This volume marks another significant stage in the development of the U.S. national income and product accounts.

Work on national income within the Government was initiated in 1932 in response to Senate Resolution No. 220 of the 72d Congress, although research on the subject by private scholars had been underway earlier. The publication of the National Income Supplement to the July 1947 Survey of Current Business, the 1951 and 1954 editions of National Income, and U.S. Income and Output (1958) were earlier milestones in this work.

Since publication of U.S. Income and Output, the Office of Business Economics' work in the field of national accounting has been extended through the preparation of the input-output table for 1958 which was published in the November 1964 and September 1965 issues of the Survey of Current Business. The input-output work also provided an important element of the benchmark revisions of the national income and product accounts.

Principal responsibility for the planning and supervision of the benchmark revision of the national income and product accounts published in this report was carried by Lawrence Grose, Assistant Director, OBE; Irving Rottenberg, Chief, National Income Division; and John A. Gorman, Associate Chief, National Income Division. Staff members of the National Income Division responsible for important areas of work, listed in alphabetical order, are:

- Edward O. Bassett
- Jacqueline Bauman
- Kenneth P. Berkman
- Carolyn G. Bernhard
- Leo Bernstein
- Richard Bond
- George M. Cobren
- F. Beatrice Coleman
- Pauline M. Cypert
- Joseph Czako
- Personal Consumption Expenditures
- Corporate Profits
- Proprietors’ Income
- Consumer Expenditures for Services Quarterly Estimates
- Corporate Profits
- Governments; Inventory Investment
- Personal Income
- Interest
- Rental Income

- Jeanette Fitzwilliams
- Shirley F. Loftus
- Alan Odendahl
- Marilyn Y. Rice
- Charles A. Waite
- Robert C. Wasson
- Proprietors’ Income
- State and Local Governments
- Personal Consumption Expenditures
- Federal Government
- Federal Government
- Capital Formation

Major responsibility for work on the input-output tables was carried by Morris R. Goldman, Associate Director, OBE; Beatrice N. Vaccara, presently Co-ordinator, Interagency Growth Studies; and Martin L. Marimont, Chief, National Economics Division. Staff members in this division with major areas of responsibility were: Margaret F. Cannon, D. Anne Fisher, Norman Frumkin, Vera C. Perrella, Janet B. Riddle, Eugene P. Roberts, Mary Ann Sayre, Albert A. Schulman, Nancy W. Simon, Irving Stern, Genifer Sussman, and Albert A. Walderhaug.

Significant contributions were also made by the following OBE staff members: Lawrence Bridge, Leona Costa, Billy Jo Hurley, Richard B. Quanrud, and Edith Willis.

Construction of the national income and product accounts consists of assembling statistics from a wide variety of primary sources and using complex estimating techniques to fit these data into the concepts of economic accounting. We particularly wish to acknowledge our debt to the many individuals and organizations that have provided us with data and have generously assisted us in preparing the estimates. Because the list of such agencies and individuals is very long we can offer only a blanket acknowledgment and express our deep appreciation.

George Jaszi
Director, Office of Business Economics
August 1966
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August 1966
This report presents the complete set of national income and product tables that resulted from the comprehensive benchmark revisions that centered around the incorporation of the 1958 economic censuses into the national income and product estimates. Summary results of these revisions, with explanations, were first published in the August 1965 issue of the Survey of Current Business and have since been maintained on a current basis. In the present report, previously published statistics for 1963, 1964, and 1965 have been updated to take into account the annual revisions of the national income and product estimates that are customarily made in the July issue of the Survey. In these revisions, preliminary source data are replaced by more comprehensive data that have become available since the earlier estimates were made.

Another report scheduled for the future will contain a comprehensive explanation of the con-
ceptual framework of the national income and product accounts and the statistical sources and methods underlying the estimates. In the interim, National Income: 1954 edition, U.S. Income and Output, and the description of the present benchmark revisions in the August 1965 Survey may be used as references.

Summary of changes in the array of tables

The principal departures in the present report from the tables in U.S. Income and Output may be summarized as follows.

1. The following tables, which are regularly published separately in the Survey of Current Business, have been omitted from this report: income by state and region (tables II-8, II-9, and II-10 in U.S. Income and Output); expenditures on new plant and equipment (table V-7); sources and uses of corporate funds (table V-10); and the balance of payments tables (tables IV-5, IV-6, and V-11). Table IV-4, which showed the relation of foreign transactions in the national income accounts to the balance of payments, has been dropped because the definitional differences that existed formerly have been eliminated.

2. As announced in the April 1965 Survey, the Office of Business Economics has suspended publication of its series on distributions by size of income (tables II-11, II-12, and II-13). This decision was made because the benchmark study upon which the annual series was based had become obsolete. Work on reconstruction of the series is in progress.

3. The tables showing investment, depreciation, and capital stocks in manufacturing establishments (tables V-12, V-13, V-14, and V-15) have also been omitted from the present volume. These will be supplanted by new series—now in preparation—which will present estimates of investment, depreciation, discards, and capital stocks for all industries, with subtotals for manufacturing, farm, and all other. These estimates will be compiled according to various assumptions as to service lives, methods of depreciation, and valuation.

4. The detail in some of the former tables has been greatly improved and/or expanded and some tables have been added. In particular, attention may be directed to:

(a) Table 3.12, Relation of Federal Government Receipts and Expenditures in the National Income and Product Accounts to the Consolidated Cash Budget, which has been comprehensively reworked on the basis of an exhaustive analysis of the budgetary data. This reconciliation is now available for quarterly periods (not seasonally adjusted) rather than semiannually as in the past.

(b) Table 7.3 presents a new, comprehensive resume of the nonmarket items or "imputations" that are included in the national income and product accounts. The table shows the amounts for each of the imputations and the effect that the imputations have on the major aggregates in the accounts. This table encompasses the information formerly included in table VII-17.

(c) Estimates of the gross auto product (tables 1.15 and 1.16), which were initially published in the February 1963 Survey, are now fully integrated with the revised GNP figures.

(d) Gross national product by sector (table 1.7 and 1.8) is now available quarterly, seasonally adjusted.

(e) A table has been added on gross corporate product (table 1.14) providing more detail on this important sector of the economy. This table was first published on a continuing basis in the April 1963 Survey.

(f) The table (2.6) on annual personal consumption expenditures in constant dollars has been greatly expanded from a dozen detailed categories of personal consumption expenditures to almost 50.

(g) The tables on gross national product by major type of product (tables 1.3, 1.5, and 8.2) were extended to a quarterly basis in the November 1960 Survey.

Alaska and Hawaii

The national income and product statistics for 1960 and subsequent years are defined to include Alaska and Hawaii; those for prior years are not. This does not significantly affect the comparability of the data for most purposes for which they are used. The GNP of Alaska and Hawaii combined amounted to roughly $2 1/2 billion in 1960. A portion of this amount is probably included in the GNP and other major aggregates of the accounts for 1959 and earlier years because the data sources and statistical techniques employed were not sufficiently refined to exclude all Alaskan and Hawaiian product and income from the estimates.
DEFINITIONS OF MAJOR AGGREGATES AND COMPONENTS OF THE NATIONAL INCOME AND PRODUCT ACCOUNTS

The following definitions of the major income and product aggregates and their components are intended to give concise descriptions of the coverage of the various series and to call attention to important aspects of the series which are not readily apparent from their titles. The definitions of the major aggregates should be considered in conjunction with the definitions of their components.

Major Income and Product Aggregates

Gross national product (table 1.1) is the market value of the output of goods and services produced by the Nation's economy, before deduction of depreciation charges and other allowances for business and institutional consumption of durable capital goods. Other business products used up by business in the accounting period are excluded. The Nation's economy in this context refers to the labor and property supplied by residents of the Nation. Gross national product comprises the purchases of goods and services by consumers and government, gross private domestic investment (including the change in business inventories), and net exports (exports less imports).

Net national product (table 1.9) is gross national product less depreciation charges and other allowances for consumption of durable capital goods. It is the market value of the net output of goods and services produced by the Nation's economy. All business products used up by business in the accounting period are excluded. The Nation's economy in this context refers to the labor and property supplied by residents of the Nation. Net national product comprises the purchases of goods and services by consumers and government, net private domestic investment (including the change in business inventories), and net exports.

National income (table 1.10) is the aggregate earnings of labor and property which arise in the current production of goods and services by the Nation's economy. Thus it measures the total factor costs of the goods and services produced by the economy. The Nation's economy in this context refers to the labor and property supplied by residents of the Nation. Earnings are recorded in the forms in which they accrue to residents of the Nation, inclusive of taxes on those earnings. As such, they consist of the compensation of employees, the profits of corporate and unincorporated enterprises, net interest, and the rental income flowing to persons.

Personal income (table 2.1) is the current income received by persons from all sources, inclusive of transfers from government and business but exclusive of transfers among persons. Not only individuals (including owners of unincorporated enterprises), but nonprofit institutions, private trust funds, and private health and welfare funds are classified as "persons." Personal income is measured on a before-tax basis, as the sum of wage and salary disbursements, other labor income, proprietors' and rental income, interest and dividends, and transfer payments, minus personal contributions for social insurance.

Disposable personal income (table 2.1) is the income remaining to persons after deduction of personal tax and nontax payments to general government. It is the income of persons available for spending or saving.

Components of Gross National Product (table 1.1)

Personal consumption expenditures consists of the market value of purchases of goods and services by persons and nonprofit institutions and the value of food, clothing, housing, and financial services received by them as income in kind. It includes the rental value of owner-occupied

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houses but does not include purchases of dwellings, which are classified as capital goods.

Gross private domestic investment consists of the net acquisitions of fixed capital goods by private business and nonprofit institutions; including commissions arising in the sale and purchase of new and existing fixed assets, principally real estate; and the value of the change in the volume of inventories held by business. It covers all private dwellings including those acquired by persons for their own occupancy.

Net exports of goods and services measures the balance on goods and services, excluding transfers under military grants, as reported in the U.S. balance of payments statistics. Exports of goods and services are included in the gross national product because they are produced by the Nation's economy. Since imports of foreign goods and services are included in the purchases of the various market groups (consumers, government, etc.) distinguished in the GNP breakdown, they must be deducted from the sum of these purchases to derive a measure of output attributable to the Nation's economy.

Government purchases of goods and services consists of the net purchases of goods and services by general government and of the gross investment of government enterprises. General government purchases comprises employee compensation and net purchases from business and from abroad. They exclude the acquisition of land, current outlays of government enterprises, transfer payments, government interest, and subsidies, as well as transactions in financial claims.

Components of National Income (table 1.10)

Compensation of employees is the income accruing to persons in an employee status as remuneration for their work. It is the sum of wages and salaries and supplements to wages and salaries.

Wages and salaries consists of the monetary remuneration of employees, inclusive of executives' compensation, commissions, tips, and bonuses, and of payments in kind which represent income to the recipients.

Supplements to wages and salaries consists of employer contributions for social insurance and of other labor income. Employer contributions for social insurance comprises employer payments under the social security, Federal and State unemployment insurance, railroad retirement and unemployment insurance, government retirement and a few other minor social insurance programs. Other labor income comprises employer contributions to private pension, health, unemployment, and welfare funds; compensation for injuries; directors' fees; pay of the military reserve; and a few other minor items.

Proprietors' income measures the monetary earnings and income in kind of sole proprietorships, partnerships, and producers' cooperatives from their current business operations—other than the supplementary income of individuals derived from renting property. It includes the inventory valuation adjustment described below and the other adjustments to taxable income described under corporate profits.

Rental income of persons consists of the monetary earnings of persons from the rental of real property, except the earnings of persons primarily engaged in the real estate business; the imputed net rental returns to owner-occupants of nonfarm dwellings; and the royalties received by persons from patents, copyrights, and rights to natural resources.

Corporate profits (before tax) and inventory valuation adjustment is the earnings of corporations organized for profit which accrue to residents of the Nation, measured before Federal and State profits taxes, without deduction of depletion charges, exclusive of capital gains and losses and intercorporate dividends, and including inventory valuation adjustment. It includes the profits of stock life insurance companies and of mutual financial institutions. Bad debt expenses are measured by actual losses, not additions to reserves; and the profit or loss of bankrupt firms includes the gain from unsatisfied debt. Corporate profits includes net receipts of dividends and branch profits from abroad, as reflected in the balance of payments statistics, in addition to profits earned in domestic operations. In other major respects, the definition of profits is in accordance with Federal income tax regulations.

Corporate profits tax liability comprises Federal and State taxes levied on corporate earnings.

Dividends measures cash dividend disbursements by corporations organized for profit to stockholders who are U.S. persons.
Undistributed profits is corporate profits before tax less corporate profits tax liability less dividends. As such, it equals the change in corporate net worth stemming from current operations. It may also be viewed as purchases of physical assets plus net acquisition of financial assets less capital consumption allowances, borrowing, and new stock issues.

Net interest measures the excess of interest payments of the domestic business system over its interest receipts, plus net interest received from abroad. Interest paid by consumers and by government, including government enterprises, are not added into this computation because they are not treated as factor costs of production. In consequence, the net interest component of national income falls short of total interest accruing to persons from the business system and from abroad by the amount of consumer and government interest received by business. In addition to monetary interest flows, net interest includes imputed interest arising in connection with the operations of financial intermediaries. A portion of imputed interest is equal to the value of financial services received by persons without explicit payment; the remainder represents property income received by life insurance companies and noninsured pension funds less profits of life insurance companies.

Inventory valuation adjustment measures the excess of the change in the physical volume of nonfarm business inventories, valued at average prices during the period, over the change in the book value of nonfarm inventories. This adjustment is made to corporate and unincorporated business profits to remove the inventory profit or loss that occurs in business accounting when the book cost of goods removed from inventories differs from the current replacement cost. Valuation in current prices of the costs of inventories used up puts sales and costs on a consistent basis, and is necessary to derive measures of national output in current prices. No valuation adjustment is made for farm inventories and farm income, which are calculated at average prices during the period.

Components of Personal Income (table 2.1)

Components of personal income not shown below have been defined as components of national income.

Wage and salary disbursements is equal to wages and salaries, as defined under national income, except that retroactive wages are counted when paid rather than earned.

Personal interest income measures total interest (monetary and imputed, private and government) accruing to U.S. persons. It is calculated as the sum of the net interest component of national income, total interest paid by consumers, and net interest paid by government including government enterprises. This yields the correct amount of interest accruing to persons because interest paid by government and consumers to business has entered negatively in the computation of national income net interest. The imputed interest component of personal interest income is the same as in national income.

Transfer payments to persons consists of income received by persons, generally in monetary form, for which no services are rendered currently. It is composed of government transfer payments and business transfer payments. Government transfer payments consist of payments under the social security (including medicare), State unemployment insurance, railroad retirement and unemployment insurance, and government retirement programs, veterans' benefits (including veterans' life insurance proceeds), direct relief, payments to nonprofit institutions other than for work done under research and development contracts, and a few other minor items. Business transfer payments comprise corporate gifts to nonprofit institutions, consumer bad debts, and a few other minor payments.

Personal contributions for social insurance consists of payments by employees, self-employed, and by persons participating in the medicare programs. The programs included are identical to those listed under the employer contributions for social insurance component of supplements to wages and salaries.

Other Components of Summary National Income and Product Accounts

Capital consumption allowances (table 1.9) consists of depreciation charges and accidental damage to fixed capital. Depreciation is the charges made by private business for the current consumption of durable capital goods and comparable allowances for nonprofit institutions. It also in-
cludes depreciation charges for owner-occupied houses. Depreciation reported by business is not adjusted for changes in the replacement value of capital goods, except for farm enterprises. For corporations and nonfarm unincorporated enterprises, the definition of depreciation is the same as in Federal income tax regulations.

Indirect business tax and nontax liability (table 1.9) consists of tax liabilities and other general government revenues paid by business, except employer contributions for social insurance and corporate income taxes. It includes sales, excise, and property taxes. It also includes payments akin to taxes such as regulatory and inspection fees, fines and penalties, rents and royalties, and donations. It excludes government receipts from the sale of commodities and services to business which are similar to the ordinary purchases of intermediate products by business. Receipts from such sales are netted out of government purchases.

Statistical discrepancy (table 1.9) is the excess of the value of the estimated gross national product computed by adding the expenditure components over its independently estimated value computed by adding national income, capital consumption allowances, indirect business tax and nontax liability, business transfer payments, and current surplus of government enterprises less subsidies.

Subsidies less current surplus of government enterprises (table 1.9): Subsidies are the monetary grants provided by government to private business. The current surplus of government enterprises represents the excess of sales receipts over current operating costs of government enterprises. In the calculation of the current surplus, no deduction is made for depreciation charges, and interest is not included in either receipts or costs.

Wage accruals less disbursements (table 1.9) equals the excess of business liabilities over disbursements due to retroactive wage settlements.

Personal tax and nontax payments (table 2.1) consists of the taxes (other than contributions for social insurance) and nontax payments to general government by individuals that are not deductible as expenses of business operations. The principal taxes are income taxes, personal property taxes, and inheritance taxes. Nontaxes include passport fees, fines, donations, penalties, and tuition fees and hospital fees paid to schools and hospitals operated by State and local governments. Tax refunds are deducted from payments as of the time of refund.

Personal outlays (table 2.1) is the sum of personal consumption expenditures, interest paid by consumers, and personal transfer payments to foreigners. The latter consists of personal remittances in kind and in cash to abroad, net of such remittances from abroad.

Personal saving (table 2.1) is the excess of personal income over the sum of personal outlays and personal tax and nontax payments. It consists of the current saving of individuals (including owners of unincorporated businesses), nonprofit institutions, and private health, welfare, and trust funds. Personal saving equals the change in the net worth of persons which may be further viewed as the acquisition of financial claims (such as cash and deposits, securities, and reserves of life insurance companies and noninsured pension funds) less the net increase in indebtedness, plus the acquisition of physical assets net of capital consumption allowances.

Government transfer payments to foreigners (table 3.1) consists of U.S. Government nonmilitary grants to foreign governments in cash and in kind, and of U.S. Government pensions and other transfers, as measured in the balance of payments statistics.

Government surplus or deficit (—)(tables 3.1 and 3.3) is the excess of government receipts over government expenditures as defined in the national income and product accounts. As such, it equals the acquisition of financial assets less borrowing by general government and government enterprises. It also includes net government purchases of land. Net acquisitions of reproducible assets are excluded here because they are included in government purchases of goods and services.

Net foreign investment (table 4.1) is numerically equal to the balance on goods, services, and unilateral transfers as measured in the balance of payments statistics. As such, it is equal to the acquisition of foreign assets by U.S. residents less the acquisition of U.S. assets by foreign residents. It also includes the “errors and omissions” item in the balance of payments statistics.
## Table A

### 1.—National Income and Product Account

| Line | Description                                                                 | Amount  
|------|-----------------------------------------------------------------------------|---------
| 1    | Compensation of employees                                                   | 392.9   
| 2    | Wages and salaries                                                          | 358.4   
| 3    | Disbursements (2-7)                                                         | 358.4   
| 4    | Wage accruals less disbursements (5-4)                                      | 0       
| 5    | Supplements to wages and salaries                                           | 34.5    
| 6    | Employer contributions for social insurance (3-14)                          | 16.0    
| 7    | Other labor income (2-8)                                                    | 18.5    
| 8    | Proprietors' income (2-9)                                                   | 557.0   
| 9    | Rental income of persons (2-10)                                             | 0       
| 10   | Corporate profits and inventory valuation adjustment                         | 8.42    
| 11   | Profits before tax                                                           | 75.7    
| 12   | Profits tax liability (3-11)                                                 | 31.2    
| 13   | Profits after tax                                                            | 44.5    
| 14   | Dividends (2-11)                                                            | 19.2    
| 15   | Undistributed profits (5-5)                                                  | 25.3    
| 16   | Inventory valuation adjustment                                               | -1.5    
| 17   | Net interest (2-13)                                                         | 17.8    
| 18   | NATIONAL INCOME                                                              | 559.0   
| 19   | Business transfer payments (2-17)                                           | 2.6     
| 20   | Indirect business tax and non-tax liability (3-12)                          | 62.7    
| 21   | Less: Subsidies less current surplus of government enterprises (3-6)        | 1.0     
| 22   | Capital consumption allowances (5-7)                                         | 59.6    
| 23   | Statistical discrepancy (5-9)                                                | -1.6    
| 24   | CHARGES AGAINST GROSS NATIONAL PRODUCT                                       | 681.2   

### GROSS NATIONAL PRODUCT

| Line | Description                                                                 | Amount  
|------|-----------------------------------------------------------------------------|---------
| 24   | Personal consumption expenditures (2-3)                                     | 431.5   
| 25   | Durable goods                                                              | 66.1    
| 26   | Nondurable goods                                                           | 190.6   
| 27   | Services                                                                    | 174.8   
| 28   | Gross private domestic investment (5-1)                                     | 105.6   
| 29   | Fixed investment                                                            | 97.5    
| 30   | Nonresidential                                                              | 69.7    
| 31   | Structures                                                                  | 24.9    
| 32   | Producers' durable equipment                                                | 44.8    
| 33   | Residential structures                                                      | 27.8    
| 34   | Change in business inventories                                              | 9.1     
| 35   | Net exports of goods and services                                           | 7.0     
| 36   | Exports (4-1)                                                              | 38.0    
| 37   | Imports (4-2)                                                              | 32.0    
| 38   | Government purchases of goods and services (3-1)                           | 136.2   
| 39   | Federal                                                                    | 66.8    
| 40   | National defense                                                           | 59.1    
| 41   | Other                                                                       | 16.7    
| 42   | State and local                                                            | 69.4    

### PERSONAL INCOME

| Line | Description                                                                 | Amount  
|------|-----------------------------------------------------------------------------|---------
| 1    | Personal tax and nontax payments (3-10)                                     | 66.0    
| 2    | Personal outlays                                                            | 443.4   
| 3    | Personal consumption expenditures (1-24)                                    | 431.5   
| 4    | Interest paid by consumers (2-15)                                           | 11.3    
| 5    | Personal transfer payments to foreigners (net) (4-4)                         | 0.6     
| 6    | Personal saving (5-3)                                                       | 25.7    

### PERSONAL TAXES, OUTLAYS, AND SAVING

| Line | Description                                                                 | Amount  
|------|-----------------------------------------------------------------------------|---------
| 7    | Wage and salary disbursements (1-3)                                         | 358.4   
| 8    | Other labor income (1-7)                                                    | 18.5    
| 9    | Proprietors' income (1-8)                                                   | 55.7    
| 10   | Rental income of persons (1-9)                                               | 18.3    
| 11   | Dividends (1-14)                                                            | 19.2    
| 12   | Personal interest income                                                     | -38.4   
| 13   | Net interest (1-17)                                                         | -17.8   
| 14   | Net interest paid by government (3-5)                                       | -9.3    
| 15   | Interest paid by consumers (2-4)                                            | -11.3   
| 16   | Transfer payments to persons                                                 | 39.7    
| 17   | From business (1-19)                                                        | 2.9     
| 18   | From government (3-3)                                                       | 37.1    
| 19   | Less: Personal contributions for social insurance (3-15)                    | 13.2    

### PERSONAL INCOME

| Line | Description                                                                 | Amount  
|------|-----------------------------------------------------------------------------|---------
| 24   | PERSONAL TAXES, OUTLAYS, AND SAVING                                         | 535.1   
| 25   | PERSONAL INCOME                                                             | 535.1   

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