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ECONOMIC ACCOUNTS OF THE UNITED STATES: RETROSPECT AND PROSPECT

How the measurement of economic activity could and should be improved is explored in Economic Accounts of the United States: Retrospect and Prospect, just published by the Bureau of Economic Analysis, an agency of the Social and Economic Statistics Administration of the U.S. Department of Commerce. The volume also traces the historical development of the economic accounts and evaluates the past work of the Bureau.

The Bureau of Economic Analysis--the Office of Business Economics prior to January 1, 1972--prepares and analyzes the national income and product accounts, summarized by the gross national product. These accounts provide an overall view of the state of the economy. They are supplemented by the input-output accounts, which provide a closeup of the manner in which the various industries interact in the production of the national output. Balance of payments accounts provide yet another elaboration of the national income and product accounts by depicting in detail all economic transactions with foreign nations. Regional accounts provide a profile of our economy by States and smaller subdivisions. The Bureau prepares other measures of business activity, such as the plant and equipment survey, which provides information on expected business investment outlays, and operates an econometric model of the U.S. economy.

The publication of Economic Accounts of the United States: Retrospect and Prospect marks the fiftieth anniversary of the Survey of Current Business, the monthly magazine of the Bureau of Economic Analysis.

The volume includes contributions from 47 leading economists. Sample comments follow below.

National income and product accounts. According to Richard and Nancy Ruggles: "What the national economic accounts have achieved is the piecing together of the widely diverse fragments of the national data base into a coherent reporting system....Most economists today would herald the development of the national accounts to describe and analyze the operation of the economic system as one of the greatest achievements of modern economics..."

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But there is a demand for more information than the system now delivers.

Simon Kuznets asks: "Why, in estimating the components of household consumption, has no effort been made to allow for the effects of urbanization and the increasing complexity of life imposed by the production system...?"

"New measures must be developed to register some of the impact of economic activity upon the enjoyment of its fruits," writes Robert Lekachman. "The qualities of environment and the dimensions of amenity are empirical questions, susceptible, presumably to the techniques of sampling and public opinion analysis. If I had my druthers, the final product of such research would be a deflation device which, for want of a better term, I shall dub an index of amenity...."

However, transforming GNP may be easier said than done.

Arthur M. Okun holds that "by taking a few steps in the direction of an allegedly more comprehensive measure, a reformulation of the accounts might mislead the Nation into supposing that GNP was at last measuring social welfare... GNP is not the whole story of our society or even of our economy, and no conceivable redefinition can turn it into the whole story....Producing a summary measure of social welfare is a job for a philosopher-king, and there is no room for a philosopher-king in the Federal Government...."

Balance of payments. There is unanimous agreement that the search for a single measure is futile. Edward M. Bernstein points out that "the difficulty in finding a single measure or combination of measures of payments position is compounded by the fact that regardless of what balance one prefers, an appropriate balance of payments for the U.S. does not mean a zero deficit. Moreover, the appropriate deficit or surplus varies considerably with the balance used."

C. P. Kindleberger finds that "since there is doubt in the minds of many whose opinions are entitled to consideration, there is a great deal to be said for choosing as uncommitted a manner of presentation as possible and permitting the user of the data to roll his own definition of the 'deficit.'"

Edwin L. Dale, Jr. believes that "economists try to solve far too many insoluble problems....A meaningful presentation of the total U.S. balance of payments, certainly for the general public and quite probably even for central bankers, is in my view just such an insoluble problem."

Input-output. Although "recent advances in techniques have been quite encouraging," Alan Greenspan cautions that "knowledge of the dynamic behavior of the input-output coefficients is still primitive and is unlikely to improve in the near future. Hence the immediate payoff in applications is very likely to fall short of expectations, endangering research budgets in this area. Although the major payoff is still many years away, the analytical rewards are potentially so great that curtailment of data collection in this area because of a shortfall of expectations would be most unfortunate."

Anne P. Carter and Wassily W. Leontief outline an approach that "would permit systematic incorporation into the national as well as regional input-output tables of externalities (such as various pollutants and their elimination), both by columns and by rows....To obtain the supplemental structural information of a nonaccounting type, both private and governmental statisticians must resort more and more to sampling and survey procedures. The input-output system provides a convenient device for organization, verification, and analytical utilization of this type of data."

Regional accounts. "The personal income data have proved to be highly flexible instruments for regional analysis, serving many purposes well," states Edward F. Denison. "Given the way the U.S. economy functions and the assumptions that would be required to produce less-than-national accounts," Denison continues, "I am very dubious that regional accounts could add much, if anything, to what can now be done with the personal income series."

In contrast, Alan Greenspan looks for the development of "regional national income and product accounts, detailing interregional transactions."

Expectations surveys. Stanley Lebergott recommends that "anticipations surveys for construction should be begun: such variations are surely as important as factory investment. And anticipations surveys for new contracts and expenditures by the military are equally necessary."

Douglas Greenwald finds that "business economists need regional breakdowns of investment expectations, more industrial detail, and a breakdown between expenditures for plant and for equipment."

Econometric model. Wilfred Lewis, Jr. believes that "ways can be found to publish forecasts...without calling forth undue criticism of the agency when the forecasts go wrong (as everyone's forecasts are bound to do)."

Another viewpoint is presented by Louis J. Paradiso, "...OBE is wise not to publish forecasts or special simulations...."

Contributors to the anniversary issue are

Albert Ando
Edward M. Bernstein
Daniel H. Brill
Andrew F. Brimmer
Arthur F. Burns
Anne P. Carter and
Wassily W. Leontief
Edwin L. Dale, Jr.
Edward F. Denison
Edgar S. Dunn, Jr.
Otto Eckstein
Robert Eisner
Douglas H. Eldridge
Martin Gainsbrugh
Raymond W. Goldsmith
R. A. Gordon
Robert J. Gordon
Alan Greenspan
Douglas Greenwald
David L. Grove
Walter E. Hoadley
Richard H. Holton
George Jaszi
Dale W. Jorgenson
John W. Kendrick
C. P. Kindleberger
Lawrence R. Klein
James W. Knowles
Simon Kuznets
Stanley Lebergott
Robert Lekachman
Wilfred Lewis, Jr.
Edmund A. Mennis
Arthur M. Okun
James O'Leary
Louis J. Paradiso
Sanford S. Parker and
Todd May Jr.
Richard W. Poole
Robert V. Roosa
Richard and Nancy Ruggles
Walter S. Salant
Paul A. Samuelson
Raymond J. Saulnier
Joseph R. Slevin
Lazare Teper

Economic Accounts of the United States: Retrospect and Prospect is for sale by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402. Price $2.50. 230 pp. Subscriptions to the Survey are available at $9 a year.