or "real," estimates—i.e., estimates from which price change has been removed—are provided for measures that, in general, can be expressed in terms of products. These include GNP and its components, net national product and national income, and GNP by industry. For these estimates, each component is valued at its price in a base (valuation) period—in this report, the year 1982. Statistically, constant-dollar estimates are usually obtained by dividing the most detailed current-dollar components by appropriate price indexes, with 1982 = 100. In a few cases, they are obtained by extrapolating the current-dollar estimates in 1982 by physical quantity measures.

Another measure of constant-dollar GNP—*command-basis GNP*—also is included in this report. Command-basis GNP measures the amount of the goods and services over which a country has command as a result of current production. Command-basis GNP and GNP, which is the measure of current production, differ in the deflation procedures used for the net export components of the two measures. To obtain constant-dollar net exports for GNP, the current-dollar value of exports is deflated by export prices and the current-dollar value of imports is deflated by import prices; constant-dollar net exports is the difference between exports and imports. To obtain the constant-dollar measure of net exports for command-basis GNP, both current-dollar exports and imports are deflated by the implicit price deflator for imports.

The associated price indexes are the fixed-weighted price index and the chain price index. The fixed-weighted price index is a weighted average of the detailed price indexes used in the deflation of the goods and services that make up GNP. These price indexes are combined using weights that reflect the composition of GNP in 1982. Because the same weights are used for each period, changes in this index measure changes in prices over any period. The chain price index is an alternative measure of price change. It is a weighted average of the same detailed price indexes, but they are combined using weights that reflect the composition of GNP in the first of two consecutive periods. Thus, changes in this index measure changes in prices only between the consecutive periods.

The implicit price deflator is a byproduct of the deflation of GNP. It is derived as the ratio of current- to constant-dollar GNP (multiplied by 100). It is a weighted average of the detailed price indexes used in the deflation of GNP, but they are combined using weights that reflect the composition of GNP in each period. Thus, changes in the implicit price defaltor reflect not only changes in prices but also changes in the composition of GNP.

Classifications of Production

Sector

In addition to the breakdowns of GNP, net national product, and national income that appear in the five-account summary of the NIPA's (table A), these measures of production also are shown in the tables of this report for each of the four sectors of the economy—rest of the world, business, households and institutions, and government. The production of each of these sectors is defined below.

Rest-of-the-world: Production abroad that is attributable to factors of production supplied by U.S. residents less the production in the United States attributable to factors of production supplied by foreign residents. Production is measured by the net inflow of labor and property incomes.

Business: Production in the United States by all entities that produce goods and services for sale at a price intended at least to approximate costs of production plus certain other entities treated as business in the NIPA's. In the main, it covers the production of corporate and noncorporate private entities organized for profit. Mutual financial institutions, private noninsured pension funds, cooperatives, nonprofit organizations (i.e., entities determined to be nonprofit by the Internal Revenue Service (IRS) for purposes of determining income tax liability) that primarily serve business, Federal Reserve banks, federally sponsored credit agencies, and government enterprises are also included. Owner-occupied housing as well as buildings and equipment owned and used by nonprofit institutions that primarily serve individuals are treated as business entities selling their current services to their owners. Production of the business sector can be measured either in terms of the net value of the goods and services business produces in the United States or in terms of the costs incurred and profits earned by business from production in the United States.

Households and institutions: Production in the United States by households, consisting of families and unrelated individuals, and by nonprofit institutions serving individuals. Production is measured by the compensation of the employees of these entities.

Government: Production by all Federal and State and local government agencies except government enterprises. Production is measured by the compensation of the employees of these agencies.

Legal form of organization

For the business sector, national income and its components and capital consumption are shown in the tables of this report for four legal forms of organizations—corporations, sole proprietorships and partnerships, other private business, and government enterprises. The entities whose production is included in each of these legal forms are specified below.

Corporate business: Domestic activities of all entities required to file Federal corporate income tax returns; mutual financial institutions; private noninsured pension funds; cooperatives subject to Federal income taxes; nonprofit organizations that primarily serve business; Federal Reserve banks; and Federally sponsored credit agencies.

Sole proprietorships: All entities that would be required to file IRS Schedule C (Profits or Loss from Business or Profession) or Schedule F (Farm Income and Expenses) if the proprietor met the filing requirement, together with farm housing.

Partnerships: All entities required to file Federal partnership income tax returns.

Other private business: All entities required to report rent and royalty income on the individual income tax return in IRS Schedule E (Supplemental Income Schedule) if the individual met the filing requirement; tax-exempt cooperatives; owner-occupied nonfarm housing; and buildings and equipment owned and used by nonprofit institutions serving individuals.

Government enterprises: Government agencies for which their current expenses usually are more than one-half covered by the sale of goods and services to the public. Depreciation and net interest paid are excluded from expenses and interest received is excluded from sales in classifying the agencies.

Industry

Industrial distributions are presented in this report for GNP, national income and its components, capital consumption allowances, employment and hours, and changes in the stock of business inventories.[1] The classification underlying the distributions of private activities is based on the Standard Industrial Classification (SIC).[2] The estimates of gross product originating by industry are based on the 1972 SIC beginning with 1947; all other distributions are based on the 1972 SIC beginning with 1948 and on the 1942 SIC prior to 1948. For selected series, distributions for 1948 are shown on both the 1942 and 1972 SIC. Industrial distributions of government activities are not provided; instead they are combined into a single category. For most series, separate estimates are shown for Federal and for State and local government activities and also for the activities of government enterprises.

The industrial distributions for private activities are based on data collected either from "establishments" or from "companies" (also called enterprises or firms). Establishments, as defined for purposes of the SIC, are economic units, generally at a single physical location, where business is conducted or where services or industrial operations are performed. Companies consist of one or more establishments owned by the same legal entity or group of affiliated entities. Establishments are classified into an SIC industry on the basis of their principal product or service, and companies are classified into an SIC industry on the basis of the principal SIC industry of all their establishments. Because large multi-establishment companies typically own establishments that are classified in different SIC industries, industrial distributions of the same item for establishments and companies can be significantly different. For example, employment of steel manufacturing companies differs from employment of steel manufacturing establishments, because the former includes employment of establishments that are not classified as manufacturing steel, and excludes employment of establishments that manufacture steel but are not owned by steel manufacturing companies.

For the NIPA series, industrial distributions on a consistent establishment or company basis are not available. For the following series, the industrial distribution is based on establishment data: Compensation of employees, employment, hours, inventories, rental income of persons, farm proprietors' income, farm net interest, and farm capital consumption allowances. For nonfarm proprietors and partnerships, industrial distributions of proprietors' income, net interest, and capital consumption allowances are based on company data but are regarded as being substantially the same as if they were based on establishment data because nearly all unincorporated companies own only a single establishment (and the few multi-establishment companies usually own establishments in the same SIC industry). For corporations, industrial distributions of profits, nonfarm net interest, and nonfarm capital consumption allowances are based on company data.

As a result, the industrial distribution of national income presented in this report reflects a mix of establishment and company data. For the industrial distribution of GNP, however, special estimates of corporate profits and corporate capital consumption allowances are prepared that approximate an establishment basis; therefore, except for corporate net interest, industry GNP is considered to be based on establishment data.[3]

In addition to the establishment-company data problem, individual industry series presented in this report are not fully comparable over time. Historical comparability is affected primarily by two factors. First, in some instances information was lacking to permit BEA to make accurate adjustments to conform the estimates for 1971 and earlier years to the 1972 SIC. Second, the industrial classification of the same establishment or company may change over time.

Estimates based on establishment data as well as those based on company data are affected by the first factor. The second affects company-based estimates much more than establishment-based estimates. The classification of a company is subject to change due to (1) shifts in the level of consolidation of entities for which company reports are filed; (2) mergers and acquisitions; and (3) other shifts in principal activities, especially for large diversified firms. For example, the level of consolidation used by corporations in filing their Federal income tax returns was significantly altered in the 1930's and 1940's. Affiliated corporations were allowed to file consolidated returns from 1929 to 1933 and again in 1942 and subsequent years, but not in the intervening period. As a result, from 1934 to 1941 the company consisted only of individual corporations; in the other years, the company consisted of either an individual corporation or a grouping of affiliated corporations. Changes in the level of consolidation used by corporations in filing these returns affected the industrial distribution of corporate profits, net interest, and capital consumption allowances, which are derived primarily from tabulations of corporate tax returns.

In addition to the SIC industrial distributions of private activities, some NIPA tables show the following special SIC groupings:

1. An industrial distribution of fixed investment is prepared as part of the procedure used to estimate capital stock. For further information, write to the National Income and Wealth Divsion (BE-54), Bureau of Economic Analysis, U.S. Department of Commerce, Washington, DC 20230.

2. See *Standard Industrial Classification Manual*; 1972, Executive Office of the President, Office of Management and Budget, (Washington, DC: U.S. GPO, 1972); and *Standard Industrial Classification Manual*, 1942, Executive Office of the President, Bureau of the Budget (Washington, DC: U.S. GPO, 1942).

3. The special estimates are available upon request from the National Income and Wealth Division (BE-54), Bureau of Economic Analysis, U.S. Department of Commerce, Washington, DC 20230.

Financial industries consists of the following SIC industries: Banking; credit agencies other than banks; security and commodity brokers, dealers, and services; insurance carriers; regulated investment companies; small business investment companies; and real estate investment trusts.

Nonfinancial industries consists of all other private industries.

Commodity-producing industries consists of the following SIC divisions: agriculture, forestry, and fisheries; mining; construction; and manufacturing.

Distributive industries consists of the following SIC divisions: transportation and public utilities, excluding the U.S. Postal Service; wholesale trade; and retail trade.

Service industries consists of the rest of the world sector and the following SIC divisions: finance, insurance, and real estate; and services.